

Mr. Robert Clancy, Henry George Institute.

April 6, 1989

Dear Bob:

Thank you for your letter of March 27.

This is about the 2-pager I sent you entitled "Henry George Anticipated"

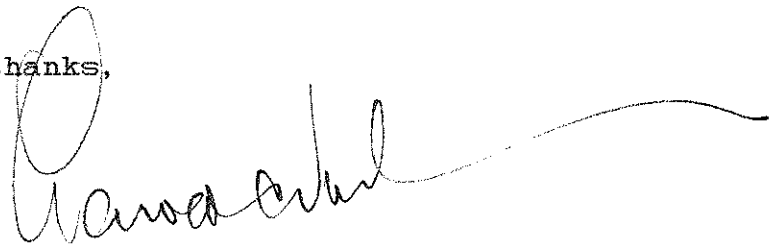
I sent you this item not with the idea of having it printed in the Journal, but to get your evaluation of what I had written.

To me, the quote from Locke was a breakthrough in my thinking on the "all taxes at expense of rent" issue. In my view, the Locke quotation put the question to rest, once and for all. There can be no doubt that taxes are at the expense of rent. No further discussion is necessary. Do you agree?

I thought this was a key finding and so, re-wrote the Redfearn article in broader terms, so as to clarify it a little for non-Georgists readers.

So what I really wanted was your appraisal of my re-write (or really elaboration).. As a long-time Georgist, do you agree that the question is now answered?. If you could send me just a few words on your substantive evaluation, I would be very grateful.

With many thanks,



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March 24, 1989

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Mr. Robert Clancy. Henry George Institute

Dear Bob:

Several things:

1. You did me a great service when you published a John Locke quotation in the Journal recently. "All taxes are at the expense of rent" was a question that hounded me for years, I wanted to believe it, but nothing I read would clinch in my mind. The Locke quote finally made it all clear, at least to me. It prompted me to write an expanded version of the Journal article. I enclose a copy of it and wonder if you could tell me what holes you see in it. I would be grateful.
2. Also enclosed are 4 items entitled "Things to Remember.....". I did these to give out to people who are reading George for the first time. I want to do one more on "sufficiency" of the LVT to bring all the revenue needed by government, enabling the elimination of all other taxation. I think too many economics books and encyclopedias write off Henry George on the premise that "while Lvt might have been sufficient in George's time, everyone knows that with today's big government it would not be adequate." But that is another subject. I would appreciate your thoughts on the 4 items enclosed.
3. One of the recent Journal's carried a flow of funds chart. Enclosed is one such chart that I got from a class I took some 30 years or more ago. I thought it was good and worth keeping. I enclose a copy for you for whatever interest you may have in it.
4. The Journal has been carrying a series of items on what I call "Why No Georgism?" (meaning why haven't we succeeded in getting our good thing adopted - why hasn't the world jumped at it, etc. I have an item from Australia entitled "Plenty for All - No Need for Belt-Tightening Nonsense" by Bill Mason. In it he quotes the Fontana Dictionary of Modern Thought's definition of hegemony:

HEGEMONY: Political and economic control exercised by a dominant class (and) its success in projecting its own particular way of seeing the world, human and social relationships, so that this is accepted as "Common Sense" and part of the natural order by those who are in fact subordinated to it"

You are doing a super job. How fortunate the Henry George movement is to have you so dedicated to it and working so efficiently to spread the word. God speed to you.

Sincerely,
Harold Voorhees

P.S. Another question - Did Benjamin F. Smith ever finish the book The Prime Principle?

HENRY GEORGE ANTICIPATED

Henry George was masterful in articulating his social and economic philosophy and, most especially, the land value tax as the key to universal prosperity and therefore as the solution to our deepest problems. However, the idea of land value taxing has been around for centuries and indeed was a major source of government revenue until the end of the feudal period when the landowning class began via parliament and other means to shift the tax burden to the emerging mercantile class.

It was about this time, the late 1600's, that the great thinker John Locke wrote the following:

"It is in vain, in a country whose great fund is land to hope to lay the public charge of government on anything else; there at last it will terminate. The merchant (do what you can) will not bear it, the laborers cannot, and therefore the householder must; and whether he were best do it, by laying it directly where it will at last settle, or by letting it come to him by the sinking of his rents, which when they are fallen, every one knows are not easily raised again, let him consider."

What Locke is saying is that all taxation is at the expense of rent.

The idea is best understood if one expresses Ricardo's law in a different form, and regards rent as the surplus remaining when the production costs of wages and interest have been allowed for, remembering of course that the superior bargaining power of the landowner ensures that these last two elements are kept to the minimum for which labor and capital can consent to operate. This minimum is irreducible even by taxation.

It follows then that wages and interest, if any attempt is made to tax them, will have to be correspondingly augmented from some other source, and the only possible one is the surplus remaining after allowance for production costs, namely rent. It is interesting to reflect that Locke, who lived when such attempts were in full swing, was in a position to observe their effects.

