

HES Annual Meeting, Denver, CO, June 26-29, 2009

Creation Ethics and the Distribution of Wealth from Genesis to Cyberspace

Lew Daly, Senior Fellow
Dēmos (New York, NY)

[this article is partly adapted from Gar Alperovtiz and Lew Daly, *Unjust Deserts: How the Rich are Taking our Common Inheritance* (New Press, 2008)].

ABSTRACT

The share of wealth attributable to individual inputs—and thereby the fraction of wealth assignable to individuals under traditional desert-based entitlement claims—is progressively shrinking with the development of society in its many dimensions of collective cultural growth and public asset-building. Running hard against the tide of diminishing desert-based legitimacy, the last three decades of growing inequality must now give way to a different order of entitlement in which society, whether through redistributive measures or a restructuring of underlying assets, commands a larger share of national income for common purposes. The moral case for such a new order of entitlement is latently powerful today, and to make this case we should adapt the idea of unearned income as developed by Paine, Mill, George, and others to the new collective realities of “knowledge-based growth.” At the same time, it is important to understand how these ideas evolved from Christian natural law teaching on the common provision of resources in God’s Creation.

I. Distributive Justice in the Era of Knowledge-Based Growth

During the 2008 election campaign, President Obama proposed a modest plan to raise taxes on the wealthiest Americans. In an offhand comment, he described his tax policy as an effort to “spread the wealth around,” igniting a loud controversy headlined by accusations of rampant “socialism” in the Democratic Party. As in the 1964 election—the last time a major-party presidential candidate ran on the fear of creeping socialism—the label did not stick to the liberal candidate in 2008, revealing more about the accuser than the accused. But the controversy brought to light certain fundamentals of the tax debate that remain a huge problem in our political culture.

Most importantly, if the public share of national income is to rise as many believe will be necessary to meet the social challenges we now face, we need to develop and promote a better understanding of the types and magnitudes of “social value” that drive economic growth. Lacking a better empirical understanding of the economic impact of common assets—most importantly our expanding inheritance of scientific knowledge and other forms of productive knowledge and know-how—public debate and public opinion will continue to be controlled by individualistic moral arguments pitting strong assumptions of individual “deservingness” in the private economy against equally strong assumptions of coercive “undeservingness” in the development of social policy. It will be difficult to meet the challenges we face as a society under these radically liberal assumptions of individual value and entitlement

At bottom, the debate about taxes and social policy revolves around a strict dichotomy between private and public, market and state, free individual activity and coercive government power. On one side, there is the private marketplace where individuals work or otherwise make productive contributions, and then receive rewards—wages, benefits, wealth, etc—that are roughly equal to the value of what they contribute to the economy. The key empirical assumption is the *individual* nature of the productive contributions, which in turn generates a key moral assumption about the individual’s right of ownership or control over whatever he receives from the market. The unequal distribution of income across society, in turn, is imputed to be the natural outcome of an underlying distribution

of individual productivity or value, extreme differences in income simply reflecting a natural order of high-value and low-value individuals.

The strong moral assumptions of private, individual deservingness at the heart of our difficult tax debates and other social policy debates rest on an empirical idea or “framing” of the economy that is profoundly unrealistic about the sources of value and growth in an advanced society. Focused almost exclusively on the interaction of employers, workers, and investors, the conventional view of our economy excludes many dimension of what might be called “social value,” the surplus productivity generated by a range of collective goods that benefit individuals but are not created by them, from cooperation with others in the workplace, to social insurances systems, to shared physical and cultural infrastructure, to the expansion of knowledge. The idea of social value has a surprisingly rich lineage within Anglo-American liberal thought, with particularly strong influence in the late-nineteenth and early-twentieth century. Thomas Paine already recognized social value and stated the principle in 1796, in his little-studied pamphlet, *Agrarian Justice*. He also argued that such social value has serious moral implications for tax policy:

Separate an individual from society, and give him an island or a continent to possess, and he cannot acquire personal property. He cannot be rich. So inseparably are the means connected with the end, in all cases, that where the former do not exist the latter cannot be obtained. All accumulation, therefore, of personal property, beyond what a man's own hands produce, is derived to him by living in society; and he owes on every principle of

justice, of gratitude, and of civilization, a part of that accumulation back again to society from whence the whole came.

Today we are increasingly able to quantify the magnitudes of social value. One important dimension is public education. In their groundbreaking work on education, growth, and wage-inequality, Claudia Goldin and Lawrence Katz argue that educational advances in the workforce accounted for 15 percent of gains in real GDP per capita from 1915 to 2000.¹ One can make a valid if overly simplified point in light of such a finding: each of us enjoys a 15 percent premium in our paychecks due to public education, a common asset created by teachers, parents, students, property-owners, policymakers, planners, researchers, etc. While we hate to see the itemized taxes deductions on our pay stubs, there are no indications of the social value added to our paychecks. There is no line on the plus side of our pay stubs reflecting the 15 percent of our gains due to public education. Or take life expectancy. The near doubling of life expectancy over the twentieth century obviously had a very large impact on productivity and national income growth. But rising life expectancy was due almost entirely to increasing public control of infectious diseases and medical advances such as antibiotics (as Richard Easterlin has shown). Thus, the economic gains due to rising life expectancy should be understood as something like a collective surplus or social premium that each of us receives for free, that is, simply for being a member of an advanced society where people live far longer and produce far more than in previous eras.

Robert Solow's pioneering work on growth accounting helps us to consider the general magnitudes involved in considering social value. In 1957, Solow published a brief but powerful article which applied a new growth model he had developed to measure the relative importance of various factors of production (labor, capital, etc.) as sources of economic growth. To help people grasp the significance of growth accounting, starting with Solow's work of the 1950s, it is important to explain the device of the production function, where what is produced ("output") is viewed as a combination of many contributing "inputs." By the mid-1950s, the development of detailed aggregate data on inputs and outputs by the National Bureau of Economic Research (NBER) and other institutions made it possible for economists to examine the shares in national income of different inputs over time and to compare these to the outputs achieved over time.² What Solow found was that most productivity growth was due to a "shift" in the production function, a change in output *beyond what could be explained by changes in the supply of conventional inputs such as labor and capital*. The remainder, now commonly called the "Solow residual," essentially represents an increase in the efficiency—not an increase in the amount—of the combined conventional inputs.³

Specifically, the data indicated that between 1909 and 1949 the amount of output per hour worked roughly doubled in the United States. Solow calculated that nearly seven eighths of this increase, or about 88%, was attributable to the residual factor of "technical change." Strikingly, only one eighth could be attributed to increases in the supply of capital. Translated into monetary terms, Solow found that output per hour (measured in 1939 dollars) increased from about 62 cents to \$1.27 between 1909 and 1949, and only

about 8 cents of this increase could be attributed to increases in the amount of capital. The remainder, or about 57 cents out of a total of 65 cents, came from increased productivity due to technical change.⁴ The diminished role of capital accumulation in Solow's numbers attracted a lot of attention among economists, because capital accumulation had been traditionally believed to "play a large part in explaining growth, not just a small supporting role," as Moses Abramovitz later wrote.⁵ Clearly, a new type of progress was at work--one based on improving the quality and efficiency of conventional inputs. Such contributions to growth, Solow suggested, could only be ascribed to "technological progress in the broadest sense."⁶

