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## Murray Rothbard and Henry George

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Both Austrian economics and Georgist economics stem from studying the nature of man, from individual actions, from praxeology. However, they arrive at different conclusions regarding the cause of the business cycle. Both the geolibertarians (Georgists) and the Austrian libertarians start from the same axiom of self-ownership, yet arrive at different conceptions of property. The argument between these two factions has been largely ignored, which is unfortunate. Rothbard, however, dealt with it.

Rothbard criticized the Georgists in [The Single Tax: Economic and Moral Implications](#) <sup>[2]</sup> and [Power and Market](#) <sup>[3]</sup>. One Georgist response is provided in [The Geolibertarian FAQ](#) <sup>[4]</sup> by Todd Altman.

I believe that Altman is right when he says Rothbard took a wrong turn in saying that "since all right would be siphoned off to the government, there would be no incentive for owners to charge any rent at all." Here, Rothbard's assuming that the land value tax " would be set by an actual ground-rent charged by the landlord, rather than being an assessed value that would have to be recouped." I see no reason why the land value tax would *necessarily* be equal to the rent. From there on, due to his methodical nature, I believe Rothbard continues on the wrong path (with respect to that point).

However, there is a counter-point to the challenge to Rothbard's assumption. The socialists say that rent is unearned income, and thus theft, making no distinction between the value of land as is and the value added to it by man's labor. The Georgists refine this socialist argument, saying that the portion of rent earned because of the inherent value of the land is unearned, while the portion earned because of the improvements the landlords have made on the land due to their labor (or those they acquired the land from) is earned. This Georgist assertion has both theoretical and practical problems\*.

The theoretical problem is that, from a certain point of view, we receive many benefits due to things we did not earn, both good and bad. Does anyone *deserve* have the type of mentality that causes him to want to rape women? Did Ghandi *earn* his natural gift of being an extremely kind and wise man? Did Stephen Hawking *earn* his genius? Did Micheal Jordan *earn* the natural talent, the mental strength, that made him into arguably the best basketball player ever? Did the heirs to the Rockefeller fortune *earn* that fortune? I am not a cripple, but did I *earn* the fortunate luck of not being a cripple? Did the cripple earn his or her unfortunate disability? Does the child born into a loving family *earn* that blessing? Did St. Lucifer *earn* his evil soul which caused him to be cast from heaven and set about as the epitome of evilness, did he *deserve* to come into existence evil? Did God earn His existence as a perfect entity, free of any flaws?

I can go on and on, but the point is obvious. There are many things in life that we neither earn nor don't earn, neither deserve nor don't deserve -- they simply are. To follow the logic of the Georgists to it's completion opens the door to socialism, because we didn't earn the benefit that the underlying untransformed land provides; and we didn't earn the improved value we brought to the land by transforming it with our labor, as we didn't earn the skills, talents, and physical abilities necessary to

transform the land. This logic does not necessarily lead to socialism, as it does not follow from the assertion that "I haven't earned anything that constitutes me and my work" that "everyone else deserves what constitutes me and my work". But the door is still wide open.

The practical problem is that, while you can divide the value of land between the portion due to its natural state and the portion due to labor exerted on it, you can only arguably do this in theory and not practice. Since I as the rent-seeker don't have the option of specifying what I'd pay the landlord to live on his land were it an untransformed mess, there's no way to determine the untransformed value of the land, even from one individual's subjective standpoint. The value I attribute to something can only be objectively defined by a market transaction; thus, the value I ascribe to the untransformed land I am now sitting on simply cannot be determined, not even by myself. Sitting in my house right now, it is a truism for me to say I value the land I own more in its transformed, as opposed to untransformed, state. If I was typing this from a laptop in a nuclear fallout area of the desert, it would be a truism to say that I would value that same land more if it were untransformed by man's actions (unless I wanted to die). However, those are qualitative, not quantitative, statements. To tax the "unearned value of the land" we would need to determine what the value of the untransformed land is to the current landlord, which I have already shown is impossible, as determining value in monetary units requires a free-market transaction, and we cannot alternate between a transformed and untransformed state.

Even if we could magically alternate, we still could not determine at what price an individual values the untransformed land, as we would need a market transaction to know anything about the value individuals place on something, which would require him to sell it to someone else. However, even a sale does not necessarily tell us how much the seller valued the property in monetary terms. It merely tells us that that price was one price in a range of prices at which the seller was willing to sell. The seller will not sell at any price below that, and will, according to neoclassicals, sell at any price above that. Of course, the neoclassicals err there in assuming a *homo economus*; the Austrians make no such assumptions, and allow for both economic and moral considerations on the part of sellers and buyers. Considering the economic side of man alone, there is no reason why a man wouldn't sell a candy-bar for \$1,000,000 to a mentally retarded rich heir who really wanted it. Only when considering the moral dimension of man as well as the economic dimension can we allow for the possibility that a seller may refuse to sell at that high bid price (or will give it to the buyer for less than that absurd bid). The value the seller ascribed to his property would necessarily be the lowest price at which he would be willing to sell the untransformed property. So, the only way the Georgist tax-collector could determine what to peg the LVT at would be to read the mind of the current land-owner, in never-never-land where we can alternate between transformed and untransformed land.

