

Seligman and His Critique from Social Utility

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Edwin R. A. Seligman (1861-1939), a long-time doyen of American tax economists, criticized the single tax with such unrelenting vigor that of the six sentences comprising his biographical sketch in the *World Book Encyclopedia*, one is devoted to setting forth this fact. Louis F. Post, an ardent Georgist who served as assistant secretary of labor in the Wilson administration, speaks of him as "the chief antagonist of our Prophet's cause, the most influential in scholastic and also in business circles. . . ."

Seligman was the son of a prominent banker, philanthropist, and Jewish leader who, on one occasion, declined President Grant's offer of a major Cabinet post. Upon graduation from Columbia University, young Seligman spent three years studying history and political science in Germany and France, returning to Columbia to earn both a law degree and a Ph.D. In 1885 he was appointed a lecturer at his alma mater; by 1891 he was full professor of political economy and finance; in 1904 he was named to the McVickar chair. Author of more than a dozen books, he originated and edited the *Political Science Quarterly* and served on numerous advisory commissions, as a consultant to the League of Nations, and, in 1931, as financial adviser to the Cuban government. Seligman's *The Income Tax* (1911) expounded principles that Congress embodied in the income tax law of 1913. He was active in New York City reform politics, and was chairman of the mayor's tax commission, 1914-1916. His distinctions included five honorary doctorates and several foreign decorations. He took pride in owning the largest private library on economics in America, rich in rare sixteenth and seventeenth-century volumes.

When not yet thirty and already of professorial rank, Seligman took the lead in opposing George at the 1890 conference of the American Social Science Association in Saratoga, which was wholly devoted to a debate on the merits of the single tax. Their eloquent but acerbic exchange was the high point of the proceedings.

At this event Seligman provoked all of George's combative instincts, which were never far below the surface, with the assertion that "there is not a single man with a thorough training in the history of economics, or an acquaintance with the science of finance, who is an advocate of the single tax on land values. In biology, in astronomy, in metaphysics, we bow down before the specialist; but every man whose knowledge of economics or of the science of finance is derived from the daily papers, or one or two books with lopsided ideas, thinks that he is a full-fledged scientist, able to instruct the closest student of the markets or of the political and social organisms."²

To this broadside George replied that the antagonism of the professors toward his teaching was attributable to the domination of the universities by vested interests, condemned Seligman for his elitism, and asked: "If our remedy will not do, what is your remedy?" He went on to say that palliatives would not avail. "You must choose between the single tax, with its recognition of the rights of the individual, with its recognition of the province of government, with its recognition of the rights of property, on the one hand, and socialism on the other. . . ." He accused the professors of proposing "more restrictions, more interference, more extensions of government into the individual field, more organization of class against class, more bars to the liberty of the citizen. In turning from us, even though it be to milk-and-water socialism, you are turning to the road that leads to revolution and chaos. . . ."³

Seligman's rejoinder ended with a peroration that summed up the attitude of most academic economists of his day:

Mr. George, you ask us, if the single tax is not the remedy, what is the remedy? Ay, that is the question. . . . If we thought that you had solved the problem we would enthrone you on our council seats, we would reverently bend the knee and acknowledge in you a master, a prophet. But when you come to us with a tale that is as old as the hills, when you set forth in your writings doctrines that have been long exploded, when you in the innocence of your enthusiasm seek to impose upon us a remedy which appears to us as unjust as it is one-sided, as illogical as it is inequitable, we have a right to protest. All careful students beware of the man with the *ism*. This is not the first time that the enthusiast has supposed that he has discovered a world-saving panacea. The remedy lies not in any such lop-sided idea: the remedy is the slow and gradual evolution in a hundred ways of the moral conscience of mankind.⁴

The acrimonious encounter at Saratoga initiated a long series of criticisms that appeared in many books and articles by Seligman. Yet he was not altogether unappreciative of George and George's followers: "It is undoubtedly true," he wrote in one of his most celebrated works, "that the single tax agitation has been of great value. It has in some countries served to direct attention to the abuses of a medieval land system. It has in the United States helped to disclose the shortcomings of the antiquated general property tax. It has everywhere done yeoman's service in emphasizing the question of unjust privilege."⁵ Especially did he prize the cooperation of single-taxers in his efforts to secure the abolition of taxes on personalty, which he regarded as particularly obnoxious. In point of fact, Seligman favored the taxation of land values as part of a more inclusive system, because, as he put it, "it reaches one

of the elements of taxable ability."⁶ But he felt that all save the most modest incomes, from whatever source, should, for the same reason, be subject to exactions at progressive rates.

Seligman's influential *Essays in Taxation* may be considered his fullest and most definitive critique of Georgist doctrine. In it his animadversions are presented under two main headings, theoretical and practical, and within the latter heading under four subdivisions: fiscal, political, moral, and economic—in that order. However, it has been deemed expedient in the present chapter to commence with a treatment of his theoretical and moral objections by a specialist in social ethics, followed by a section on the other three categories by a specialist in land economics and public finance.

I*

In the distribution of wealth, the just satisfaction of individual claims requires that society's claim be also justly met. Such is the general crux of Henry George's message. But where does society's claim rightly stop? George's answer to this question set forth boundaries sharp and well-defined. In the hands of others, the boundaries of society's claim have been so far extended as to constitute no boundaries at all, and the claims of individuals proportionately reduced to nothing.

Among these others, few have had the influence of Seligman. As one who advocated an extended view of society's claim, Seligman overlooked no opportunity to challenge the restricted view of George. While most of his objections along this line had been advanced in one form or another by earlier writers, they achieved their greatest impact under the aegis of his authority. Such attempts as have been made to counter them have mainly taken place outside the normative stream of economic literature and have hence been but little felt despite their cogency.