"Here was the answer to the question of why the economy kept climbing the mountain of diminishing returns," economic journalist David Warsh has recently observed. "It had relatively little to do with labor or capital accumulation. 'Technical progress,' the growth of knowledge as measured by the Residual, was creating the new wealth."⁷ Not surprisingly, Solow's pioneering work inspired a stream of research that attempted to refine and explain his central finding. Moses Abramovitz and Paul David, for instance, calculated that between 1929 and 1966 the share of productivity increase not attributable to increases in the supply of capital was 84%.⁸ Productivity growth, they find, was mainly caused by changes in "labor quality," which in turn were due to education and technological innovation. Edward Denison's Brookings series, *Trends in American Economic Growth*, likewise supported the fundamental conclusion that "[a]dvancing knowledge of ways to produce at low cost is the biggest and most basic reason for the persistent long-term growth of output per unit of input."⁹

The dawn of a vast historical domain of growth beyond the formal reach of traditional economic models—and outside of traditional ideas about the supply of land, labor and capital—has haunted the economics profession and humbled its predictive power in several areas. The problem for economists is that technical progress appears in many ways to be “exogenous” to the economy (minimally, difficult to explain or model)—often arising broadly from society rather than narrowly from conventional economic behavior. Reflecting this uncomfortable fact, the residual of “technological progress in the broadest sense” has been variously termed “manna from heaven” and the “measure of our ignorance.” Economic historian David Landes has wryly noted, however, that “science abhors residuals,”¹⁰ and significant disputes concerning the size of the residual, how to measure its different specific dimensions, and what could be responsible for such large economic effects, emerged after Solow’s discovery.¹¹

There is clearly room in all of this for considerable debate over statistics, methods, and analytical refinements. Importantly, some economists have attempted to demonstrate that technological progress is largely an “embodied” function of capital accumulation, not the result of broader forces.¹² Some theories of “endogenous growth,” try to go “inside the black box” of technological change by assessing knowledge production within firms largely as a function of the “input” of business R&D or training investments.¹³ Others focus on individual investments in education. These and other attempts to explain knowledge-based growth as a process driven by market incentives and investments may help us improve certain institutional features of the economy, such as patent law, research

subsidies and training efforts. However, “endogenous” approaches inevitably need to be viewed alongside broader approaches that explain the ways private innovation feeds off sources of knowledge which clearly have much deeper roots in culture and history.¹⁴

In an important 1994 article, Solow acknowledged that while there was “some truth” to the concern that a residual approach to technological progress “leaves the main factor in economic growth unexplained,” the new growth models face a “very hard problem” due to “irreducibly exogenous” elements in any research process. Growth in knowledge, Solow noted, has a logic which may be “orthogonal to the economic logic”—that is, immaterial or unrelated to traditional factors of investment, incentives, and the like.

Indeed the work of historians and sociologists, he suggested, may be just as important as any economic model for understanding how and why economies grow.¹⁵ More generally, it is obvious that private investment on its own cannot begin to account for the vast scientific advances of the modern era which contribute to economic growth--or, for instance, to the development of research and educational institutions which help create valuable knowledge and convey it into the marketplace.

There is clearly truth to the argument that at any point in time markets and incentives are important drivers not only of invention but of the risk-taking that moves research into the production process. From the perspective of the current study, however, the key point of interest is that even those who stress market actors and investments agree that increases in knowledge (whether endogenous or not) are of central importance. Moreover, the larger truth that advances in knowledge are the main reason why growth has so radically

increased human well-being in the last two centuries is all but self-evident to other scholars—especially economic historians. Their research takes us well beyond what narrower economic studies and mathematical models can assess, dependent as these models are on the kinds of proximate statistics that only crudely capture the process and impact of expanding human knowledge and, in any case, are only available for the modern era. In his book *The Gifts of Athena*, one of the leaders in the field, Joel Mokyr, observes that the inherent relationship between the development of knowledge and economic performance is “obvious if not trite.”¹⁶ What must be explained is not the central importance of knowledge, Mokyr urges, but rather *how* knowledge *grows* in a society and how the expansion of knowledge contributes to economic development.

The productivity gains generated by expanding knowledge have presented challenges that begin with economics but inevitably force us to consider questions of far broader societal importance. One of the most critical and obvious is the issue of *distribution*—how the “fruits of knowledge,” as it were, are allocated to different groups and individuals in society as income and wealth. Conventionally, economists link what each factor of production (labor, capital, etc.) receives to what is called “marginal productivity” (a term that refers to the specific contribution each makes to a product or service). But as Nobel Laureate George Akerlof observes, modern studies of growth and innovation make it obvious that “our marginal products are not ours alone”—meaning that what any one of us today is able to contribute today depends significantly on what others created before us, increasingly so as knowledge expands. The fruits of current labor and current savings, Akerlof argues, “are due almost entirely to the cumulative process of learning that has

taken us from stone age poverty to twenty-first century affluence.” Indeed, “our current standard of living” is something we “owe” to the past much more than we “deserve” in present.¹⁷ A sense of the magnitudes involved in such an understanding is captured in William Baumol’s striking argument that nearly 90% of current U.S. GDP “was contributed by innovation carried out since 1870.”¹⁸

The implication of such an understanding is that our national output in any given year has much more to do with inherited productive capacity—the fruit of long-run technological change and other innovation—than with current contributions. Our inheritance, especially of what Abramovitz and David term “intangible, knowledge-intensive forms of wealth”—*not what we as individuals do today*—is chiefly responsible for the bulk of economic output at any given point in time.¹⁹ Even more striking, as time goes on, the significance of current contributions proportionally shrinks as knowledge grows. That is, as knowledge grows against a relatively fixed baseline of human intelligence and effort, the share of value generated by individuals necessarily shrinks. An engineer today is much more productive than his counterpart of a century ago. Yet the engineer today, on average, is not more intelligent than his predecessor and does not work harder. The greater value he generates has nothing to do with him as an individual; it has everything with the much larger pool of knowledge he is able to utilize, the knowledge created as engineering problems were solved over the previous century.

II. Social Value in the Liberal Tradition

In the century after Thomas Paine's *Agrarian Justice*, social value analysis took on a more refined if narrower form in the theory of economic rent developed by David Ricardo and John Stuart Mill. The Ricardian tradition of rent theory focused on differential land rents, imputing a strong moral attack on landlord incomes as "unearned" because generated by productivity and price factors arising externally either from nature or from changes in the law (Ricardo's views, of course, grew out of his analysis of the parliamentary Corn Laws protecting high domestic grain prices in the wake of the Napoleonic Wars). The British political economist and philosopher John Stuart Mill was perhaps the best-known nineteenth-century thinker who extended rent theory and formally considered unearned income in a distributive model. Assuming, like Ricardo and Paine, the fundamental liberal proposition (from Locke) that a person has a natural right to what he creates in a state of nature, Mill nonetheless stressed that it was obviously society, not simply his own effort or intelligence, that enabled a person to produce so much more than he could if he were *alone* in nature—or, say, isolated on an island in the middle of an ocean. He urged that holdings not directly traceable to individual productive activities were, by definition, a kind of social wealth, and should be treated as such. Hence, on the same "earned" contribution principle that would give to the person that which he creates, Mill argued that society, too, should receive its due—a rent, essentially, for the benefits it provided to individuals beyond what they could produce purely as individuals acting alone. Mill offered a nuanced argument which also extended the labor reward principle to capital by considering the supply of capital to be a type of individual contribution. He judged, however, that many conservative writers over-

reached by proposing blanket support for all accumulated wealth—including that which had no origins in individual productivity.

