

The Book Trail

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What college teachers believe and teach is a matter of urgent importance, in my opinion. A new economics text-book should be taken seriously, for text-books provide a starting point for ideas that later influence social and political action. For this reason The Book Trail this month is being turned over to a comprehensive and important review by Professor Harry Gunnison Brown of a new book which, presumably, will be used in a number of colleges.—S. J. A.

"Modern Economics—Its Principles and Practices" (Thomas Nelson and Sons—\$2.75) was prepared by Justin H. Moore, William H. Steiner, Herbert Arkin and Raymond R. Colton. The second of these, Dr. Steiner, is connected with Brooklyn College. The other three authors are connected with The College of the City of New York. Their book deals with about all of the topics commonly handled in textbooks for beginning students of economics, including some of the especially "up to date" topics.

Readers of *The Freeman* will be most interested, of course, in the authors' chapter on rent and in their treatment of the question of the socialization of rent.

At the beginning of their discussion one might, were it not for the antagonistic tradition among economists, almost suspect the authors of favoring rent socialization. For in commenting on land speculation they remark:

"The land involved is usually bought by speculators and is thrown out of use as farm or truck land, and eventually subdivided into lots for sale to the public. There are often social losses incurred in this process of preparing land for urban use. First the services of the land as a farm are lost—and frequently for as much as 20 years; second the time and labor of the subdivider and his crew; third the capital invested as 'improvements' may be lost if the city does not grow in that direction; in many communities there may be seen miles of sidewalks and curbing with no houses along the way; fourth there are losses due to dislocation of economic relations in the community.

They then point out that "when, by reason of population growth, land rises in value the increment is frequently called the unearned increment." But the very next sentence apparently indicates a feeling of the authors that, on the average and in the long run, there just isn't any net unearned increment worth serious consideration. For this is what they say:

"Yet, in fact, for the fortunate few, or their descendants, who benefit from such an increase in value, there are many who took similar risks in buying and holding other land only to see it decline in value."

Later, they express the same idea by saying: "Enormous decrements of land values have ensued." And still later, under their summary of "Criticisms of the Single Tax," the authors say:

"If unearned increment in land is to be discriminated against, it would be only fair to use the tax proceeds thus obtained for compensating other landowners for unearned decrements. There are thousands of owners of farm and urban land today who would not obtain as much for their property as they paid for it."

By this time it must be obvious to readers of this review that the authors are following the conventional pattern of opposition to Henry George. And they seem to be betraying a conventional lack of understanding of Henry George's real proposal, notwithstanding they do say that "the object of the single tax is to tax away the unearned economic rent." For the complaint which those who follow Henry George have of the present set-up is not at all of the "unearned increment" in the sense that some land will now bring a higher price than the price the owners paid for it.

To illustrate, let us compare the land problem in this regard with the problem of slavery. Those who have opposed human slavery have not put their opposition on the ground that some slave owners may find their slaves worth more than they paid for them or may be able to sell them for more than the price at which they bought them. Thus, if Smith has bought a young slave for \$1,000 that he is later able to sell for \$1,600, the real exploitation involved is not

to be measured by the increase of \$600 in the value of the slave. Though the total value of any slave or of all slaves may indeed be an indication of the extent of exploitation going on, the question whether slaves are becoming more valuable or less valuable than at some previous date has little or no relevancy. The real question is not whether Smith has got more for his slave from Jones than he formerly paid to Watson in purchase price. The question is rather, aside from the matter of deprivation of personal liberty, whether Smith is getting more from the slave than he pays to the slave.

Similarly in regard to land. Whether a particular piece of land or whether land is general has now a higher sale value than it previously had is not the question of importance. The real question is whether some must pay rent to others for permission to work on and to live on the earth and for the use and enjoyment of community-produced advantages. It is, expressed in reverse, whether a part of the people shall have the exclusive privilege of collecting this rent. The sale price of a piece of land or a site—as distinguished from any improvements on it—is but the capitalization of the expected future rent to the owner. And so any sale price at all, even though it be lower than some previous sale price, so that there is what our authors call a decrement, nevertheless indicates an expectation that the private owner of the land may still collect tribute merely for giving others his permission to make use of advantages due not at all to his efforts but to geological forces and to community development.

In (1) of their "Criticism of the Single Tax" the authors say, among other things:

"The imposition of such a tax would cause a major panic which would profoundly upset all business."

Whatever they may mean by this statement, the reader will naturally suppose they mean business depression in the usual sense, with unemployment and reduced output. Yet in (2) of their "Criticisms," they say that:

"If all vacant land were utilized"—presumably because of a land-value tax—"the result would be to bring about an overproduction of crops or goods."