Another way of seeing this is to recall your grammar or high school economics teaching land, labor and capital as the three elements of production. Henry George tells us this is incorrect because capital is "stored-up labor" and therefore there are in truth only two elements of production - land and labor. This means that after you have removed the layer upon layer of things we do to fulfill our material needs, you will find that only two things, land and labor, are at the root of all production. Land is worthless until labor

is applied to it, and labor cannot labor without land.

If taxation is then introduced, it must per force come from one or the other. The contest is hardly an even one. A landowner can hold his land out of use for months and years while labor and capital have to work almost daily to stay alive. The landowner is in the driver's seat and sets the terms under which labor must work or be denied use of the land essential for its very survival. Labor in effect bids for the use of land, with the winner being the lowest bidder. It is not that anyone deliberately wills it this way, but it is a process inherent in the superior bargaining power of those who control land and it assures that average wage levels, i.e. the return to labor, is kept at a minimum.

But it is here that landowners gets whiplashed when it comes to taxation. The placing of any tax on labor can only mean a reduction in the flow of income (rent) to landowners.

Taxation, as Locke said, is and ever will be at the expense of rent; and the levying of it directly on the value of land would, through more economy in the effort of collection, yield a larger revenue. When in addition our measure has encouraged the more judicious use of land, the revenue will be increased still further.

The bottom line is that all of our taxes on labor, whether income, sales, excise, or whatever, ultimately reduce economic rent and therefore are in effect paid by landowners. The realization of this begs the question of why do we not just tax land values in the first place and rid ourselves of all the other taxes which make our lives so miserable? Think of all the IRS forms and instructions that could be junked, think how simple property assessments would be, think of not having the tax collector in your pocket every time you buy something, of being able to keep all of your take-home pay, of how many more jobs there would be when slums and other derelict land is used in a measure commensurate with its real value. It would be a good life. Why don't we have it? The answer can only be: ignorance.

Henrt George through his economic analysis and social philosophy shows us the way. He also wrote (in Progress and Poverty, Book VIII, Chapter II): "In every civilized country, even the newest, the value of the land taken as a whole is sufficient to bear the entire expenses of government. In the better developed countries it is much more than sufficient".

Let us overcome our ignorance. Our taxes tax the wrong thing. They are all upside down. Let's put them straight. Read George's "Progress and Poverty" and "Free Trade or Protection" and support the adoption of the Pro-Enterprise Act by Florida and by the nation.

Something to Remember when Reading Henry George.

-----There is nothing communistic about Henry George

Henry George and Karl Marx each compiled complete philosophies, social and economic. But the comparison ends there. In their thinking and convictions, they were on opposite ends of the candle from each other. Although they never met, George and Marx were contemporaries and were fully familiar with each other's works. George called Marx a "muddleheaded thinker" while Marx referred to George as "the last gasp of capitalism". There are informed researchers who believe that Marx, had he lived another few years, would have become a Georgist. They base this on Marx's final book which contains several passages that can be interpreted as leaning toward an acceptance of some of George's major concepts. George, on the other hand, repeatedly exposes the fallacies of communism and socialism in his writings and speeches and never waivers in his disdain for Marxism.

Something to Remember When Reading Henry George

-----"rent" means rent in the economic sense.

Economic rent is different from the rent you pay for an apartment, a hired car, or such. In economics, rent is the difference that arises in land values due to population, natural resources, technology and community amenities. Land values grow as population grows: land in a crowded city is more valuable than land in a distant small town. Fertile land and land covering valuable minerals have a higher value than infertile land and land without minerals of value. Technological advance makes men and machines more productive, thereby increasing the value of land they work on. A fire house, a library, schools, banks, sewer systems, and the like make land in towns with them more valuable than land in towns not having them or having them in lesser measure. The important thing to note is land values are not created by the labor of any one person; they are community-created values. Henry George holds that economic rent belongs to those who created it, i.e. society, and that governments should collect it for its revenue needs instead of reaching into the pockets of all of us who work for a living. There is ample evidence that economic rent is more than adequate to meet the financial requirements of government and to permit the abolishment of all taxes on labor and production.

Something to Remember when Reading Henry George

-----Henry George does not involve the confiscation of any land.

