

# Setback for Marxism

IN RECOGNITION of the centenary of Henry George's *Progress and Poverty*, the 1978 conference of the Committee on Taxation, Resources and Economic Development (TRED) was devoted to the subject of land value taxation. The papers presented at that conference, together with summaries of the discussions on them, have now been published.

Although not a book which even an enthusiast would attempt to read at one sitting, this publication deserves a place on the shelves of any library serving students or practitioners of economics and taxation.

The eleven contributors included general economists, tax economists and tax administrators from the United States and Europe, representing a broad spectrum of views, by no means all of which were sympathetic to the teachings of Henry George.

Opening the conference Prof. Kenneth E. Boulding observes that "it is quite possible that no book on economics in over two hundred years has been read by so many people, or has aroused more interest, as *Progress and Poverty*... what then went wrong? Why has this been the century of Marx rather than of George?"

*This is a profoundly interesting question, but Prof. Boulding's answer is frankly disappointing.*

In his opinion "many of the failures of George's political campaigns and political rhetoric... go back to certain inadequacies in his analysis" which was "based heavily on classical economics... and shared many of the classical system's defects."

What follows is not convincing, either as an identification of such defects or as an attempt to repair them.

He notes, nevertheless, that "the significance of this debate for human welfare is large. If what might be called the 'neo-Georgist' philosophy is correct - that the distributional defects of the market and family system can be corrected institutionally with relatively minor changes in the tax and subsidy system - the whole case for revolutionary Marxism is undermined. Communism and centrally-planned economics are seen as the wrong answer to what was a perfectly legitimate question; it is not a 'progressive' step but rather an evolutionary setback which the human race will eventually have to overcome."

Prof. Boulding is not, however, content to sit on the sidelines in this controversy. He observes very positively that "George was certainly right in perceiving that economic rent is the ideal subject of taxation... it can capture only what is genuinely economic surplus, that is, an individual's income which, when lost, will not reduce his or her productive

activity. If the State tries to do more than this, the producer will reduce both activity and product."

THIS CENTRAL feature of the economics of land value taxation was unfortunately lost on George F. Break.

Mr. Break's contribution consists mainly of a scathing contrast between George's four canons of taxation - borrowed, according to Break, without acknowledgement from Adam Smith - and what he considers is really to be expected from land value taxation. In his second canon, George requires that a tax should "fall as directly as may be upon the ultimate payers - so as to take from the people as little as possible in addition to what it yields the Government."

Break fails to see the vital importance of the italicised passage and claims that land value taxation fails the test, referring to Feldstein's 1977 paper on the incidence of a tax on pure rent. (Feldstein's paper demonstrates the theoretical possibility that, on certain assumptions, there might be initial distributional effects tantamount to the passing on of the tax.)

What Break fails to notice is Feldstein's endorsement in that same paper of the proposition that a land value tax does not reduce production. In Feldstein's words "it is a tax without excess burden (which) introduces no distortions and therefore no welfare loss."

## BOOK REVIEW

By Peter Poole

### *Land Value Taxation*

Editors, Richard W. Lindholm and Arthur D. Lynn, Jr.  
University of Wisconsin Press, \$20

Following Prof. Boulding's paper, Weld S. Carter presents an admirable twelve-page summary of Henry George's philosophy using skilfully selected quotations. Inevitably, this fails to capture the "vigour, passion and rotundity" which, to quote Boulding, "gives Henry George a unique place not only in the literature of economics but in English language itself." But for someone in a hurry, seeking a statement of the essentials, it is ideal.

*There follows a group of papers dealing with practical issues.*

● Grosskopf and Johnson, taking a number of different approaches, conclude that it is likely that a site value tax would provide an adequate substitute for existing property taxes, assuming that land would be assessed at potential value without exemptions.  
● Mary Miles Teachout describes a set of administrative and juridical procedures designed to make land

taxation equitable and acceptable to the public.

● Lindholm and Sturtevant apply a model developed by Grierson to produce a hypothetical analysis of the effect of land value taxation applied to the city of Eugene, Oregon, and conclude that it would be effective in limiting "urban sprawl".

● Concluding this section, there is a paper by Ronald B. Welch on the problems of land valuation and the usefulness of multiple-regression analysis.

THE CONCLUDING group of papers includes an account of land taxation practices in the U.K. by Prof. Prest of the London School of Economics and a comparison by Matthew Edel of the philosophies of Henry George and Karl Marx. But these and many of the other contributions are overshadowed by a masterly essay by Prof. Mason Gaffney of the University of California, Riverside.

This is an analytical survey of the views on land value taxation of economists ranging from Francois Quesnay in 1760, David Ricardo in 1817, Alfred Marshall in 1920 through to present-day economists such as Colin Clark and Ralph Turvey. It is interesting to find Leon Walras among enthusiastic advocates, with strong but limited support coming from Harold Hotelling and A. C. Pigou. The bibliography to this paper would alone make it an important contribution to the literature.

To quote the preface to the volume: "A general, if tentative consensus develops... that George's land tax possesses significant utility as a source of government revenue... (which) merits the attention of policy makers."

Boulding is more positive: "George's solution... has the great attractiveness of administrative simplicity. It is a neglected part of the tool-box of social scientists, philanthropists, reformers and politicians".

Even the sceptical George F. Break sees it as possibly a "useful policy tool in the development of those new, ambiguously-owned acres under the sea."

Readers will be struck by the contrast between the pallid and uninspiring style of many of the contributions and the vigorous analytical prose of *Progress and Poverty*. But this is merely a reminder of the towering stature of the man whose work was under discussion. And if the papers provide little in the way of fresh insights, they do at least pose questions that could be pursued further. Possibly someone will be prompted to write an analytical comparison between the works of George and Marx.