One conclusion that emerges from Steven B. Cord's valuable study, *Henry George: Dreamer or Realist?*, is that the revived appreciation of George that has been manifest in recent years tends to be limited to certain rather superficial aspects of what George proposed, and does not preclude the concurrent acceptance of ideas antithetical to some of his most fundamental premises. This may be viewed, at least in part, as a testimony to the durability of attitudes that Seligman helped greatly to engender.

The moral rationale for George's system rests upon two logically independent but complementary arguments, one primary and the other secondary. The first of these is the argument that since God created the earth for the use of all men, no one has the right to arrogate to himself exclusive access to any portion of it without indemnifying those thereby denied access. The indemnity, amounting to the market value of the advantage, namely, ground rent, is seen as a divinely provided fund that should be used by the community to meet general social needs.

The secondary argument is that inasmuch as the market value of raw land is wholly a social product, that value should be appropriated by society as the

*Section I, by Dr. Andelson, is adapted from his article "Where Society's Claim Stops: An Evaluation of Seligman's Ethical Critique of Henry George," *American Journal of Economics and Sociology* 27, no. 1 (January 1968): 41-53.

most "natural" and equitable source of public revenue. The primary argument is directed, at least initially, against private ownership of land and espouses the public appropriation of ground rent simply as a mechanism whereby such ownership may be rendered ethically and practically innocuous. The secondary argument, on the other hand, bypasses the matter of land and attacks the question of ground rent directly.

Both arguments, it should be noted, assume the labor theory of ownership, which in turn is rooted in the doctrine of natural rights. Given classical expression in Locke's *Second Treatise of Government*, the labor theory of ownership asserts that since the individual has an inherent right to his own person, he has a right to his labor as an extension of his person, and therefore a right to whatever that labor produces when applied to the opportunities afforded by his natural environment. This product he may consume, save, give away, bequeath, destroy, or exchange at will. But inasmuch as land is not a product of human labor, it may legitimately be treated as private property only so long as there is "enough, and as good, left in common for others."⁷ Translated into economic terms, this means only as long as it has no market value. Implicit in Locke's position is a corollary upon which George laid emphasis: ". . . as labor cannot produce without the use of land, the denial of the equal right to the use of land is necessarily the denial of the right of labor to its own produce."⁸

Seligman's ethical critique of George begins with the misleading statement that "the essential feature of the Single Tax is the singleness of the tax. . . ." In his essay "The Classification of Public Revenues" he defines a tax as "a compulsory contribution. . . to defray the expenses incurred in the common interest of all, without reference to special benefits conferred."¹⁰ George's proposal for the public appropriation of ground rent is not in this sense a proposal for a tax at all, but rather for a public or quasi-public price to be placed upon the special benefit received from society by the holders of land titles. As a concession to popular usage, he sometimes referred to it as a tax, but he never considered the term descriptively accurate.

Nor did George regard the "singleness" aspect of his proposal as its essential feature. He rejected all true taxes as arbitrary and unjust because not proportionate to benefits. But his system does not exclude the theoretical possibility of public charges for special benefits other than the privilege of monopolizing the "opportunities which nature offers impartially to all," although he viewed such other benefits as comparatively trivial. Neither does his system exclude the theoretical possibility of a uniform charge for socially conferred benefits available to everyone; he merely held that those who enjoy such common benefits should not be made to pay for them until those who enjoy special benefits at the expense of all have paid for these in full.¹¹ He anticipated that if this were done, the revenue would be sufficient to render a more general levy superfluous, and there is evidence that, at least for his time, he may have been correct in this. Insofar as monopolistic privilege begets social evils that give rise to public expense, his reform, to the extent that it would extirpate such privilege, would concurrently reduce the need for public revenue. Furthermore, the potential ground-rent fund is much larger than is commonly supposed.¹²

Seligman gets his critique under way with a sweeping indictment of the

doctrine of natural rights, which he claims has been proved incontestably by modern jurisprudence and political philosophy to be mistaken.¹³ This claim he grounds upon the fact that *belief* in the doctrine has been demonstrated to be a phenomenon lacking in historical catholicity—a fact that actually, of course, in no way invalidates the doctrine itself. However, this non sequitur need not occupy us further, for Seligman contends that even if the natural rights doctrine could be accepted, the labor theory of ownership would still be false.

Individual labor, he asserts, has never by itself produced anything in civilized society.* The very conditions that make production (save at the most primitive and rudimentary level) possible are the result of the contributions of the community. Civilized production depends upon a general fund of knowledge that has been built up through generations of technological experimentation. It depends upon opportunities for transportation, marketing, and the like that the individual finds already at hand, a legacy from others. It depends upon the materials and tools he uses, made available by countless men and women, the specific identity of most of whom he cannot but be ignorant:

Take, for example, the workman fashioning a chair. The wood has not been produced by him; it is the gift of nature. The tools that he uses are the results of the contributions of others; the house in which he works, the clothes he wears, the food he eats (all of which are necessary in civilized society to the making of a chair), are the result of the contributions of the community. His safety from robbery and pillage—nay, his very existence—is dependent on the ceaseless cooperation of the society about him. How can it be said, in the face of all this, that his own individual labor wholly creates anything? . . . No one has a right to say: This belongs absolutely and completely to me, because I alone have produced it. Society, from this point of view, holds a mortgage on everything that is produced.¹⁴

All private ownership is justified, therefore, only because and to the extent that it has social utility. Since all property is preeminently a social product, what a man owes society should be measured by how much he owns, and the amount of his tax governed by his ability to pay.

The above reasoning really consists of three separate lines of argument, for it is clear that three distinct factors have gone into the making of the chair apart from the labor of the chairmaker. First, there is the wood. Although, as Cord points out, only as uncut virgin timber is wood, strictly speaking, a gift of nature,¹⁵ we may, for purposes of discussion, regard it as representing the element of natural opportunity, namely, land, upon which all production ultimately rests. Second, there is the mental and physical labor of other individual producers, signified by the chairmaker's tools, his clothes, his food, and so on. Finally, there is his safety from robbery and pillage, guaranteed by government. Only this last may be considered the contribution of society as an organized body not separable into its component members.