In 1869 Mill helped found the Land Tenure Reform Association, an important first step on the path toward modern welfare policy. As chairman of its Provisional Committee he had a significant hand in drafting its Programme, which declared: “The land is the original inheritance of all mankind.” Private ownership may be necessary “for making the soil yield the greatest possible produce,” but the right of appropriation

is only valid for leaving to the owner the full enjoyment of whatever value he adds to the land by his own exertions and expenditure. There is no similar reason for allowing him to appropriate an increase of value to which he has contributed nothing, but which accrues to him from the general growth of society, that is to say, not from his own labour or expenditure, but from that of other people—of the community at large.²⁰

The Programme proposed a national land-tax policy which would leave previously accumulated land values in private hands while reserving the “right of the State to all such accessions of income in the future.”²¹ It also offered landowners the option to escape future taxation by selling their claims outright back to the government. The twofold manner of obtaining revenue—from taxation of future unearned increments in the value of private land and from rents on repatriated public land—was designed to achieve major distributional changes over time. “[T]hat increase of wealth which now flows into the coffers of private persons from the mere progress of society, and not from their own merits or sacrifices,” the Programme stated, “will be gradually, and in an increasing proportion, diverted from them to the nation as a whole, from whose collective exertions and sacrifices it really proceeds.”²²

In what might be described today as an acute example of political “reframing,” Mill further argued that “making the State a sharer in all future increase of rent from natural causes . . . ought not to be regarded as a tax, but as a rent-charge in favour of the public.”²³ In contrast to landlords who contribute nothing in exchange for their rents, society had the legitimate moral right to obtain rent, given its vast contributions to wealth. At the same time, unearned wealth should be seen as a *private tax on society*, a point urged earlier and even more forcefully in France by Pierre-Joseph Proudhon. “By himself [the landlord’s] property would bring him a product equal only to one . . .,” Proudhon wrote. And yet, without any effort or investment, merely through the scarcity caused by population growth,

he demands of society no longer a right proportional to his productive capacity as proprietor, but a per capita tax. He takes his fellows in proportion to their strength, their number, and their industry. A son is born to a farmer: “Good,” says the proprietor; “one more chance for increase.” How has this metamorphosis from farm-rent into a poll-tax been accomplished?²⁴

Mill, like Proudhon, shared the view that some forms of legally-sanctioned income were essentially a plundering of public wealth, a private tax on society at large.

Mill’s broader influence hinged on the powerful moral connection he drew between natural and social forces. Societal development in general, he suggested, gave rise to wealth in a manner analogous to nature’s provision of the free gift of fertile land and energy sources prior to any work done by individuals. That landlords grow rich “in their sleep,” as he wrote, was emblematic of a more general contradiction in advanced economies.²⁵ As he explained in a famous passage in his *Principles*, ignoring societal

contributions to the private economy permits a kind of legal plunder—a private “taking” of that which society, not the individual, creates and contributes:

Suppose that there is a kind of income which constantly tends to increase, without any exertion or sacrifice on the part of the owners: those owners constituting a class in the community, whom the natural course of things progressively enriches, consistently with complete passiveness on their own part. In such a case it would be no violation of the principles on which private property is grounded, if the state should appropriate this increase of wealth, or part of it, as it arises. This would not properly be taking anything from anybody; it would merely be applying an accession of wealth, created by circumstances, to the benefit of society, instead of allowing it to become an unearned appendage to the riches of a particular class.²⁶

By the same moral logic that would give both the worker and employer their productive “deserts,” Mill held that wealth generated by social and natural forces should be treated as a type of common property: “[The laws of property] have made property of things which never ought to be property, and absolute property where only a qualified property ought to exist.” When this happens, he urged, private property becomes incompatible with the democratic idea “that all should indeed start on perfectly equal terms.”²⁷ Like Ricardo, Mill nonetheless believed strongly in private property and fair incentives. But unearned wealth, he held, was subversive of the very institution of property:

The guarantee to [individuals] of the fruits of the labour and abstinence of others, transmitted to them without any merit or exertion of their own, is not of the essence of the institution [of private property], but a mere incidental consequence, which, when it reaches a certain height, does not promote, but conflicts with, the ends which render private property legitimate.²⁸

Where Ricardo had simply analyzed the natural origins of rent, Mill drew the normative conclusion that all such “natural” income—wealth “created by circumstances”—should be reclaimed for social purposes. He urged that corrective legislation should favor the “diffusion, instead of the concentration of wealth....”²⁹ To achieve such diffusion, in

addition to taxes on future land-value increases, Mill also supported a steeply progressive inheritance tax.³⁰

Later in the nineteenth century, another American writer, reform activist Henry George, also urged a strongly articulated version of these ideas. George, in effect, extended Mill's social rent-theory by putting a spotlight on the effects of urbanization and industrial development on land values. His central judgment began with the well-established fact that land values in urban areas commonly rise dramatically when population growth and economic development occur. Those who simply hold title to land in such circumstances, like rural landowners, do very little to earn increases in value brought about because of broader community and society-wide development. George termed such increased values straightforwardly "the unearned increment." Like Ricardo and Mill, George also saw himself as a strong defender of private property and enterprise. Only by sharply delineating that which an individual personally "earns," he also argued, could one uphold the "real and natural distinction" between "things which are the produce of labor and things which are the gratuitous offerings of nature."³¹ George proposed a "single tax" to capture the gain in land values which society in general created—"single" because he believed it could replace all other taxes. He hoped thereby also to increase incentives and productivity because only the unearned income of mere holders of titles to land would be affected by his tax.³²

George's views were also partly shared by leading mainstream economists of the marginalist school. For instance, the English economist Philip Wicksteed, a pioneer of

marginal productivity theory, endorsed “public possession” of unearned increments. Wicksteed urged that “the instinct. . .that the increase of wealth due to the communal progress should fall under communal control or should be distributed amongst those who have created it, though quite incapable of being logically confined to the land, can, nevertheless, find in the land an eminently suitable subject on which to fasten.”³³ The Swiss architect of market equilibrium theory, Léon Walras, also defended land taxation as a matter of communal inheritance, urging that “[i]n juridical terms humanity is the owner, and the present generation has the land in trust.”³⁴

In Britain another leading intellectual figure, J.A. Hobson, expanded upon and further developed the distinction between earned and unearned gains. Hobson--one of the main economic theorists of England’s Liberal Party when it came to power in 1906--praised George for “the fact that he was able to drive an abstract notion, that of economic rent, into the minds of a large number of ‘practical’ men. . . .”³⁵ Hobson also endorsed the view that “society is taking an income which belongs to it” in taxing land values. He stressed, however, that “the productive efficacy of social forces” was not confined to “the creation of land values.” Indeed, he suggested that the portion of unearned value created by the industrial system was far greater than that which accrued to landowners. Drawing both upon George’s ideas and upon traditional rent theory, Hobson held that society had a right to benefit from all socially-created value.³⁶

In Hobson’s work there is also a recognition of the contribution that large-order cultural processes make to economic achievement. “Who shall say how far the *Oedipus Tyrannus*

was the product of Sophocles,” Hobson asked, and “how much of Athens, how much of the Hellenic genius, or how much belongs to humanity?” The influence of the wider culture of Greek tragedy, he suggested, was a microcosm of society’s influence on all human output. The contribution of specific individuals can be measured by effort and service, or added worth. The rest can only be understood as coming from what the wider culture contributes. What was true of culture in general was true of economic culture in particular—and that part of economic achievement derived from culture, Hobson held, must also be viewed as unearned surplus and thus by definition as a type of “social income.”³⁷

Hobson held that a new type of industrial rent theory was needed to more fully capture the “productive efficacy of social forces.”³⁸ He suggested that the “unearned increments” in the industrial system included all profits and rents derived from scarcity gains similar to those which the society created in the form of rents on agricultural lands—*plus* payments to factors of production beyond the level necessary to “evoke” the factor, or give it incentive. On the one hand, such surpluses are by definition best able to bear taxation; on the other, as with rising land values, they are generated by social forces—and as the creation of society should be returned to society in some proportionate measure. Mill’s dual argument is thus once again echoed in Hobson: The individual deserves what he contributes (but only what he contributes). But society, too, deserves what *it* contributes “by virtue of its own growth and expenditure upon the environment” (but not more, and not what is due the individual or due any other factor by virtue of its genuine productive contribution).³⁹