The other problem is that now that we've forced the landowner to sell the land (which creates a disturbing coercion problem for libertarians in-and-of-itself), he no longer owns the land. The new buyer owns the land. Yet, the price at which the new buyer bought the land does not necessarily represent the monetary value he ascribed to the magically untransformed land (again, assuming never-never-land, where we can alternate between transformed and untransformed land). It only represents one price in a range of prices at which the buyer was willing to buy the land. The monetary value that the buyer subjectively ascribes to the land is the highest price at which he is willing to pay to obtain that land.

Again, if we succumb to the neoclassical fallacy of assuming *homo economus* there is no price so low that a buyer would not be willing to buy the land for it. According to the neoclassical delusions, I could not possibly refuse an offer by a prospective buyer to sell me his wife as a prostitute in exchange for \$2; indeed, I could not even object to the idea that women could be used as units of monetary exchange. I would simply calculate that this I was buying sex with the man's wife for a very cheap price, and did not have to "buy" the *possibility* of sex for the very expensive price for which one normally has to pay for that consideration in a person's mind (namely, the "price" of love,

sacrifice, devotion, respect, and so-on and so-forth). But I digress far from my criticism of Georgians (that criticism was aimed at neoclassical economists, not Georgian economists).

The criticism of the LVT which Rothbard levies is even more broad, which is that you cannot determine the value of the untransformed land, as the Georgians describe it. Their terminology discusses that as some absolutely determinable number. Yet, the value of untransformed land will be subjective, and will vary from people to people, and even from person A in situation X to person A in situation Y, or time X and time Y. As a vacationer, I will say that the value of the untransformed land in Antarctica is zero -- I wouldn't pay anything for it. Indeed, it has negative value, from my pov - you'd have to pay me to go there. As a researcher, it may have some value, as the cold temperatures could be used to store samples, without paying freezers. And that is only how the untransformed value varies for the same person, depending on the time and situation. What about between persons? To me, the value of the untransformed land at the crater of a volcano, where lava is getting ready to flow out, is zero. In fact, it has infinite negative value -- you couldn't pay me enough money to go anywhere near a volcano that's going to explode at some uncertain point in the near future. However, to a volcanologist, this untransformed land would have great value. As Rothbard rightly notes, any attempt to peg the value of the untransformed land would be arbitrary. Thus, Rothbard's assumption that the land value tax would be set to the rent rate is not as unjustified as it first seems -- why not? An army of arbitrary tax assessors could arbitrarily deem it that high.

The Georgist response to this, I anticipate, would be that you don't have to determine the value of the untransformed land to the landlord. You just have to determine its highest value anywhere. For example, I may not personally attribute any value to an active volcano, but may still buy it, so as to sell its use to a volcanologist, who does value it. Yet, this runs into my earlier criticism that even in the case of completely untransformed land, you cannot determine how much an individual values it unless you can read his or her mind (that is, you can't tell the absolute lowest price at which he'd be willing to sell, or the absolute highest price at which he'd be willing to buy). And you also run into the practical problem of determining the highest value placed on the property by any individual (thus, its highest valued use).

Of course, the Georgists can always say that all they mean is the value (price) at which the untransformed land is sold in the free market. To that, I will step back one step and say that you can't do that, because you can't magically alternate between transformed and untransformed land. I will also say that it's immoral to do that, as it would require forcing a sale of property by the owner, which constitutes the initiation of aggression. Also, by forcing the owner to sell, you've changed what would otherwise be the price of the magically untransformed land on the free market, because you've created a pressure on him to sell, which will drive the price down. Thus, you have defeated your own objective, and will almost necessarily underestimate the price at which the untransformed land sells on a free market without coercion (by coercing the owner to sell, you've lowered the price). Thus, you have under-estimated the land-value tax.

Of course, Georgians could just ignore all of these difficulties and arbitrarily declare, by State fiat, what the untransformed value of the land is, thus what the unearned income is. This would be transparent and easily demolished. It would also be incorrect. Or they could bend over backwards trying to deal with all of the nuances by armies of tax assessors and philosopher kings. They would still be just as incorrect, though they would have bamboozled the public into thinking there's some merit to the process; however, in going through all of this, they will have eliminated a large portion (possibly all) of the wonderful tax funds they claim would be provided by the LVT.

What good is it differentiating between earned rent due to your transformation of land, and unearned rent due to the "value of the land" if you can't determine the point of that differentiation in practice?

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