

Economic Education vs. Socialist Error

By Louis Wallis

An attack on the Georgist position by the Socialist "Call," organ of the American Socialist party, furnishes ground for developing the educational approach to economics along new lines to meet states of mind which today are becoming more pronounced in sections of the general public.

The attack in question, officially sponsored by the editorial management of the "Call," is made in a recent issue during a lengthy review of my new book, "Burning Question: Making Your Living in a Monopolized World." Deprecating Georgist emphasis upon the importance of land monopoly and taxation as primary factors in the economic problem, the "Call" declares, "Land is only one of the means of production." By classing land with tools and machinery as "one of the means of production," the "Call" betrays the confusion and lack of economic analysis which have characterized Marxism ever since the "Communist Manifesto" of 1848. The "Call" goes on to say: "It is good to get rid of a private landlord. It is good to get rid of a private boss who owns the other means of production. But it is no good to pretend that getting rid of the landlord will automatically get rid of the boss."

Georgists have usually discounted socialism on the view that its economic errors are self-limited and will disappear in time. This assumption would be true if socialistic ideology were confined simply to the organized followers of Karl Marx. But the fact is that wholly aside from socialism as a philosophy or as an organized movement—and without any reference to Marx—the working class has ignored the tax-and-land problem since the eighteenth century, and has been fighting the business man on the theory that capital is the enemy of labor.

The labor-capital controversy began long before Marx; it has gone on through the years without any reference to the socialist movement; and it has always had the character of a confused war between employers

(The author's emphasis of the functional argument for land value taxation is due, so he informs the Editor, to his constant meeting of socialistic opposition to the Georgist reform, not from avowed followers of Marx only, but from those who should know better. He so firmly believes in the importance of this approach that he has offered to send copies of the argument to all who desire them, without charge. Write Louis Wallis, care of The Freeman.)

and employed. What is not generally recognized is that Marx made his way to fame by attempting to underwrite this confused war. He

sought to justify the so-called "class struggle" by thundering in German verbiage that "labor and capital have nothing in common." And precisely because Marx undertakes to endorse and promote this indiscriminate warfare between labor and capital, his ponderous volume, "Das Kapital," is naturally a confused book which notably fails in fundamental economic analysis, and which, in its practical effect, makes confusion worse confounded.

The outstanding fact which thus comes into view is that the socialist movement is important, not in itself, but in giving expression to states of mind which exist independently of the movement and wholly aside from

anything written by Marx. And it is this consideration which lends importance to the attack of the Socialist "Call" upon Georgism. Scientific teachers and students of economics, therefore, should be warned that the general public tends to be more and more socialistically minded as the pressure of the economic problem grows more acute. The laboring class, the middle class, and the academic class, are more and more biased in the direction of confused socialistic ideas, hoping to find salvation by doing something to the rich, or curbing the wealthy, or baiting economic royalists. To deal with this mental condition the following statement is appended for study:

The Functional Argument for Land Value Taxation

Tools, machinery and other equipment constituting capital should be exempt from taxation because all capital is the product of labor,—whatever may be the special origin of capital, and whoever may be the owner of it. The untaxing of capital is necessary to its freest employment in cooperation with labor.

At the same time and for the same reason, the ground rental value of land, whether the land be improved or vacant, must be taxed to the limit; so that private site monopoly cannot lay tribute upon capital and hinder its freest employment in cooperation with labor.

If land values are not thus taxed, the inevitable effect is to put both capital and labor between the double burden of ground rent to the site monopolist and taxes to the State; both of which liabilities must be liquidated prior to wages.

Since capital is an absolute requisite in modern society, we must frankly face the fact that land value taxation is virtually a program to liberate productive capital as a fundamental condition of labor freedom. In other words, all problems of labor-freedom should be considered, not in the abstract, but in concrete relation to the disposal of productive equipment.

In view of the foregoing considerations, there comes up at once the problem of educational technique in promoting the land value tax idea.

All advocates of this program ad-

mit that industry as now organized is conducted upon a monopolized earth, and that, through the private monopolization of ground values, labor is largely defrauded of the wealth annually created by human toil.

And since capital is merely a portion of wealth devoted to the purpose of production, there can be no successful denial that capital itself is accumulated, not through individual saving out of purely individual toil, but from the immense wealth-fund which arises out of the unremitting exploitation of labor on a monopolized earth. So far as the capitalist himself is concerned, therefore, we must face the practical situation that capital is "unearned wealth."

In view of these considerations, then, the usual claim that ground rent should be taxed because it is unearned, incurs liabilities which unnecessarily burden the progress of the argument.

Not only socialists but non-socialists rise up at once declaring truly that there are many values besides ground rent which are not earned by those who appropriate them; and that if the "unearned" category is to be the measure and standard of taxation, then all property not pro-

duced by its owner should therefore be taxed.

The land value taxer is nevertheless entirely correct in saying that all wealth has been earned by human toil—even if most property is owned by some exploiter who did not produce it.

In the meanwhile, however, the advocate of land value taxation loses the initiative to the socialist and to socialistically minded persons who are on the increase everywhere. In other words, he forfeits the advantage of what may be called the "functional" argument which consists of two parts: (1) Capital should be exempt from taxation because it is a product of labor. (2) Ground values ought to be taxed heavily or exclusively because, when privately monopolized, they act as a barrier to capital and labor. The argument should rest there.

In other words, from the standpoint of the average reader and the average audience, the argument should not be abstract, because in that case the "prospect" may easily be confused by socialistic vociferation and thus prevented from reaching a definite and useful opinion. The argument, then, should rather be presented functionally, in order to make the strongest initial effect.