Perhaps Henry George's most distinctive offering to social thought is his insistence that the cost of governmental factor should not be drawn from wages and interest, but rather met from the natural factor as an inevitable

*This argument was rudimentarily anticipated in Richard T. Ely's *Taxation in American Cities* (1888), pp. 16 f.

accompaniment of the full exercise of the protective function. By appropriating ground rent, government would not only acquire the means (he believed sufficient means) for its own support, but also perform one of its most vital duties—that of protecting citizens from pillage in the form of the monopolistic private expropriation of natural opportunity. From that which no private labor has produced, he taught, arises a social fund which, if taken by society as an organized totality, should prove adequate to sustain its operations as an organized totality. Why should the chairmaker pay tribute to a private landowner for his wood, George would have asked, when the landowner did nothing to produce it? Instead, let him make his payment to society, for the wood is a natural opportunity in limited supply, and the market value of timberland delineates the degree to which that opportunity is not available to all who wish to use it. His payment (made via the landowner, who could retain a small percentage of it as a collection fee) would reimburse the other members of society for the opportunity of which his acquisition has dispossessed them, and at the same time support the protection that society, through government, affords to him and them alike.¹⁶ George would concur with Seligman that society holds a mortgage on the chair for the wood of which it was fashioned and the protection under which it was produced, but he would say that the expense of the latter can and should be met by the payment of the former.

This leaves the middle factor that went into the making of the chair—the mental and physical labor of other producers, drawn upon by the chairmaker in his use of tools, housing, clothes, food, and the like. As Cord incisively remarks:

the chairmaker satisfies his obligations to the society that provided him with these things by paying for them. Should he pay twice, once by reimbursing the original owners of these goods and services and then again by turning over a share. . . of his own chairmaking income? It would seem that one payment to society and its members should be morally and practically sufficient.¹⁷

But, it may be argued, the middle factor includes not merely those goods and services for which the chairmaker pays, but also a host of others for which he does not—the general cultural and technological advantages, both tangible and intangible, built up through the centuries by the efforts of individuals upon whose shoulders we all stand. Yet, if not paid for by the chairmaker, these advantages have been paid for nonetheless, in whatever returns for which they were initially exchanged. If, because of monopoly or other form of exploitation, these returns were in many instances more meager than they would have been under a free market, the chairmaker is not placed under obligation for this reason. The modern tourist who thrills to the sight of the pyramids does not incur a debt because they happened to be built by slaves! Although perhaps an unintended beneficiary of exploitation, he was not its agent; its victims are, in any case, beyond the possibility of recompense, and it is to no one's detriment that he avails himself of the advantage for which he does not pay.

In contending that this middle factor constitutes a justification for a mortgage by society upon production, Seligman repeats a fallacy that may stem

from a misreading of Mill¹⁸ and was spread in this country by Edward Bellamy,¹⁹ namely, that the division of labor imposes upon the individual who is its beneficiary an obligation that extends beyond that which he satisfies in the ordinary process of exchange.

The division of labor assumes by definition the reciprocal satisfaction of its participants, for by division, rational division is implied, and without reciprocity division must in the last analysis rest upon arbitrary elements. Society does not exist apart from concrete individuals, and its function (however much perverted in historic practice) is to permit them the reciprocal satisfaction of their wants. If, therefore, they are not free to exchange goods and services on a voluntary basis, it is evident that social institutions obtain that thwart the function of society itself. If they are free to make such voluntary exchanges, they will do so only in terms of mutual satisfaction as determined by supply and demand. When once, under such conditions, an exchange has been consummated, its participants have no further claim to a return. Although others, not parties to the exchange, may benefit incidentally from it, no liability is thereby incurred by them, for (1) they did not enter into the transaction, and (2) those who did enter into it have already been fully recompensed according to the stipulations upon which the exchange was based.

This is not to say, of course, that the exchange may not anticipate the involvement of additional parties, but the obligation of such parties does not arise unless and until they agree to meet whatever terms are set by the makers of the original transaction. In other words, while an initial transaction may lead to new ones, it does not of itself impose a liability upon anyone not a party to it. The division of labor as manifested in the marketplace affords no justification for a social mortgage on production, for, if unimpeded, the operation of the market automatically provides for the reciprocal satisfaction of its participants. This is brought out in more detail by Max Hirsch, who also effectively refutes another line of argument against the labor theory of ownership—that ability and the value of services are social products, and that their reward therefore rightfully belongs to society as a whole.²⁰

Since the labor theory of ownership does not purport to justify the private ownership of nature, Seligman's point about the wood used by the chairmaker is irrelevant. Since the labor theory can be enforced only by the protective activities of government, it is in no way invalidated by the recognition that the cost of those activities represents a lien on ownership. By refusing protection, an individual may theoretically divest himself of such a lien, but in thus placing himself outside of the protective system he makes himself presumptively its enemy, forfeiting his claim to the right of ownership by declining to assume its correlative responsibilities. However, since the costs of protection can be met, at least in part, by a charge for the privilege of treating as private property something not produced by labor, society's lien on ownership to pay these costs does not become morally operative until the full rent-yield of nature, as determined by the market, has been collected and applied against them.

Cord adverts to Seligman's repetition of the time-worn notion that "since land is bought with the fruits of human labor, the labor theory [of ownership] can justify the private ownership of land."²¹ Like the proposition just dealt

with, that the labor theory can justify the ownership of producible goods (e.g., chairs) by society, this is an attempt to discredit the labor theory as self-contradictory. Cord answers it succinctly: "Exchange or purchase cannot make an unjust title just; after all, one might buy stolen property or a slave, and yet a rightful title would not be acquired by such a purchase."²²

Cord believes that "although George's labor theory [of ownership] merits respect, recent developments regarding taxation force some short-run modification of it."²³ Yet his suggestions in this connection do not really touch the labor theory of ownership as such, but merely George's application of it as embodied in the proposal for a levy falling exclusively upon ground rent. I have already shown that George's theory does not actually exclude the possibility of other benefit charges should the rent fund prove inadequate to meet such obviously legitimate expenses as the cost of public safety. Since such things as police protection and national defense are benefits vital to the common weal, and upon which every member of society may lay equal claim, it is patently right that each should bear an equal share of any cost that may exceed that which can be financed from the rent fund. The same principle obtains from a perhaps more local standpoint with respect to the expenditures necessary for safety requirements like fire and flood control and the control of communicable disease.

