Henry George Through Keynesian Glasses

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MOST Keynesians, it would seem, would prefer to avoid all mention of Henry George and his philosophy of ethical and logical analysis. Thus one day, having by chance come upon a copy of the eighth edition of *Economics,* Professor Paul A. Samuelson's widely used textbook,[1] curiosity led me to see what if any of this 868 page exposition of Keynesian economics would be devoted to Henry George, LVT, and the like. The space devoted was slight[2] as expected; however, what was quite unexpected was the distortion George had suffered in being passed through Keynesian glasses. I knew at once that I had to call to the attention of all Georgists certain passages which misrepresent (either by accident or by intention) George's fundamental ideas. A few of these I discuss below.

(1) On p. 541 of his work Samuelson claims that George's central tenet is as follows: "Pure land rent is in the nature of a 'surplus' which can be taxed heavily *without distorting production incentives or efficiency.*" This statement is wrong on two counts: it is *not* George's actual central tenet (that since it is the community which gives land value, this value belongs to the community), and it is *not* a fact of economic life. After all, it is only when the entire return from all monopoly privileges is given to the community that it is possible to have undistorted "production incentives or efficiency." Varying degrees of LVT will help remove economic distortions only to varying degrees.

In his discussion of the above tenet, Samuelson does emphasize that the tax on land rent cannot be passed on to the user, but rather must be borne by the owner. While he indicates that taxing improvements is adverse to production, he does not indicate that taxing rent encourages the proper use of the land. Also in this example he seems to be taxing the "yield" of the land, "assuming that this can somehow be identified." Thus it would seem that this is just another tax on wealth, and land yielding little or no wealth would pay little or no tax. The problem of identification also arises in the next passage I have chosen to discuss.

(2) On p. 601, following a rather long sentence in which Samuelson states in essence that "we are quite unable to identify" land rent, he continues with this comment: "Only occasionally, as with mines and oil wells or with lucrative franchises to own TV stations or filling sta-

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tions on toll roads, can the government appropriate by taxes a 'monopoly' return." Suppose unlike Samuelson we push further to ask how does the government ascertain the value of the monopoly privileges which he acknowledges actually can be taxed. The answer, of course, is just the value of obligation of these privileges. Why is it then "only occasionally" that this can be ascertained? *All* monopoly privileges have value in the form of value of obligation. Capitalized this value is translated into a selling price for the franchise, mineral right or land title. If the location value of "filling stations on toll roads" can be determined, why can location value not be determined everywhere else?

I would like briefly to enlarge on this from a somewhat different point of view. Suppose it actually were not possible to ascertain the value of monopoly privilege, as critics of George often claim. This would have the most drastic effect on any free economy. Such an economy would be totally unable to allocate that factor of production we call land, and natural opportunities could *not* be utilized effectively. Some other means of allocation would be essential, for example that offered by socialism or communism. Thus to claim that the value of land cannot be ascertained is to deny the possibility of a free enterprise system to allocate the use of land. But in reality it is possible for private individuals to assess the value of any natural opportunity. Land and other monopoly privileges are readily bought and sold. Production, in which labor modifies land to form wealth, is quite naturally carried on by individuals familiar only with their own facet of economic life. No, the value of the control of natural opportunities and other monopoly privileges cannot be as vague as Samuelson seems to imply.

(3) On p. 544 Samuelson does George a gross injustice by stating: "Ricardo and George emphasized the original, unaugmentable, and indestructible gift of nature. Actually much of the land we use today *has* been augmented by man. . . . Equally important Nature's gifts *can* be destroyed." While it is true that George emphasized the distinction between land as the gift of God belonging to all men and wealth the product of labor belonging to him who produces it, he was clearly not concerned with the earth before the coming of man. Certainly man has modified Nature, but that is wealth. And what of site value? Was George not deeply concerned with this natural opportunity? Or is site value reduced as it is used? It is a pity that having called attention to the location of site value of land on p. 540 in introducing the single tax movement, by p. 544 Samuelson seems to dismiss LVT as irrelevant to a nation facing conservation problems. Rather he favors "government regulation and coordination . . . and rational democratic planning." Nowhere does he explain why laissez faire as we ex-

perience it is imperfect; rather he chooses the Keynesian expedient of government regulation.

(4) Samuelson does not wish to concern himself with the ethical aspects of land ownership as did George. Instead he states on p. 541: ". . . these are political questions that must be brought out at the polls." What then explains the rarity with which tax questions are actually decided at the polls? Could the question of human slavery be settled at the polls? This is a matter of natural rights rather than human laws. If this were clearly stated, depletion allowances, described as a tax-loophole incentive, would be seen in their true light, a negative LVT.

Samuelson views George as ". . . a printer who thought much about economics."[3] This is much like saying Benjamin Franklin was a printer who thought much about public service and constitutional government. It is not as printers but as men of unusual wisdom and sense of justice that such men are and always will be highly esteemed.

1—Paul A. Samuelson, *Economics,* New York: McGraw-Hill, Eighth Edition, 1970. Portions of quotations in italics correspond to the use of italics by the author. All page references refer to this work.

2—*Ibid.,* pp. 540-542, 544, 601

3—*Ibid.,* p. 540