Perhaps the most influential exponent of modern rent-theory ideas related to earned and unearned income was another British writer, Leonard Trelawny Hobhouse. Journalist, political reformer, and social philosopher, Hobhouse was the leading intellectual of the “New Liberalism” which attempted to rethink the liberal tradition in light of modern industrial conditions and to create a new theory of state-centered reform. In his most important work, *Liberalism*, published in 1911, Hobhouse offered a fully developed world-view. “The ground problem in economics,” he maintained, “is not to destroy property, but to restore the social conception of property to its right place under conditions suitable to modern needs.” The “prosperous business man” should consider “what single step he could have taken” without the “sum of intelligence which civilization has placed at his disposal” and the “inventions which he uses as a matter of course and which have been built up by the collective effort of generations”⁴⁰ A key issue was how to distinguish “the social from the individual factors in wealth...”⁴¹ Given the ever growing social contribution to economic development, for Hobhouse it was clear that what some called “redistribution” was in the main simply “just compensation,” a matter of restoring excess wealth to its underlying nature as social property:

The true function of taxation is to secure to society the element in wealth that is of social origin, or, more broadly, all that does not owe its origin to the efforts of living individuals. When taxation, based on these principles, is utilized to secure healthy conditions of existence to the mass of the people it is clear that this is no case of robbing Peter to pay Paul. Peter is not robbed. Apart from the tax it is he who would be robbing the State. A tax which enables the State to secure a certain share of social value is not something deducted from that which the taxpayer has an unlimited right to call his own, but rather a repayment of something which was all along due to society.⁴²

Like Henry George and other rent-theory individualists, Hobhouse was also careful to distinguish his argument from any form of collective property theory. “[It] is not possible for society to insist on the whole of its claim,” he wrote, but “[what] it can do is to shift taxation step by step from the wealth due to individual enterprise to the wealth that depends on its own collective progress, thus by degrees regaining the ownership of the fruits of its own collective work.”⁴³ Indeed, it is only in this way, Hobhouse held, that genuine individualism could be preserved. An “individualism which ignores the social factor in wealth” is no individualism at all, but rather a type of private socialism that “deprive[s] the community of its just share in the fruits of industry and so result[s] in a one-sided and inequitable distribution of wealth.”⁴⁴

These themes were also taken up by major twentieth-century political figures in both England and the United States. The British Liberal Party’s “People’s Budget” of 1909, for instance, was a powerful example of rent theory in action. Seeking more than £16 million in new revenues--almost entirely from the country’s wealthiest families--the People’s Budget helped establish the modern principle of “progressive taxation” through a surcharge on higher incomes. It also increased inheritance taxes and imposed licensing fees on automobiles as well as new taxes on gasoline consumption, then both considered to be luxuries. Most controversial of all, it imposed a 20% levy on rising land values (whenever land changed hands), and a smaller levy on undeveloped land and mineral deposits.⁴⁵ Prime Minister Lloyd George offered a classic statement of the central concepts in what came to be known as his “Limehouse Speech.” George’s most telling illustration focused on “land which was not very useful... a sodden marsh” on London’s

periphery which once could be rented at £2 or £3 an acre but was now selling at £2,000 to £8,000 an acre. “Who created that increment?” he asked. “Who made that golden swamp? Was it the landlord? Was it his energy? Was it his brains... his forethought? It was purely the combined efforts of all the people engaged in the trade and commerce of the Port of London—trader, merchant, shipowner, dock labourer, workman, everybody except the landlord.”⁴⁶

In the United States, Theodore Roosevelt focused sharply on the distinction between earned and unearned income in his groundbreaking “New Nationalism” speech of 1910. The “conflict between the men who possess more than they have earned and the men who have earned more than they possess is the central condition of progress.” The very survival of civilization, he urged, fundamentally depended on eliminating “special privilege” in the form of unearned wealth. To meet this policy goal Roosevelt called for taxation of high incomes and inherited estates.⁴⁷

Franklin Delano Roosevelt’s New Deal also emphasized the difference between individual contribution and social value in connection with progressive taxation measures. “Wealth in the modern world does not come merely from individual effort,” Roosevelt urged, “it results from a combination of individual effort and of the manifold uses to which the community puts that effort. The individual does not create the product of his industry with his own hands; he utilizes the many processes and forces of mass production to meet the demands of a national and international market.”⁴⁸ Various New Deal figures were also mentored or influenced by another leading proponent of societal

rent theory, Simon Nelson Patten, president of the American Economic Association in 1908. “After each producer has obtained from the social store a value equal to what he has produced . . .,” Patten wrote, “the store would not be empty. It would still contain the wealth due to superior natural resources and to superior productive instruments,” the assets of a common territory and a common social progress. “It is not difficult to see that there is also a surplus or unearned increment” which, he held, should be redistributed through progressive taxation.⁴⁹

III. Creation Ethics and the Problem of Inequality

Formulations like these offered by various nineteenth and early-twentieth century figures (and many others, far too numerous to catalogue) expanded upon and deepened the ideas of Locke, Paine, Ricardo, and Mill. Mill’s view in particular was suggestive, however, of a related understanding that brought something else into focus—namely, the long arc of the community’s historical development, and the cumulative productive inheritance that creates an “increase of wealth which now flows into the coffers of private persons *from the mere progress of society*.”⁵⁰ With the exception of Hobson—and here only in a somewhat secondary way—most writers did not directly confront questions related to the contribution of long-term historical “progress” or the deeper question of inheritance it suggested. Hobson clearly understood the central question. Modern industry, he urged, was a form of “social production” involving the cooperation of “a large number of human and non-human factors.” These factors were not simply contemporary in nature. All embodied a long accumulation of past advances including “machinery and other plant which express a complicated growth of invention running far back into the past and

derived from great numbers of human brains.” There is also an “ancestry” of “labour power” derived from “past generations of men whose growing knowledge and practice yielded the training and the habits of industry and of cooperation essential for the productiveness of labour in the modern arts of industry.”⁵¹ “Society,” Hobson urged, was a “repository of knowledge made available by a nation to its members throughout its history, and the provider of a common language.”⁵² By linking past advances to current outputs, he suggested, society obtains a right to share in the output at any given time. Despite such arguments, however, Hobson’s focus, like that of most of his contemporaries, was largely on the present array of social forces, and he did not make the issue of inherited knowledge central to his political argument. It was enough to urge the difference in the here and now between what was earned by one person and what society contributed currently. Direct institutional forms of unearned income, such as monopoly profits and scarcity rents, were at the top of his list of political targets.⁵³

Hobson’s focus on corporate structure and market conditions may be compared with the “social inheritance” theory of the nineteenth-century American writer Edward Bellamy in his bestselling utopian novel *Looking Backwards*:

All that a man produces today more than his cave-dwelling ancestor, he produces by virtue of the accumulated achievements, inventions, and improvements of the intervening generations, together with the social and industrial machinery which is their legacy . . . Nine hundred and ninety-nine parts out of the thousand of every man’s produce are the result of his social inheritance and environment. The remaining part would probably be a liberal estimate of what by “sacred justice” could be allotted him as his product, his entire product, and nothing but his product.⁵⁴

The idea of capital as a cumulative inheritance of previous labors, giving the community certain rights in the development and distribution of productive property, was advanced more rigorously by three lesser-known nineteenth-century writers, working largely within a Christian natural law framework. Of course the fundamental precept of Christian natural law with regard to property is that of God's Creation—that life on earth, and all that sustains human life, are given by God in the act of Creation. All wealth is a gift from God, imputing a debt in the form of obedience to God's will and his commands, most importantly the command that no one should fail to act according to the principles of a *common* Creation. The earth is given as a common gift for all human beings. The goods of the earth should not divide humanity into classes but should unite humanity in a common life.