However, Cord goes further, suggesting that still other expenditures are needed to maintain "that essential condition of true democracy, equality of opportunity."²⁴ In this category he mentions expenditures for free medical care for the indigent, and compulsory unemployment insurance, and remarks that "many people argue" that the list should include expenditures for farm price supports, public housing, tariff protection, and post office deficit—additions that he is evidently not himself inclined to accept.

Even if all these things were demonstrably requisite to equality of opportunity, their legitimacy might well be questioned on the ground that whereas the function of insuring *equal freedom of opportunity* falls properly within the role of government, the function of insuring equality of opportunity does not. If government seriously undertakes to insure equality of opportunity, it must go beyond preventing predation and the unequal advantages that arise therefrom and seek to redress inequality resulting from differences in native endowment. It can do this only by conferring special privileges on some at the expense of others, and this is precisely what it does when it uses tax money for the purposes just listed. But, as Cord comments, from a moral standpoint "the taxing of one individual to benefit another cannot be condoned."²⁵ Coercive monopolization of opportunity could be largely obviated by the public appropriation of ground rent. For, as stated in the eloquent prose of Winston Churchill, the land monopoly, while not the only monopoly, "is by far the greatest of monopolies—it is a perpetual monopoly, and it is the mother of all other forms of monopoly."²⁶ It seems probable that if freedom of access to natural opportunity were thus guaranteed, the number of deserving indigent would be so reduced that their needs could be cared for without recourse to compulsory support.

In his impressive study *The Philosophy of Henry George*, George Raymond Geiger essayed to reconcile the labor theory of ownership with the social-utility theory.²⁷ In like vein, Cord asserts that in the last analysis "there may be no

real difference between the social utility and labor theories of property, except in the matter of emphasis,"²⁸ because "what is best for society is that each man should receive the fruits of his labor."²⁹ While advocates of the utility theory might accept this notion of what is best for society as a very general long-run proposition, most would allow for so many exceptions in specific cases as to render it useless as a regulating principle. Furthermore, to say that in the long run justice promotes utility is not the same as saying that utility ought to be the standard for justice. In fact, the two theories cannot be reconciled, for each asserts a different norm as ultimate. Yet to accept utility as ultimate is to follow a will-o'-the-wisp, for it always presupposes something else in terms of which it is defined.

Allied with Seligman's attack upon the labor theory of ownership is his attack upon the concept of ground rent as a uniquely social product. Whereas according to the former attack, inasmuch as nothing is the product of unaided labor, social utility and not labor constitutes the proper criterion for ownership; according to the latter attack, inasmuch as nothing can be long produced for sale without social demand, society holds a mortgage upon all commodities. Thus George's secondary argument—that because ground rent is socially produced it constitutes a distinctively appropriate basis for public revenue—comes under fire.

In his book Cord concedes, albeit reluctantly, this point,³⁰ insisting that the justification for the public collection of ground rent can be made to rest squarely upon George's primary argument and is weakened by appeal to the secondary one, which he dismisses as untenable despite its facile and seductive nature.³¹ However, he has since abandoned this position. As Geiger remarks in his defense of the secondary argument, economic value is determined, not by demand alone, but by the relationship between supply and demand:

the press of population and all the amenities of civilized society express themselves in the demand for land—as they do in the demand for everything else—but whereas the demand for land *must* raise land rent and land value, the value of consumer goods and capital goods will rise *or* fall, not merely as demand varies, but also in proportion to the elasticity of a reproducible supply in meeting that demand.³²

This he illustrates by pointing out that in large centers of population, where rent is invariably high, the value of labor products, all other things being equal, is comparatively low. Land is supremely characterized by its inelasticity of reproducible supply.

Given an unmonopolized supply of any economic element, in the production of which there is some measure of competition, increased demand and higher societal organization may not result in increased value. But since there is essentially a monopoly of land and since it is fundamentally irreproducible, increasing demand and social organization *must* raise land values.³³

It must be noted that the reasoning just quoted hypothesizes an unmonopolized supply of consumer and capital goods. However, Seligman maintains that "if there is one thing that distinguishes the modern age, it is the development of economic monopolies of all kinds," and that the "unearned

increment' of land is only one instance of a far larger class."³⁴ For purposes of example, he draws a parallel between increase in land values and the rising earnings of a newspaper because of the growth of a community. Jackson H. Ralston comments that in order for such a parallel to be valid, "the newspaper plant must be closed, the machinery left in place and all labor employed in it discharged. In that case, how much unearned increment will the newspaper building and the machinery, now idle, put into the pocket of the owner because they are surrounded by an industrial community?"³⁵

The pertinence of Seligman's thrust as to the ubiquity of monopoly in consumer and capital goods is dispelled by a consideration of the seminal and pervasive character that land monopoly reveals to anyone who looks beneath the surface. The recognition of this character, dramatically proclaimed with Churchill's castigation of land monopoly as "the mother of monopoly," finds somewhat more sedate expression in the following statement by John R. Commons, an economist contemporaneous with Seligman: "If the size of fortunes is taken into account, it will be found that perhaps ninety-five percent of the total values represented by these millionaire fortunes is due to those investments classed as land values and natural monopolies, and to competitive industries aided by such monopolies."³⁶ Geiger concludes that:

no matter how complete may be the capitalistic control of machinery and all the actual instruments of production, any significant separation of that "capital" from mineral, timber, fuel, railroad "land," would be fatal to monopoly. . . . It seems that, Antaeus-like, capital derives its strength from land, and it would appear that the breaking of land monopoly—which must follow once the value of land has been socialized—might operate upon the very foundations of capitalistic monopoly.³⁷

