1937-12-12 Property Rights Being Redefined
But Recent Action in Great Britain Is Viewed as Proof That Apprehension Is Out of Place
By Lancaster M. Greene

To the Editor of The New York Times:

Fabian Franklin, with his usual perspicacity, goes to the root of the matter in discussing your editorial “Britain Nationalizes Coal” in his recent letter. In this move, as he shows, there is no attempt to deal with the problem of adjusting the extralegal institution of absolute private ownership of natural resources along the lines proposed by Henry George to the demands of modern social conditions.

Far from applying the single-tax principle, the socialization of rent, the Tory “socialists” propose to buy out the 4,300 holders of hereditary rights to coal royalties The £66,450,000 purchase price will be raised by issuing government bonds to that amount in addition to the £400,000,000 rearmament loan already authorized. On the issue, interest will accrue which must be paid by the general taxpayers of Great Britain under a tax system fully as regressive as our own.

Immaterial Who Buys

As the series of well-informed London dispatches to The New York Times on the subject show, the purchase price was set by the arbitration board after that agency had determined that the annual value of the royalties was £4,430,000. This, at The Times pointed out editorially, is equivalent to fifteen years purchase. Usually, for convenience, one takes the general period of twenty years as the period of capitalization by which land and resource values are determined in the market, but it may well be, because of the depressed condition of the industry, the actual or potential competition of other fuels, and the present level of the prevailing rate of return on capital claims, that as far as this resource is concerned tho period in which future income can be anticipated is somewhat shorter, and therefore closer to the 15 to 18 1/2 years envisaged in the bill.

Thus, to the royalty owners, it makes comparatively little difference whether they sell out their royalities in the investment market to new private owners or whether they sell out to the government; they are getting practically the market price. In the latter case they have added advantages. If all on whose land operating leases have expired were to dump their claims on the market they would get nothing near that price. Moreover, if the government had not intervened, the royalty system would have continued its progressive strangulation of the mining industry and it may be doubted whether the industry could continue the payments for even a large part of the fifteen-year period.

Producing Groups Pay

In view of this, it is quite true, as Dr Franklin pointed out, that the most remarkable part of the scheme is the "scrupulousness” with which it provides for compensation to the hereditary owners of coal royalties. A humanitarian can only regret that the Tory government is not quite as scrupulous in determining the size of doles for unemployed miners as it is in fixing doles for coal royalty owners.

But. while the benefit of the measure to the royalty holder may be conceded, one cannot silence grave doubts as to its practicality for the coal miners, operators and investors in the industry. These producing groups must continue to pay, first to the private owners and later to the Coal Commission to amortize the bond issue, the same present rents in addition to the general tax burden for permission, and nothing more than permission, to work upon this resource and produce fuel needed by the iron and steel and the shipping and other industries and by householders.

The coal industry will meet tho economic part of these charges and shift that part which represents the exorbitant exactions that the dispatches have noted to its consumers. Even if these excesses are relieved in five, ten or twenty years the bulk of the burden must still be borne by the industry. Under the scheme the industry can only look for this slight expansion of its market in the future; but by investing the purchase money they receive in government bonds the royalty holders may assure themselves a continuance of income from what should be known to them to be a much safer medium of investment.

Dr. Franklin is concerned about the subversion of property rights, but he apparently does not consider it subversive to confiscate the earned income which is the property of a taxpayer in order to “socialize” the actual and potential losses of a recipient of this admittedly unearned income, rent.

It could be pointed out that property rights in land are not stratified, but have changed/much over the centuries. The theory of absolute private ownership is not yet sanctioned in constitutional law and did not obtain in feudal times; it arose in the pre-capitalist era and reached its present form in recent times. But Dr. Franklin knows this well and his defense on this theory is ably based on the honest, if mistaken, conviction that a socialization program might not be confined to land rent and might spread to capital income.

Nationalization Widespread

It is here, precisely, that the value of Henry George’s work for our day lies. Tendencies throughout the world show that some form of nationalization is inevitable. It may either take the form of confiscation of all or part of interest, wages and entrepreneurial salaries, and rent, or the form which Mr. George advocated, confiscation of the privilege of exacting rent and strengthening of the right to collect interest, wages and salaries. The former course is that on which the social-democratic interventionist economies, as well as the totalitarian State-dominated economies, have moved: Italy and Germany, as well as Russia; pre-Hitler Germany, as well as the United States.

But Dr. Franklin has overlooked one important aspect of Mr. George’s proposal for the socialization of rent, which distinguishes it from extremist proposals for the nationalization of land. Mr. George insisted that this socialization take place gradually, by progressive shifting of present taxes on capital and labor to land values. If socio-economic conditions permitted the shift to take place in no shorter period than the period of capitalization, rent-receivers would lose only the quasi-monopoly value of their holdings, since they could recover the economic value by using their holdings or permitting others to use them. The right of government to confiscate such value is well established.

Dr. Franklin, as a practical economist, knows that a brilliant successor of Henry George, Lenin, did propose the repudiation of the State debt. But he also knows that Lenin’s successors have been unable to repudiate the internal debt they have contracted and that | they have spent years in an effort to cancel their repudiation of their external debt, for a reason which Henry George, another practical economist, pointed out clearly: they could not abolish that economic force, the need for new capital, which persists in both progressive and reactionary economics.

Debts Must Be Paid

The knowledge that debts must be honored and interest paid if capital is to be accumulated and credit maintained to enable industry to progress in the production of needed goods may not keep a Tory, a Liberal, a Nazi or a Leninist Socialist defining property irrationally, from discouraging accumulation of capital and investment of capital in productive enterprise, as our times prove abundantly; but if clear-thinking conservatives of Dr. Franklin's type were to accept and aid in winning public acceptance for a redefinition of property rights along the rational lines proposed by George there would be no basis for fear of subversion of those rights of property which have the greatest of all sanctions, the economic.

That this redefinition is taking place without creating this legitimate fear is demonstrated in Great Britain, to cite one case, in the law which reserves to the people the right to the full rent of any petroleum deposits which may be found in the survey now going on there. Under the laws which their forebears had written for them, the hereditary owners of British entails might have claimed royalties on these, too. if found. The new law has been adopted but the British debt and the State’s credit still are safe, as the coal scheme witnesses.