Do the authors mean, therefore, that the application of Henry George's remedy would at the same time decrease output and also increase output,—that it would at the same time decrease employment and increase employment? If this is not what they mean, then what do they mean?

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Number (7) in the authors' "Criticisms" includes two points. The first is that "The Single Tax is not a cure-all,"—as if anyone would claim that it is! The second is that "it would cause such an upheaval in established ways of doing business, that a major panic might ensue." But this part of (7) seems to be merely a restatement of the first point mentioned in (1).

The authors' allegation that returns on improvements could not be distinguished from land rent appears in (3) in the form of a statement that this would be "impossible" and that, therefore, "the single tax would either be in excess of the economic rent, in which case capital would be taxed, or less than the economic rent, in which case the single tax would fail of its purpose."

It will surely be a bit startling to readers of *The Freeman* to see this statement, in case every last cent of rental value is not taken in tax, the "single tax must fail of its purpose."

But funnier, perhaps, is the appearance, in (6), of what seems to be intended as the same idea. True, the authors do not say in terms, in (6), that improvement returns could not be separated from rent and they do not again use the word "impossible." What they say in (6) is that there would be "great difficulty" in "ascertaining the value which had been added to the land by improvements, such as draining, clearing, fencing and cultivating."

Clearly, if we were to tax only land values and were not to tax improvements at all, there could be no reason whatever for "ascertaining the value which had been added to the land by improvements," unless

the reason was that to do this would help in estimating what part of the value of a piece of property was pure land value. Either, therefore, (6) is altogether irrelevant or else it is just a restatement of (3).

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Besides the statement that the single tax "would cause a major panic," a conclusion for which the authors give no reason or evidence, (1) contains also the assertion that:

"The present owners of land would find it impossible to sell their holdings. The present capitalized value of land would melt away due to lack of purchasers willing to assume new burdens."

Here we have stated as a "criticism," a point that those of us who urge the socialization of rent consider a great advantage. For a falling sale price of land, coupled with removal of taxes on improvements and commodities, makes for greater ease in acquiring ownership of land and, hence, for a substantial diminution in tenancy. Also, the high price of land stands in the way of every scheme to provide low-cost housing for the poor. The fact is that high sale prices for land are not to be desired but are, rather, an economic and a social calamity.

That the authors are opposed to the socialization of the rental value of land is made clear in various places in their chapter on rent and elsewhere. Thus, they speak of Henry George's Progress and Poverty, as having "received wide acclaim from socialists." Why mention especially the socialists, since Henry George's position is essentially individualistic, since many who are not socialists have "acclaimed" Henry George, since his professed followers are generally opposed to socialism, and since not a few socialists have been contemptuous of his reform?

And what shall we say about the statement that "the cult has not completely died out"? Or about the authors' following pronouncement on what is desirable tax policy:

"The only safe rule is to institute a mixed system of taxation, including both direct and indirect taxes, levied upon property, income and consumption, the whole conforming, so far as possible, with the various theories already discussed."

These "various theories already discussed" are "the benefit theory,"

"the faculty theory," "the social theory" and "the equality of sacrifice theory." And nowhere do the authors reveal any understanding of the reasons why the rent of land is an especially desirable source of public revenue.

Assuming it is to be proved that the "single tax" would be insufficient to meet all of the essential revenue needs of government, this would be no argument whatever against the socialization of rent. It would be no argument at all against using the annual rental value of land as the chief source or a chief source or the first source of revenue, to be supplemented by other taxes in the order of their desirability. Why don't the authors say so? Why do they insist on tying up, throughout their discussion, the fundamental problem of the socialization of rent with the purely incidental and relatively unimportant question whether such socialization would take care of all public needs?

But note, nevertheless, how very broadminded the authors are! They are willing to admit that, after all, Henry George may have done some good in the world. Of course there was nothing in the main idea on which he spent much of his life! It is simple to show, in just a few well-chosen words, how fundamentally fallacious and utterly impracticable his main idea and his program of action were, so that any elementary student of economics can easily see that Henry George was altogether wrong-headed! But George was quite a man for all that! As our authors put it he "did not live in vain, for his ethical ideas were pure and noble and served to convince the following generation that economic problems cannot be solved unless reasoning, observation and experience be animated by a driving moral force!"

And thus we come at last to the exciting climax—or is it rather the almost unbelievable anti-climax or the stunning ideological debacle—of another college textbook presentation of the land-value-tax question. Would not further comment by the reviewer be altogether superfluous?

—HARRY GUNNISON BROWN.