More formidable than Seligman's objection to the secondary argument is one raised by Charles B. Spahr, another economist of the period. Even if land values are socially created, he insists, not all members of society are equally responsible for creating them. Some, in fact, may actually decrease them. Why, therefore, should ground rent be equally enjoyed, as George proposed, by all members of a given community?³⁸ Yet this objection, too, loses force when subjected to the following considerations:

To begin with, the extent to which an individual increases or decreases the value of a site has little or no relationship to whether or not he owns the site. Hence, however valid it may be otherwise, Spahr's objection constitutes no argument that rent should necessarily be appropriated by the owner. Second, everyone adds an equal unit to site-value merely by adding a population unit to the community where a site is located, even though, over and above this, individuals may differ in their effect on rent. Whereas the former effect is measurable, the latter is not and should therefore accrue to the community at large. Third, land values are in part due to the presence of good government and valuable public services. In a democratic community these things must be attributed to the general voting public, rather than to specific individual citizens. Finally, even where an individual contributes nothing to (or even decreases) land values, he still has a legitimate claim to be indemnified to the extent that private land ownership has denied him equal freedom of opportunity in the use of nature. Thus even if George's secondary argument

were rendered nugatory by Spahr's objection, his primary argument would still vindicate the public appropriation of ground rent.

To return to Seligman—in the last analysis his attack upon the concept of land value as a uniquely social product represents an approach more forensic than substantive. For behind his effort to extend the notion of social increment as a source of public revenue beyond the limits defined by George lies an organismic theory of the state, which ultimately justifies the public confiscation of any kind of income, regardless of its source, his view of equity demanding only that the confiscation be proportioned to ability to pay. He sees the state as a unity that transcends the sum of its component members:

[the individual] does not choose the State, but is born into it; it is interwoven with the very fibres of his being, nay, in the last resort, he gives to it his very life. . . . We pay taxes not because we get benefits from the State, but because it is as much our duty to support the State as to support ourselves or our family; because, in short, the State is an integral part of us.³⁹

The government, indeed, must do something for the community in return for the support which it receives. But this reciprocal obligation on the part of the government is not toward the individual as such, but toward the individual as a part of the greater whole. The special benefit is swallowed up in the common benefit. . . . In its ideal form, at all events, the State must be likened not to a joint-stock company, but to a family. The citizens are not stockholders but brethren, animated, if they are patriots, by the same ideals and by the same fine sense of cooperation in the common interest.⁴⁰

This romantic theory, doubtless carried back by Seligman from his student sojourn in Germany, is grounded upon an interpretation of human nature that comports ill with the hardheaded empiricism affected by him as fitting to a social scientist. Seligman takes repeated potshots at George's "utopianism,"⁴¹ yet what is more utopian than the notion that such exalted motives can be safely made the foundation of a political order? In actual application its effect has ever been to undergird the hegemony of authoritarians who declare with Robespierre, "Our will is the general will."

As an authority both restraining and restrained, the state is necessary and legitimate. As an absolute and omniscient power, from the standpoint of psychological realism it is both an ethical travesty and a practical absurdity. That personal fulfillment comes only as the individual loses himself in a preoccupation with some goal beyond himself is a truth that has been recognized by moral and mental theorists for centuries. But this truth cannot without unconscionable risk be made the foundation of a political philosophy. Considering the difficulty of finding men who can be trusted not to abuse the relatively modest function of insuring the reciprocal freedom of citizens to choose and follow their own separate goals, it is fatuous to suppose that any leader, elite group, or majority of men is so virtuous and wise as to qualify for the task of choosing goals to which all shall be compelled to give allegiance. Reciprocal freedom is the only goal the acceptance of which can safely be made operatively incumbent upon every citizen. Although George, in words attributed to Helen Keller, displayed "a splendid faith in the essential nobility of human nature,"⁴² his system does not depend upon that faith. Instead of relying upon the beneficent use of unchecked power, it envisages its limitation

and dispersion through decentralization and the extirpation of monopoly. As one examines George's thought against the horrors that manifest themselves increasingly as the final outcome of the logic of the total state, one cannot but conclude that he should be reckoned the realist, and Seligman, the dreamer.

II*

In addition to opposing the single tax on theoretical and moral grounds, Seligman had a number of pragmatic technical objections to it. As we review these, it should be borne in mind that, like the others, they were directed against the *single* tax, not against land-value taxation as merely one component of a public revenue system also embracing other levies such as Seligman's choice, the progressive income tax.

Under the rubric "fiscal defects," he cites, to begin with, the inelasticity of a sole tax on land values as a source of public funds. By this he means, first of all, that under it the fisc cannot increase revenues at will, because it has but one source and is already by assumption taking all that that source will yield. Second, he means that revenues based only upon that source will be unstable, since the unimproved value of land is "subject to far more fluctuations than in commodities where the supply may be altered at pleasure."⁴³

Against the charge of inelasticity considered in its first aspect, the following points may be raised:

(a) The same charge is leveled routinely but mindlessly against the property tax in general. It flies in the face of the fact that the value of land is rising faster than income or almost anything else, and the property-tax base is in fact highly elastic. Income tax revenues rise in part because rates keep rising as inflation puts more and more people in higher and higher brackets; property taxes rise because the base rises, with fixed rates.

(b) An unbridled power to tax is not necessarily desirable. The history of the decline of civilizations is not one of inadequate powers to tax, but of topheavy parasitic bureaucracies. Today, the movement for revenue limitations in several states reflects widespread belief that government profligacy can be controlled in no other way.

(c) Governmental units with bonding and borrowing power can handle temporary bulges in needs without increasing taxes, as long as they have sufficient discipline to retrench when capital needs have been met.