Jesus's most ancient parable, taken from Genesis, the Law of Moses, and the prophet Isaiah, was a fearful political warning and perhaps the boldest biblical statement of Creation ethics:

There was a landowner who built a vineyard, then let it to several tenants while he went away on a journey. When the harvest time came, he sent a servant to collect his share of the fruit of the vineyard from the tenants. But they beat the servant and sent him away with nothing. Another servant arrived; they beat him as well and gave him nothing. A third they gravely wounded. So the landowner decided to send his beloved son to collect the rent he was owed, assuming the tenants would pay out of respect. But the tenants instead conspired to claim the whole inheritance by killing the son and heir, and they killed him. Jesus asked: "What therefore will the lord of the vineyard do to the tenants?" "He will destroy them, and give the vineyard to others."

Recognizing themselves as the wicked tenants, of course, the Temple officials wanted to detain Jesus on the spot, but held back. Perhaps they were afraid the crowds surging

around this “messiah” might rise up and do as the parable suggested. A few days later the Romans tried and crucified Jesus.

The moral vision of the parable was clear to anyone familiar with the Torah: those who ascend to be landlords of the people, earthly rulers, are themselves still tenants of God. God alone is “owner” of the creation and its fruits, and He sets the terms of how the leaders should rule and what they owe from their high position. The principle is one of common sustenance rather than pure equality, but the obligation to secure a common sustenance is substantial and involuntary. It is commanded as justice, not simply encouraged as charity.

The rulers’ debt to God is paid by protecting and assisting the people, not by offerings that make a spectacle of loyalty and a mockery of what God truly wants. All the prophets and saints have taught this. “Those who have their shares of the earth are fewer than those who do not,” Saint Ambrose preached to wealthy Christian patrons on the subject of alms, “therefore, you are paying a debt, not conferring a gift.” The goods of the earth are designed and ordered to a common sustenance, not lordly oppression. This is the “universal destination of goods” that the Church Fathers crystallized at the heart of Christian ethics. Saint John Chrysostom professed the core teaching ardently in the 4th century:

Behold the economy of God as it appears to me. He made certain things common to teach the human race modesty. Such are the air, sun, water, earth, heaven, sea, light, stars. He distributed all these things equally as among brothers. He created the same eyes in all, the same body, the same

soul, a similar form in all. All things are from the earth, all men from one man, all live in the same house. . . . But when each one endeavors to usurp a certain portion, in order to make it his own, a quarrel arises, as if nature were moved to indignation when we, whom God has gathered together, endeavor to divide and separate ourselves, to acquire those common goods as our own, and to utter those chilling words, “mine” and “thine.” Then comes contention; then quarrels. Where there is none of this, contention and strife do not arise. For this reason, community of goods rather than chance-determined private property was bestowed upon us, and is according to nature.

It is striking to consider how the Creation ethics at the heart of traditional Christian teaching on property was effectively secularized by Thomas Paine and other egalitarian liberals who sought, not to abolish private property, but to divide it more equally or to compensate those without sufficient property out of the holdings of those with more than an adequate share. The Creation ethic of common sustenance from God’s gift of life took on human and societal dimensions in later expressions. Henry George’s admiration for the egalitarian land policies of the Old Testament is well-documented in the background to his masterwork *Progress and Poverty*. Less well known are the contributions of a number of “left-Lockean” Christian philosophers who devised a new ethical framework of social entitlement based on recognition and moral discernment of the communal sources of economic value. The Scottish philosopher Patrick Edward Dove began, like so many others, with the Lockean principle that “an object is the property of its creator.” But this also meant that no one could rightfully own what he did *not* create, thus leading Dove (like Mill and George) along the familiar path of arguing that the “rent value” of the soil—derived from the “common result of the whole expended labour”—had to be considered “the *common property* of the whole associated community.”⁵⁵ And “rent” paid to landlords should again therefore be seen as a “tax” on the community, one “that goes

on increasing and increasing with the whole labours of the country.”⁵⁶ Dove held that the “only possible solution of the great question of natural property,” was to allocate all rent-value to the general benefit of the community.⁵⁷

What is striking about Dove’s argument is the next step--the judgment that the “principle of allocating the rent to the community, instead of to individuals” would, among other things, “secure to every labourer his share *of the previous labours of the community*.”⁵⁸

Dove emphasized the idea that, because the labors of a community create value cumulatively, across generations, it is necessary “at every period” to insure an equitable distribution of the historically accumulated property of the society. All people of all generations have an equal natural right to a share of the cumulative value, or “whole labours,” of the community, he held. By natural right, no one should be born into “a world already portioned out.”⁵⁹ To redress the ongoing imbalances Dove proposed a policy similar to that which is currently used to allocate the electromagnetic spectrum—an auction of rights to cultivate the land, the proceeds of which would be paid to the community. Rent-values which derived from the accumulated efforts of the community would be determined by “perfectly free competition,” with the highest bidder paying a cultivation rent “to the nation for the benefit of the whole community.”⁶⁰

The French philosopher François Huet also took rent theory into the terrain of historical contribution. His *Le Regne Social du Christianisme*, published a few years after the failed revolution of 1848 and banned by the Catholic Church, sought to reconcile Christianity and socialism through a theory of natural property rights. For Huet the right to property

also involved more than raw physical resources. Each person, he held, has an equal right to “enjoy God’s gift” of natural resources—which included all “the fruit amassed by previous generations.”⁶¹ A person was entitled to what he created from external resources in his own lifetime, Huet urged, but the deeper issue of distribution involved each person’s “prior right” to an equal share of a society’s “patrimonial assets.” This, he held, was also “already (by anticipation) owned in common with future generations.”⁶² Huet repeatedly and forcefully argued that there could be no “exclusive property” in something that no one living created. A person’s “acquired assets,” those which were the “personal creation of the owner,” could be disposed of in any manner the person thought appropriate. However, anything he possessed or had title to which he did not personally create should revert to the general patrimony at his death, for the benefit of all.⁶³

Huet did not flinch from the logical implications or from the technical challenges his position inevitably created. One first had to focus upon--and in principle disentangle--that which a person, today, actually could be said to have contributed and “earned” himself--the person’s unique contribution. Then it was both necessary and possible to estimate the share that logically came from nature and from past historical contributions. Huet then proposed differentiating the first type of wealth in a twofold system of inheritance: first, any wealth actually acquired by an individual’s labor during his lifetime could be freely transferred in bequest or gift to another person, or heir. The recipient could enjoy this gift or bequest as she saw fit. On the other hand, Huet held there could be no moral rationale for *this second* person passing on to the next generation that which she had done nothing to earn during her lifetime. Accordingly, Huet proposed a tax on

subsequent gifts and inheritance equal to 100% of the amount the person originally inherited, so that all wealth received through such transfers would revert into a common fund upon the death of the recipient:

Constantly fed by an inexhaustible spring, the general patrimony would be made up, at a given moment, of the old patrimonial assets and of all capital goods, accumulated in each generation which, being capable of gratuitous transfer only once, would join the mass of the first upon the death of the donees.⁶⁴