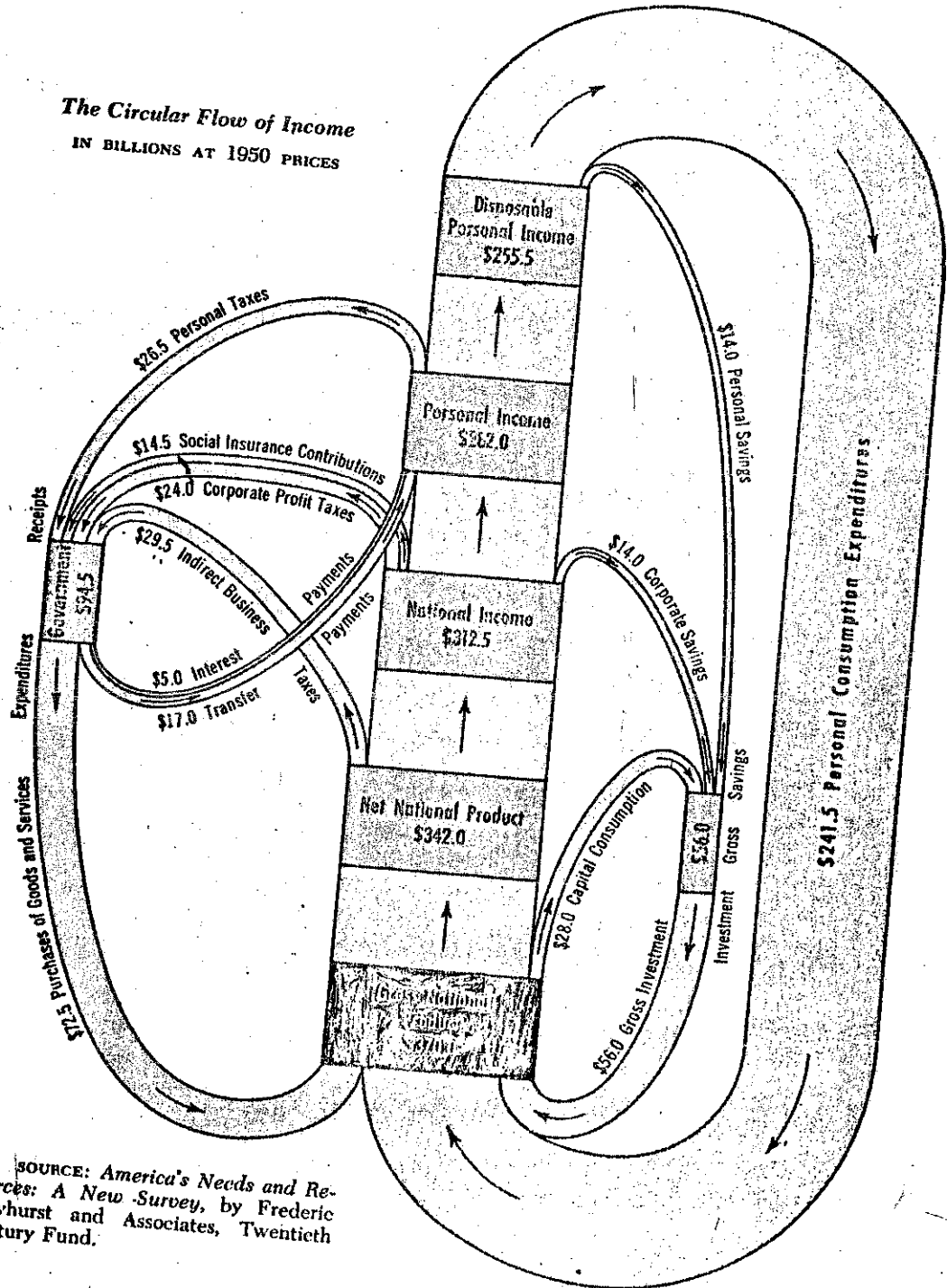
The genius of Henry George was in devising a formula under which land could be privately owned yet belong to everyone. George is often quoted as calling for the public ownership of land. Not so. Read him closely and you will readily see that he was a strong supporter of private property in land. Under his land value tax, land titles remain undisturbed, ownership of land can remain the same and no restriction is placed upon the amount of land anyone can hold. Land owners would continue to buy, sell, devise and bequeath land. Buying and selling of land might rise as unskilled owners, unable or unwilling to secure yields sufficient for their tax and living costs, sold their land to more skilful owners. This can only be beneficial to all concerned and would take place through the marketplace, not through the arbitrary decisions of fallible land reform committees. The land value tax is land reform at its best.

Something to Remember when Reading Henry George

-----The Georgist tax is not a tax on land, but on land value.

The difference is significant. A land tax is a specific tax, say \$5 per square year, \$100 an acre, etc. In Georgism it is the value of land that is taxed: land of high value would pay a higher tax than land of low value. Taxes on land in downtown business districts and in cities generally would pay more than land in the outskirts or in rural areas. Conservationists and environmentalists like this because it encourages development in cities and postpones the time when developers have to reach out to destroy farmland and open space. The stick and carrot approach (the stick being the high land value tax, the carrot being the absence of any tax on buildings or income) also brings a more logical growth - cities grow from their downtown districts outward, reducing the need to leap over vast amounts of vacant land on their outskirts to find living space. Millions would be saved by not having to build roads, sewage systems, and other essentials for suburbs that should be much closer to cities and would be if land held out of use or underused was taxed into uses comparable to its value. Urban sprawl and the premature invasion of beautiful countryside and farm land would end under a land value tax.

The Circular Flow of Income
 IN BILLIONS AT 1950 PRICES



SOURCE: *America's Needs and Resources: A New Survey*, by Frederic Dewhurst and Associates, Twentieth Century Fund.