(d) At present, most governments collect considerably less than the full land rent, raising the percentage from time to time as required and often lowering it too. They could just as well collect it all and distribute part of it in the form of social dividends, reducing dividends when faced with mounting needs.

(e) A small local community cannot tax more than the rent anyway, by whatever means, because other taxes are shifted into lower rents—that is, they reduce land values. (If this were to continue to the point where land ceased to have value, the community, and hence the need for taxes, would disappear.) Taxing rent directly is simply a more efficient means of doing this, without the "excess burdens" of indirect taxation. A corollary of this is that a local government can collect more revenue by taxing land values than in any other

*Section II is the work of Dr. Gaffney.

way. Inefficient taxes create unacceptable hardships for marginal lands and producers while the best lands are still yielding lots of rent for their owners. (A marginal community will not be uniformly marginal, but have better and worse parcels.)

(f) Efficient government will generate more rents (although fewer speculative values).

Issue may also be taken with the charge of inelasticity in its second aspect:

(a) Historically there have been some wide boom-and-bust swings in land values in frontier areas, to which Seligman evidently alludes. But these have occurred in the absence of heavy land taxes. As he points out later⁴⁴ with respect to Western Canada, even where buildings were exempt, tax rates on land were so low as to bear scarcely any resemblance to what George proposed (Charles H. Shields found they were lower than in the average U.S. city⁴⁵). One of Seligman's inconsistencies is to pillory the full single tax, and use the negligible single tax as a case in point.

(b) Local governments rely upon property taxation because of its stability and reliability, which many of them need because of their weak credit ratings. Short-term variations in activity-based taxes are not matched by equal variations in property taxes. The land part of the property base is normally the more stable. This may be seen frequently in decaying central cities, where the land retains a renewal value even where buildings have become worthless. After a whole neighborhood declines, the land also loses value; but at the fringes of the blighted neighborhood there is still land value, and the renewal that would result from taxing land instead of buildings would sequentially restore the renewal value of land from the outside inwards. In marginal areas with minerals, the property tax on mineral values provides a stable revenue, while the severance tax is turned on and off at the convenience of the owners. Indeed, owners criticize the property tax for imposing risk on them. It follows that it reduces risk for the fisc.

(c) A compact and orderly city and region, growing outward sequentially, would not be subject to boom and bust. This is the objective of land planning cum land taxation. The wild swings that Seligman deplors have occurred in the absence of significant land-value taxation, and should hardly be cited as the results of, or as arguments against, it—whether it be proposed as the sole source of public revenue or otherwise.

Another alleged fiscal weakness of the single tax is that land is difficult to assess accurately. Seligman gives no authorities or data, but much vigorous affirmation. Extended discussion by economists and assessors of this point may be found in *The Assessment of Land Value*, edited by Daniel M. Holland.⁴⁶ The weight of opinion there is that the accurate assessment of land values is feasible but that of buildings, less so. There is, of course, a problem of undertrained assessors, but it tends to solve itself as we increase reliance on this tax base. The tax on which we rely most heavily will get the brains and personnel to handle technical difficulties.

Seligman concedes in a qualified way that land values in cities can be distinguished from building values, but he thinks that in rural districts the separation of land values from improvement values constitutes an insuperable problem because agricultural improvements are so largely *in* rather than *on* the land. As a farm economist at the University of Missouri, the present writer

looked into this question and found little to support Seligman's position.⁴⁷ Léon Walras, too, examined this question in his *Théorie d'économie sociale*, although his treatment of it is omitted from Jaffe's English translation. The farmland apologists, he says, see the manure going into the soil; they do not see the yield coming out of it each year. Artificial fertility in fact turns itself over economically in a short time.

With respect to the matter of agricultural improvements, as elsewhere, Seligman assumes the worst: a perverse, destructive assessor who seizes upon any soil improvement to confiscate, and violates the spirit of the laws he is administering. This smacks more of hostile rhetoric than of careful analysis.

Seligman next introduces three "political defects." The first of these is that the adoption of the single tax would necessitate the abolition of import duties. Most economists favor free trade anyway, as George did. But if protection be regarded as desirable, nothing says we cannot tax both land and imports, or use quotas and marketing agreements. Seligman suggests that, quite apart from protection, there may be political or fiscal advantages in having import duties. Most economists have noted, on the other hand, that Britain's era of political and economic hegemony coincided with its era of free trade.

The second "political defect" is that the single tax would preclude sumptuary taxes. But sumptuary taxes, although sometimes prolific revenue producers, often fail in their intended function; when set high enough on a commodity to deter legal sale, they are evaded on the black market. If, however, a cigarette tax, for instance, be viewed as a rent charge for the use of air at the expense of others, it can be justified on Georgist grounds. Taxes on activities that pollute the environment are rents for the use of a natural resource.

The third political weakness is that the single tax would take away "from the vast majority of citizens the sense of their obligation to the government, and . . . divorce their economic interests from those of the state," since a relatively small segment of the population would pay the taxes.⁴⁸ This rings strangely coming from an advocate of ability to pay as the prime criterion of taxation, and is one of Seligman's many inconsistencies. (Incidentally, it should be noted that he concedes, in asserting this position, that land is not very widely held.) "Since the 'unearned increment' would flow of itself, silently and noiselessly into the treasury, there would be no need of a budget; and the sense of responsibility in the citizens would be perceptibly diminished."⁴⁹ There is an inconsistency here, too, for the statement does not jibe with his earlier concern about the elasticity of revenue, which suggested that the problem would be lack of enough money for government. Here he worries that there would be too much. In fact, the ability to tax almost anything, which he favors, seems more likely to encourage public extravagance than does the limitation of taxes to land values. Certainly, the ability of landowners to slough taxes onto others turns them from watchdogs of the treasury into raiders, since so much of public spending creates new unearned increments to land value.