Huet also proposed a capital endowment system not unlike the “stakeholder grants” suggested in recent years by Yale law professors Bruce Ackerman and Anne Alstott. The strategy emphasized individuals, not the society considered collectively. In Huet’s plan the proceeds from gift and inheritance taxes would be reallocated annually in the form of capital grants to individuals reaching their maturity in that year.⁶⁵ This would allow each person to enjoy the fruits of her labor while also fulfilling everyone’s prior right to a share of the profits of the whole society as they expanded over time. This, he urged, was the “natural order of succession”—one in which the individual’s right to share in the general patrimony “consecrates the harmony of property with community,” while also giving individuals their due by right of productive contribution.⁶⁶

A final important representative of the writers who extended rent theory and began to explore its historical dimensions was a Belgium nobleman who spent most of his years writing in Paris. Hippolyte de Colins’ overall position provides one of the most clearly worked out statements of the argument that what we inherit can hardly be said to be earned by the current generation—and that this in turn demands a different moral reckoning. It may accordingly serve as a convenient summary of the trajectory of

developing nineteenth and early twentieth-century thought on these issues, and on the importance of historical contribution:

Colins accepted Locke's primary argument concerning individual contribution and entitlement, and he also strongly challenged the view that simply expending labor on land or other resources created a right to the total value of the final product. Colins judged that the contribution of current labor was minimal compared with the contribution which came from the past and from natural resources. "These two parts of the general wealth are *infinitely* greater than the part acquired by the existing generation," he urged—and in any just system wealth derived from them belongs to all.⁶⁷

Colins' position was uncompromising: "The only means that society can have of being just in the interpretation of the will of past generations is to ensure that the existing generation—*without distinction among families*—owns the products that the past generations destined for their posterity."⁶⁸ But again, this did not mean that individual effort and "desert" were of no consequence. Quite the contrary. Colins stressed that "the labor of each person belongs to himself, and the product of his labor must pass, by inheritance, to his own children." Justice therefore required reconciling the two principles so that "no one could find himself stripped of the portion of wealth that belongs to him from past generations."⁶⁹ Colins hoped to develop a school of "rational socialism," seeking a middle ground between capitalist private property and collective ownership. Like Dove and Huet, he urged that the "community" be considered as consisting of individuals, not primarily as a collective body. Hence, individual

allocations, rights, and incentives again needed to be respected. Colins proposed a three part policy framework to achieve a just allocation of that which came from the past (and from natural resources), and that which was the product of individual “earned” effort in the here and now:

First, all land would be held in trust by the community, with rights to use it allocated each year through competitive bidding. (Individual inheritance of land would be abolished.)

Second, private ownership of the stock of capital goods would be permitted as an incentive to further production—with such private wealth considered a privilege, rather than a right, and therefore subject to heavy taxation. Third, as a matter of justice and an equal right of inheritance, those who had less than an equal share of the stock of capital goods, land, and other productive assets derived from nature or from previous generations, were to be compensated from taxation of the surpluses of those who had more than an equal share of such historically and socially created wealth.⁷⁰

IV. Conclusion

The current debate on taxation and social policy in the United States rests on an individualistic morality of entitlement that is increasingly out of sync with how wealth is created in advanced societies. In the magnitudes of total factor productivity first discovered by Solow, as illuminated by the history of technology, by the growth of the public sector, and by the evolution of our cognitive architecture from the first alphabets to today’s vast computer databases, we can make strong empirical case for the economic importance of cumulative knowledge and other kinds of socially-created assets—much

stronger than Thomas Paine was able to do in formulating the basic idea already in 1796. But this begs a critical question: if Mill and Paine and many others, all the way back through the early Church Fathers to the Book of Genesis, were able to understand and recognize the existence of commonly-created value; if they were able to conceive and even calculate the inescapable debt to common things in all that a person receives, even from his greatest individual effort—how have we, in comparatively far more advanced social circumstances, increasingly lost our ability to see the common value and the common things that enable our exponentially greater gains? What moral sickness is this that blinds us to the empirical reality and the distributive requirements of our large and growing dependency on common sources of value?

¹ Claudia Goldin and Lawrence F. Katz, *The Race Between Education and Technology* (Cambridge, MA: Harvard University Press, 2008), p. 40

² David S. Landes, “Introduction: On Technology and Growth,” in Higonnet, Landes, Rosovsky, *Favorites of Fortune: Technology, Growth, and Economic Development since the Industrial Revolution* (Cambridge, MA.: Harvard University Press, 1991), p. 8.

³ For a good overview of the debate and terminology, see Moses Abramovitz, “The Search for the Sources of Growth: Areas of Ignorance, Old and New,” *The Journal of Economic History*, Vol. 53, No. 2 (June 1993), pp. 217-243..

⁴ Robert M. Solow, “Technical Change and the Aggregate Production Function,” *The Review of Economics and Statistics*, Vol. 39, No. 3. (August 1957), pp. 312-320.

⁵ Moses Abramovitz, "The Search for the Sources of Growth: Areas of Ignorance, Old and New," *The Journal of Economic History*, Vol. 53, No. 2 (June 1993), p. 218.

⁶ This is the term Solow uses in his 1987 Nobel Prize lecture, which provides a lucid summary of the rise of neoclassical growth theory and the discovery of the residual (available on line at http://nobelprize.org/nobel_prizes/economics/laureates/1987/solow-lecture.html [08/30/06]). What is sometimes called "growth accounting," Harvard economist Zvi Griliches argues, developed from "two traditions" which were brought together in Robert Solow's critical papers of the late 1950s: theoretical work involving production functions (especially by Paul Douglas), on the one hand, and the work of the National Bureau of Economic Research (NBER) and others in "national income measurement," on the other. In the 1940s and early 1950s several economists (including Raymond Goldsmith and Solomon Fabricant) worked under the direction of Simon Kuznets at the NBER to construct real output and capital series for major sectors of the national economy [on this, see Zvi Griliches, "The Discovery of the Residual: A Historical Note" *Journal of Economic Literature*, Vol. 34, No. 3 (September 1996), pp. 1324-26]. Solow's 1957 study relies on Raymond Goldsmith's capital time series data and John Kendrick's output per labor-hour series (in 1953 Kendrick had been asked by NBER to "systematize and develop" the measurement of productivity and economic growth; see Zvi Griliches, op. cit., "The Discovery of the Residual," pp. 1326-1327. Other economists working with similar data in the 1950s produced residual estimates comparable to Solow's. In 1954, for instance, Fabricant found a residual of 92 percent in measuring per capita output growth between 1870 and 1950. Moses Abramovitz presented a paper at the American Economic Association in 1955 in which he estimated that the combined per capita input of labor and capital explained only 10 percent of the growth in per capita output over the previous eight decades. [For these contributions, see Solomon Fabricant, "Economic Progress and Economic Change," National Bureau of Economic Research, New York, 1954, cited in Zvi Griliches, *R&D, Education, and Productivity: A Retrospective*, (Cambridge: Harvard University Press, 2000), p. 13, Table 1.1; and Moses Abramovitz, "The Search for the Sources of Growth: Areas of Ignorance, Old and New," *The Journal of Economic History*, Vol. 53, No. 2. (June 1993), pp. 217-218].

⁷ David Warsh, *Knowledge and the Wealth of Nations: A Story of Economic Discovery*, (New York: W.W. Norton & Company, 2006) p. 147. For another useful discussion of these issues see Barry Bluestone and Bennett Harrison, *Growing Prosperity* (New York: Houghton Mifflin, 1999)

⁸ Moses Abramovitz and Paul David, "Technological Change and the Rise of Intangible Investments: The US Economy's Growth-Path in the Twentieth Century," in *Employment and Growth in the Knowledge-based Economy* (Paris: OECD, 1996), pp. 37-38.

⁹ Edward F. Denison, *Trends in Economic Growth, 1929-1982*, (Washington, D.C: The Brookings Institution, 1985), p. 28.

¹⁰ David S. Landes, “Introduction: On Technology and Growth,” in Higonnet, Landes, Rosovsky, *Favorites of Fortune: Technology, Growth, and Economic Development since the Industrial Revolution* (Cambridge, MA.: Harvard University Press, 1991), p. 8.

¹¹ For a discussion of the disputes concerning and size and measurement of the residual see David Warsh, *Knowledge and the Wealth of Nations: A Story of Economic Discovery*, (New York: W.W. Norton & Company, 2006), chapter 11.

¹² See the work of Dale Jorgensen and Zvi Griliches, in particular “The Explanation of Productivity Change,” *The Review of Economic Studies*, Vol. 34, No. 3 (July 1967), pp. 249-283.

¹³ For endogenous growth theory see Paul Romer’s seminal papers, “Increasing Returns and Long-Run Growth,” *The Journal of Political Economy*, Vol. 94, No. 5 (1986), pp. 1002-1037; “Endogenous Technological Change,” *The Journal of Political Economy*, Vol. 98, No. 5, (October 1990), pp. S71-S102. See also the general discussion of Romer’s work in David Warsh, *Knowledge and the Wealth of Nations: A Story of Economic Discovery* (New York: W.W. Norton, 2006).

¹⁴ One important school of endogenous growth theory, associated with Robert Lucas, focuses on the role of “human capital” and the “investments” individuals make in getting an education. Such investments (endogenous because economically motivated) improve productivity (and therefore growth) by increasing the skill and knowledge of workers in the economy. Viewing human capital simply as a function of private investment in education, however, ignores the no less important question of where the knowledge and learning that create “human capital” come from: the educational institutions, the libraries and databases, and the broader history and culture of learning which underwrite the “return” on educational investments in the form of individual skills and reasoning, as well as sheer exposure to new information and ideas. Lucas himself, drawing on Jane Jacobs’ urban studies, emphasizes the “external” effects of human capital—essentially, the benefits people derive from others’ human capital in cooperative environments like the classroom, the shop-floor, and the commercial district. Such (major) effects are not reliably measured by integrating educational investments into narrowly focused input-output models of growth. R. E. Lucas, Jr., “On the Mechanics of Economic Development,” *Journal of Monetary Economics*, Vol. 22. No. 1, pp. 36-37.

¹⁵ Robert M. Solow, “Perspectives on Growth Theory,” *The Journal of Economic Perspectives*, Vol. 8, No. 1 (Winter 1994), pp. 48-53. A paper written for a 2007 symposium celebrating the 50th anniversary of the 1957 growth model picks up on this judgment by Solow. It points out that although there has been a massive effort to endogenize technological change, there is still no clear model or theory of how or why it occurs--and concludes that “it is hard, even today, to question the wisdom of Solow’s modeling assumptions.” In general, the narrow “innovation-centric” focus of much of the earlier literature, they note, is losing ground to a more historical focus on less mechanical factors such as institutions. See Kieran McQuinn and Karl Whelan, “Solow (1956) as a Model of Cross-Country Growth Dynamics,” *Oxford Review of Economic Policy*, Vol. 23, No. 1 (2007), p. 59.

¹⁶ Joel Mokyr, *The Gifts of Athena: Historical Origins of the Knowledge Economy*, (New Jersey: Princeton University Press, 2004), p. 2.

¹⁷ Akerlof made this statement in response to William J. Baumol, “Rapid Economic Growth, Equitable Income Distribution, and the Optimal Range of Innovation Spillovers,” George L. Perry and James Tobin, eds., *Economic Events, Ideas, and Policies: the 1960s and After* (Washington, D.C.: The Brookings Institution, 2000), p. 35.

¹⁸ *Ibid.*, p. 27.

¹⁹ Moses Abramovitz and Paul A. David, “Technological Change and the Rise of Intangible Investments: The US Economy’s Growth-Path in the Twentieth Century,” *Employment and Growth in the Knowledge-based Economy* (Organization for Economic Cooperation and Development, 1996), p. 35.

²⁰ John Stuart Mill, “Land Tenure Reform” (1871), *Collected Works*, Vol. 5 (Toronto: University of Toronto Press, 1967), p. 691.

²¹ *Ibid.*

²² *Ibid.*

²³ J. S Mill, *Collected Works*, Vol. 3 [*Principles of Political Economy*, Book V, Ch. 2, § 6] (Toronto: University of Toronto Press, 1965), p. 821.

²⁴ Pierre-Joseph Proudhon, *What is Property?*, D. Kelley and B. Smith, ed. (Cambridge: Cambridge University Press, 1994), p. 136.

²⁵ J.S. Mill, *Collected Works*, Vol. 3 [*Principles of Political Economy*, Book V, Ch. 2, § 5], (Toronto: University of Toronto Press, 1965), p. 819.

²⁶ J.S. Mill, *Collected Works*, Vol. 3 [*Principles of Political Economy*, Book V, Ch. 2, § 5], (Toronto: University of Toronto Press, 1965), p. 819.

²⁷ J.S. Mill, *Collected Works*, Vol. 2 [*Principles of Political Economy*, Book II, Ch. 1, §3] (Toronto: University of Toronto Press, 1965), p. 207.

²⁸ J.S. Mill, *Collected Works*, Vol. 2 [*Principles of Political Economy*, Book II, Ch. 1, §3] (Toronto: University of Toronto Press, 1965), p. 208.

²⁹ J.S. Mill, *Collected Works*, Vol. 2 [*Principles of Political Economy*, Book II, Ch. 1, §3] (Toronto: University of Toronto Press, 1965), p. 208.

³⁰ John Gray discusses Mill’s theory of inheritance taxation in “John Stuart Mill: Traditional and Revisionist Interpretations,” available from the Online Library of Liberty (Indianapolis: Liberty Fund, Inc.), at <http://oll.libertyfund.org/Essays/Bibliographical/Gray0306/Mill.html#sh13>. [Accessed 05/09/2007]

³¹ Henry George, *Progress and Poverty*, (New York: Robert Schalkenbach Foundation, 1955), p. 337.

³² See Henry George, *Progress and Poverty*, (New York: Robert Schalkenbach Foundation, 1955), pp. 433-439.

³³ Philip H. Wicksteed, *The Common Sense of Political Economy* (London: George Routledge & Sons, Ltd., 1944 [1910]), Volume II, Book III, Ch. 2, p. 688.