The remainder of Seligman's objections to the single tax are "economic defects." The first is that marginal communities would have practically no public revenue if they were restricted to taxing land. "Since land values [in such communities] are insignificant, a tax imposed on an insignificant basis

must be insignificant."⁵⁰ Under such circumstances, the maintenance of roads, schools, and so on would become impossible. In fact, in order to be marginal rather than submarginal, a district must have land that yields enough to pay not merely the private costs of production but also the costs of government, however taxes may be levied. Labor and capital are mobile in comparison with land, so they will move around until their returns are equalized after taxes; they will not remain in a marginal district if the burden of taxes is placed upon them.

He next asserts that under the Henry George proposal, the taxes of the farm population would increase. He presents data showing that the value of improvements per dollar of land value is, on the whole, greater in cities than on farms. A missing link in his argument is whether these data come from within the same tax jurisdiction, but they clearly do not and so miss the mark. Actually, as to land/building ratios, both farms and cities are heterogeneous. There are land-intensive farms, and capital-intensive ones. It is between these categories that the shift of the tax burden would occur. (The present writer has data showing that the capital-intensive farms are, for the most part, smaller.) Where cities include "farms" today, they would be valued primarily as speculations and only incidentally as farms. Getting more taxes from their owners would not be increasing the burden on working farmers.

But if some farmers did have to pay more, so what? It is bad enough to make cows sacred, and worse to add the owners of their pasture. Intensive farmers would not pay more. "The efficient farmer with his heavy investment in capital equipment would certainly benefit by a shift of taxation from improvements to land; the inefficient might not, but perhaps he should be persuaded by every means, including that of taxation, to switch to more economically desirable endeavors."⁵¹

Seligman's final point has to do with the effect of the single tax on urban communities. Here he seeks to refute the contention that the inhabitants of slums would be benefited because the abolition of taxes on improvements would cause "vacant lots to be built over as if by magic,"⁵² thus making more housing available, and forcing down tenement rents.

He asks "where all this additional capital which is to be invested in houses is coming from. There is no fund floating about in the air which can be brought to earth simply by the imposition of the Single Tax; the amounts to be laid out in houses must be taken from the capital now invested in some other form of productive enterprise."⁵³ Seligman contradicted himself in an article written a few years later, by stating that the imposition of a land-value tax would cause a building boom that would last until a new equilibrium between dwellings and population had been reached.⁵⁴ Still, it could be instructive to pursue his idea.

His contention in the *Essays* that capital would not be available for building represents an unstated change of focus from the local to the national or world economy. Any small jurisdiction, obviously, can import capital from outside, and will do so if it exempts buildings and taxes land. Today, economists speak routinely of "open" and "closed" economies, to indicate what is assumed about the possibilities for migration of capital and labor. One is supposed, in a discussion of this sort, to stick with one or the other; Seligman makes points by moving back and forth without saying what he is doing. Georgists have not

always been consistent either, but here I am reviewing Seligman.

He correctly states that the Georgist premise that building taxes are shifted forward to tenants assumes implicitly that what is at issue is a building tax levied partially and selectively on rental buildings. This is known now as partial equilibrium analysis. But if taxes are levied on all capital, and the supply of capital is *not* fixed (an open economy), then the tax must rather be shifted into lower land values. Where else could it lodge? The other inputs can all cut and run.

Seligman, however, has moved in his discussion, without saying so, to a closed economy. If all capital is taxed uniformly, he states, the supply, like that of land, is fixed, and so owners of capital bear the tax in lower rates of return.

Seligman fails to consider that even in this closed economy there is a fund of capital, not "floating about in the air" but stuck in the ground. This is the huge and ever-growing waste of public and utility-industry capital in the over-extended infrastructure demanded by urban sprawl, and private trucks and autos required to survive in scatter land. These diversions of capital from housing and industrial needs result from the land speculation that George's policies are designed to prevent and remedy.

Also, even in a closed economy, taxing capital means a lower rate of return to capital after tax, which might reduce saving, investment and capital formation. This is a major issue today. Nor does Seligman look at the allocation of capital between taxed private uses and tax-free public ones. Public agencies generally overuse capital, in part because they pay no property taxes on it. Nor does he consider that even the whole national economy is not really entirely closed. Capital is imported and exported. Lower returns here have caused it to emigrate on a grand scale.

Nor does Seligman consider that lower after-tax returns to capital mean lower capitalization rates applied to land incomes. Land value is income/interest rate. Higher land values thus result from taxing capital, where capital bears the tax (granting the assumption that it does). This higher land value is an asset to the owner, constituting a substitute for real capital, and weakening his incentive to save. Thus lower after-tax returns to capital do indeed reduce capital formation.

Seligman now raises the objection that the single tax could not reduce inner-city congestion, because slum inhabitants are necessarily limited to small areas by their preference for living in proximity to their work and, since virtually all the land in these areas is already developed and in use, nothing will increase the effective supply. He cites a tenement neighborhood on Manhattan Island, saying that "not seven-tenths of one percent of the building lots lie idle."⁵⁵

Two of his assertions now contradict each other. First, he alleges that the exemption of improvements from taxation would cause landowners to erect higher tenements, creating worse congestion. Second, he says that taxation has relatively little impact upon land-use decisions. (The evidence he gives for this consists of instances in Western Canada where improvements were exempt, while the land tax was kept low in the face of a tremendous surge in land values.) By now his hostile rhetoric has carried him beyond the self-discipline of consistency, and he becomes merely quarrelsome and captious. Perhaps he was reacting to careless overstatements by others, but we cannot say, because

he never identifies or cites his antagonists, simply lumping the whole bad lot as "single taxers."

Seligman ends with a proposal to stop the underassessment of unimproved city lots, and another for the imposition of a special or higher tax on vacant lands in or near the city. While these proposals are oriented in the right direction, they suggest a very limited understanding of the problem of land speculation, for urban real estate that is completely unimproved and vacant is just the tip of the iceberg.