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- ³⁴ Renato Cirillo, "The 'Socialism' of Léon Walras and his Economic Thinking," *American Journal of Economics and Sociology*, Vol. 39, No. 3 (July 1980), p. 299.
- ³⁵ Barbara Fried, *The Progressive Assault on Laissez Faire*, (Cambridge: Harvard University Press, 1998), p. 125.
- ³⁶ As H.V. Emy writes, "Capital value, especially with regard to property and land, could be regarded as due in part to the action of the community itself," and for Hobson this was a "major justification for policies of progressive taxation." See H.V. Emy, *Liberals, Radicals, and Social Politics 1892-1914* (Cambridge, UK: Cambridge University Press, 1973), p. 108. The concept of recapturing social value, Michael Freeden summarizes, was "the key to the financial policy of the social reformers" of the early twentieth century. See Michael Freeden, "J.A. Hobson as a New Liberal Theorist: Some Aspects of his Social Thought Until 1914," *Journal of the History of Ideas*, Vol. 34, No. 3 (July-Sept. 1973), p. 433.
- ³⁷ J.A. Hobson, *The Industrial System: An Inquiry into Earned and Unearned Income* (New York: Charles Scribner's Sons, 1910), ch. 14. See also, Michael Freeden, "J.A. Hobson and Welfare Liberalism," *The Political Quarterly*, Vol. 69, No. 4 (1998), pp. 446-447.
- ³⁸ J.A. Hobson, *The Industrial System: An Inquiry into Earned and Unearned Income* (New York: Charles Scribner's Sons, 1910), pp. 225. Although broadly in agreement with Henry George's analysis of unearned increments, here Hobson addresses the limitations of George's single-tax approach.
- ³⁹ H.V. Emy, *Liberals, Radicals, and Social Politics 1892-1914* (Cambridge, UK: Cambridge University Press, 1973) p. 195.
- ⁴⁰ L.T. Hobhouse, *Liberalism and Other Writings*, ed. by James Meadowcroft (Cambridge, UK: Cambridge University Press, 1994), pp. 91-92.
- ⁴¹ Hobhouse, *Ibid.*, p. 91.
- ⁴² Hobhouse, *Ibid.*, p. 97.
- ⁴³ Hobhouse, *Ibid.*, p. 93.
- ⁴⁴ Hobhouse, *Ibid.*, p. 92.
- ⁴⁵ Brian Short, *Land and Society in Edwardian Britain* (Cambridge, UK: Cambridge University Press, 1997), p. 19. As Short notes, the land duties "were aimed above all at those who made profits through development on land which had increased in value owing to some intrinsic locational factor in the site" (*Ibid.*, p. 19.).
- ⁴⁶ A transcript of the speech is available online at the Liberal Democrat History Group, <http://www.liberalhistory.org.uk> [05/07/2007].
- ⁴⁷ The speech is available on line at www.theodore-roosevelt.com/trnationalismspeech.html [05/07/2007]. As he declared in the New Nationalism speech, "I believe in a graduated income tax on big fortunes, and in another tax which is far more easily collected and far more effective—a graduated inheritance tax

on big fortunes, properly safeguarded against evasion and increasing rapidly in amount with the size of the estate.”

⁴⁸ Quote is taken from a 1935 message Roosevelt delivered to Congress. The message was reprinted by the Ways and Means Committee report on the Revenue Act of 1935 and is currently posted on the Department of the Treasury website at <http://www.treas.gov/education/faq/taxes/historyrooseveltmessage.shtml> [05/07/2007].

⁴⁹ Simon N. Patten, “Another View of the Ethics of Land-Tenure,” *International Journal of Ethics*, Vol. 1, No. 3 (April 1891), pp. 366-369. Patten was a mentor to Rexford Tugwell and others who would later become part of FDR’s New Deal “brain trust” in the 1930s.

⁵⁰ John Stuart Mill, “Land Tenure Reform” (1871), *Collected Works*, Vol. 5, op. cit, p. 691. [Emphasis added.]

⁵¹ J. A. Hobson, *Work and Wealth: A Human Valuation* (1914), available on line at <http://socserv2.socsci.mcmaster.ca/~econ/ugcm/3ll3/hobson/workwealth.html> [05/07/2007], unpaginated.

⁵² Hobson quoted in Michael Freeden, “J.A. Hobson and Welfare Liberalism,” *The Political Quarterly*, Vol. 69. No. 4 (October 1998), p. 447.

⁵³ As Hobson explained in *The Industrial System*, op. cit., pp. 230-231: “Our analysis of the actual working of the industrial system has shown the emergence of large quantities of waste surplus. It is to the social utilisation of this waste surplus that the taxing power of the state is rightly directed. For the economic rents, the extra profits, interest, salaries, &c., which are got by the use of economic force in creating monopolies or artificial scarcities, are not merely failing to perform the true functions of a surplus, as the fund of progress...they are damaging efficiency, by enabling whole classes of persons to be consumers without producing.”

⁵⁴ Edward Bellamy, “What Nationalism Means,” *The Contemporary Review*, Volume 58, July 1890, p. 18. Note Bellamy’s striking inversion of Locke’s stated view in the *Second Treatise* that individual labor is 99% responsible for economic output. Under modern conditions, as Bellamy understood them, Locke’s theory of entitlement would apply to only a small portion of overall wealth. It is clear from Bellamy’s terms that “sacred justice” refers to the right-wing Lockean tradition of individual property rights.

⁵⁵ From Dove’s *The Elements of Political Science* (1854), Part II, Ch. 5, “On Property,” excerpted in Peter Vallentyne and Hillel Steiner, eds., *The Origins of Left Libertarianism* (Palgrave, 2000), pp. 140-141.

⁵⁶ *Ibid*, p.142.

⁵⁷ *Ibid*, p. 140.

⁵⁸ *Ibid.*, p. 152. [Emphasis added.]

⁵⁹ On this point and for a good general discussion of Dove’s approach see John Cunliffe, “The Neglected Background of Radical Liberalism,” *History of Political Thought*, Vol. 11. No. 3 (Autumn 1990), pp. 471-472 and *passim*.

⁶⁰John Cunliffe, “The Neglected Background,” op. cit., p. 471.

⁶¹ See John Cunliffe, “The Liberal Case for a Socialist Property Regime: The Contribution of François Huet,” *History of Political Thought*, Vol. 18, No. 4 (Winter 1997), p. 708

⁶² Huet cited in Peter Vallentyne and Hillel Steiner, eds., *The Origins of Left Libertarianism*, op. cit., pp. 106-108.

⁶³ Vallentyne and Steiner, op. cit., p. 107. “The common sense of nations has always distinguished between *patrimonial assets*, which are gratuitously transferred, and *acquired assets*, which come either from personal work or at least from savings of the fruits of the patrimony. For these savings require care, and are also the personal creation of the owner.”

⁶⁴ Peter Vallentyne and Hillel Steiner, eds., *The Origins of Left Libertarianism*, op. cit., p. 112. Interestingly, the right-wing libertarian philosopher Robert Nozick (whose views we examine more closely in our concluding Philosophical Note) proposes a similar policy in his collection of essays *The Examined Life: Philosophical Meditations* (New York: Simon and Schuster, 1989), pp. 28-32, noting that inheritance should not be allowed to “cascade down the generations.” The Italian socialist philosopher Eugenio Rignano proposed a similar inheritance-tax concept and plan, which were widely debated in Italy as well as England in the 1920s. See Guido Erreygers and Giovanni Di Bartolomeo, “The Debates on Rignano’s Inheritance Tax Proposal,” Working Paper No. 85, Dipartimento Di Economia Pubblica (Rome, 1985), http://dep.eco.uniroma1.it/docs/working_papers/Wp85.pdf.

⁶⁵ Alstott and Ackerman propose a 2% annual wealth tax. Federal estate and gift taxes do not generate enough revenue, today, for a substantial basic capital program, and the former, in any case, is slated to be eliminated in 2010.

⁶⁶ Peter Vallentyne and Hillel Steiner, eds., *The Origins of Left-Libertarianism*, op. cit., p. 113.

⁶⁷ Peter Vallentyne and Hillel Steiner, eds., *The Origins of Left Libertarianism*, op. cit., p.132. On this point see also Cunliffe, “The Liberal Rationale of ‘Rational Socialism,’” *Political Studies*, 36 (1988), p. 658.

⁶⁸ Vallentyne and Steiner, *Origins*, op. cit., p. 131. Emphasis added.

⁶⁹ Vallentyne and Steiner, *Origins*, op. cit., p. 131.

⁷⁰Cunliffe, “The Liberal Rationale of Rational Socialism,” pp. 656-657.