Notes

1. Louis F. Post, *The Prophet of San Francisco* (New York: Vanguard Press, 1930), p. 231. Chapter 23 of Post's book is almost wholly devoted to the refutation of Seligman's arguments.
2. Edwin R. A. Seligman, Henry George, et al., "The Single Tax Debate," *Journal of Social Science: Containing the Transactions of the American Association*, no. 27 (October 1890), p. 85.
3. *Ibid.*, p. 98.
4. *Ibid.*
5. E. R. A. Seligman, *Essays in Taxation*, 9th ed. (New York: Macmillan, 1923), p. 96. The first edition appeared in 1895.
6. *Ibid.*, p. 74.
7. John Locke, *Second Treatise of Government*, chap. 5, par. 27.
8. Henry George, *Progress and Poverty*, 75th anniversary ed. (New York: Robert Schalkenbach Foundation, 1954), p. 341.
9. Seligman, *Essays in Taxation*, p. 68.
10. *Ibid.*, p. 432.
11. See George, *Progress and Poverty*, p. 20.
12. See Steven B. Cord, *Henry George: Dreamer or Realist?* (Philadelphia: University of Pennsylvania Press, 1965), pp. 122, 191-93.
13. Seligman, *Essays in Taxation*, p. 69.
14. *Ibid.*, p. 71.
15. Cord, *Henry George*, p. 83.
16. The foregoing analysis accepts, for the sake of argument, the adequacy of Seligman's illustration, if not the logic of his inferences. It should, however, be remembered that the incidence of payment finally rests upon the chair's ultimate purchaser, regardless of whether the payment goes to the landowner or to society. One sometimes hears it said that the landowner cannot shift a public charge ("tax") on land to the consumer. This is a loose way of phrasing a proposition with which almost all economists, including Seligman, agree—that such a charge cannot increase ground rent and raise commodity prices. (See E. R. A. Seligman, *The Shifting and Incidence of Taxation*, 4th ed., [New York: Columbia, 1921], pp. 281-87.) In fact, it tends to decrease prices by "squeezing the speculative water" out of land values, for if a high enough percentage of ground rent is taken by the taxing authority, the incentive to hold land off the market disappears, along with the inflated prices owing to artificial scarcity.
17. Cord, *Henry George*, p. 83.
18. John Stuart Mill, *Principles of Political Economy*, 7th ed. (1871), bk. 1, chap. 2.
19. Edward Bellamy, *Equality* (New York: Appleton & Co., 1897), chap. 13, pp. 88-91.
20. Max Hirsch, *Democracy versus Socialism*, 4th ed. (New York: Robert Schalkenbach Foundation, 1948), pp. 221-27.
21. Cord, *Henry George*, p. 83.
22. *Ibid.* See also a vigorous and extended discussion in Hirsch, *Democracy versus Socialism*,

chap. 7.

23. Cord, *Henry George* p. 230.
24. Ibid.
25. Ibid., p. 231.
26. Winston S. Churchill, *Liberalism and the Social Problem* (London: Hodder & Stoughton, 1939), p. 318.
27. George Raymond Geiger, *The Philosophy of Henry George* (New York: The Macmillan Company, 1933), p. 138.
28. Cord, *Henry George*, p. 83.
29. Ibid., p. 231.
30. Ibid., p. 232.
31. Ibid. See also p. 127.
32. Geiger, *Philosophy of Henry George*, p. 108. See also p. 96. Geiger's defense is somewhat blurred by his characterization of capital as a social product (p. 108). But the burden of his discussion is to demonstrate that this is only partially the case, whereas it is wholly true of land values. When he speaks of the supply of capital as being socially determined, he does not mean that it is primarily a social product, but that it expands and contracts in response to social demand.
33. Geiger, *Philosophy of Henry George*, p. 108.
34. Seligman, *Essays in Taxation*, pp. 81, 83.
35. Jackson H. Ralston, *What's Wrong with Taxation?* (San Diego: Ingram Institute, 1932), p. 58.
36. John R. Commons, *The Distribution of Wealth*, p. 253. Cited by Cord, *Henry George*, p. 72.
37. Geiger, *Philosophy of Henry George*, pp. 260 f.
38. Charles B. Spahr, "Single Tax," *Political Science Quarterly* (December 1891). Cited by Cord, *Henry George*, p. 70.
39. Seligman, *Essays*, p. 73.
40. Ibid., p. 337.
41. Ibid., pp. 69, 97. Also his concluding remarks at the Saratoga convention of the American Social Science Association, reported in *Journal of Social Science: Containing the Transactions of the American Association*, no. 27 (October 1890), p. 98.
42. This quotation was cited for many years in the annual brochure of the Henry George School of Social Science; its source is a letter written around 1930 by Miss Keller to the Robert Shalkenbach Foundation.
43. Seligman, *Essays*, p. 76.
44. Ibid., p. 94.
45. Charles H. Shields, *Single Tax Exposed*, 7th ed. (Seattle, Wash.: Trade Register, Inc., 1914), chap. 9.
46. Daniel M. Holland, ed., *The Assessment of Land Value* (Madison: University of Wisconsin Press, 1970).
47. See M. Mason Gaffney, "Soil Depletion and Land Rent," *Natural Resources Journal* 4, no. 3 (January 1965): 537-57.
48. Seligman, *Essays*, pp. 78 f.
49. Ibid., p. 78.
50. Ibid., p. 84.
51. Cord, *Henry George*, p. 86.
52. Seligman, *Essays*, p. 92.
53. Ibid.
54. Seligman, "Halving the Tax Rate on Buildings: The Argument in Opposition," *Survey* 31 (17 March 1914), as reprinted in Edna Bullock, comp., *Selected Articles on the Single Tax*, 2d ed. (New York: H. W. Wilson Co., 1917), p. 164. Cited in Cord, *Henry George*, pp. 88 f.
55. Seligman, *Essays*, p. 93.