

LESSON

IX

EFFECTS OF THE PROPOSED CHANGE

"The land, the earth God gave to man for his home, sustenance and support, should never be the possession of any man, corporation or unfriendly government, any more than air or water, if as much."—Abraham Lincoln in DR. ROBERT BROWNE'S "Abraham Lincoln and the Men of His Time."*

MANY REFERENCES HAVE BEEN MADE IN THESE lessons to the benefits which might reasonably be expected to result from the abolition of private ownership of land. Let us now assemble these.

This change (from a system of taxing anything and everything to one in which nothing is taken by the government excepting the rental value of all land privately held), because it seems so simple and so unpretentious, and because they do not see that it offers a complete solution, is rejected by many of those who are eager to solve our economic problems. They contend that we need something more than a mere "fiscal re-

*Of the many famous men who have endorsed the principle which forms the basis of the argument presented in these lessons, including Abraham Lincoln, Thomas Jefferson, Henry Buckle, Count Tolstoy, Ralph Waldo Emerson and Henry George, the last named is the only one to offer a detailed method of applying the principle (see "Progress and Poverty," a book that should be read by every thoughtful person).

form" to establish justice. Of course this is true, but the change in our land tenure system discussed in these lessons is not a mere fiscal reform. Without it we cannot equalize economic opportunities unless we destroy the liberty of the individual. Without it all efforts to establish justice among men must inevitably fail.

When men do not need to worry about having employment at good wages any more than they now need to worry about having air to breathe; when each has opportunity to work as, if, when and where he will, and is sure of getting the full product of his labor; then the great mass of our economic ills will quickly be gone, and with them many other ills not usually thought of as having an economic cause. As already shown, the taking of site values by the community speedily will bring about a condition in which everyone can know with certainty that not only he, but everyone else, will be able to look forward to the future without fear of want or destitution; in health, in sickness, or in old age.

To specify more particularly the effects on different groups of preventing the private appropriation of rent:

a—Of all the groups which constitute society, there is but one which will not receive great pecuniary benefits from the proposed change. This group consists of those relatively few people whose incomes from their land holdings are much greater than their incomes as laborers, or as capitalists, or as both; but even these will not need to suffer greatly, nor for long, because unlimited opportunities to labor will be open to them, as to everyone else.

b—It is sometimes asked whether the change will not bring at least temporary hardship to him who may have worked and saved, possibly for years, in order to buy for himself a home or a business. The answer is that the

change will bring no hardship to anyone who has invested in land, if he uses it. It is true that the selling value of the land under the home or the business will be gone, but its use value will not disappear, and the land will continue to serve the man's purpose whether or not it has a selling value. Even if the home-owner wishes to sell and buy elsewhere, he will find it no hardship to have had the selling value of his land wiped out, because the selling value of all other land similarly will be gone. He will be able to sell his building, as at present, and when he comes to buy elsewhere he will need to buy only another building—he will not need to pay for another site, for he will get that free of purchase price, needing to pay thereafter only its site value to the community, instead of taxes.

For instance: suppose a house and site, together, are worth \$10,000.; with, say, \$3,000. as the value of the land and \$7,000. as the value of the house. When the owner sold, he would not receive the \$3,000. value of the site, purchased before the change took place, but only the \$7,000. for the house. But, since the selling value of all other land likewise would have disappeared, it would require only \$7,000. to secure an equally good house in another equally good location.

In addition, all the taxes which this home-owner now pays on his home, his business, his income, his personal property, and on everything he eats, wears and enjoys, would be totally abolished; constantly, the cost of everything he bought would tend to decline, while his wages constantly would tend to increase with the introduction of every improvement in machinery, and every advance in the arts and sciences. He would have constant surety of employment; and all fear of want for himself, his

children and his children's children would be gone. Would the home-owner be injured by the change!

c—When we suggest taking the site value of land for the support of government, another frequent inquiry is: "Would not such a system work a dreadful hardship to the farmers?" The benefits to the farmers would be fully as great as those to the home-owner and the business man—proportionately they might be greater because now no other group in the community has its property taxed at such a high percentage of its value as do the farmers. For example, note the assessed values of property, 1938, in two of New Jersey's counties:

Hudson County—Real estate, \$892,391,607., Personal property, \$80,549,548.

Hunterdon County—Real estate, \$23,815,233., Personal property, \$50,112,542.

Can anyone believe that the personal property values in densely populated Hudson County are but one-tenth of the value of the real estate there, while in rural Hunterdon County personal property values are double the value of the real estate? This is but one example of the great injustice to the farmer of our present methods of taxation.

On the average, the value of land used for farming is less than that used by any other industry; and since the farmer (like all others) would be charged a rent determined solely by the value his land would have in an unimproved condition, payments made by farmers would be relatively very low. In addition, the farmer, like other business men and the home-owner, would be freed from all taxation on his buildings and other improvements; on his crops, his machinery, his cattle and other personal

property; on his income and on everything else produced by labor.

Farmers would not be driven to poor or outlying lands to raise their crops. Most farmers now need to travel long distances to sell their products, often passing thousands of acres of fertile, but idle, lands near to town and city—lands held at such high prices that they could not now be used profitably for farm purposes. If these lands could be had for farming without a purchase price, the farmer then could use them, and because he could produce more there, his wages would be higher and the cost of his goods to the consumer, lower.

But, above all, the vastly increased purchasing power of the consumers of farm products would correspondingly widen the farmer's market. Every consumer would be able to buy, not only all the bread and meat; all the milk, butter and eggs; all the fruit and vegetables he or she could possibly want, but also those other products, such as shoes, clothing, rugs, linens, furniture, and innumerable other things which have their beginnings on the farm. Could the change possibly injure the farmer!

d—So we could take any group* in society, excepting the very small one already mentioned, and show how it would benefit by this proposed change; but this is unnecessary. If, instead, we consider the effect this change will have on Labor, we then will see its effects on nearly everyone in the community. For this purpose consider the following chart. It presents a before and after picture:

*The business man whose rent increases as fast as his business grows, leaving him the same net return as before, is but a "share cropper."

Under Present System

The Land-owner receives and
Labor Loses

- 1—All rent;
- 2—All selling price of land;
- 3—Increased rents as poorer lands are brought into use;
- 4—Power to deny Labor access to land;
- 5—Most of interest paid;
- 6—*Most of the pecuniary benefits which follow inventions and material progress;
- 7—*Most of the pecuniary benefits derived from government expenditures and from improved governments;
- 8—Relief from practically all taxes.

The above items together constitute most of the wealth produced by Labor. Under our present system it goes to the land-owners.

*The land-owner appropriates these when he collects rent from or sells his land.

Under Proposed System

Labor will receive

- All wages;
- Access to land of even the highest grade without payment of a purchase price;
- Increased wages as better lands are made available;
- Unlimited opportunities for employment;
- *Practically all of interest paid;
- *Practically all of the benefits which come from inventions and material progress;
- *Practically all of the benefits derived from government expenditures and from improved governments;
- Relief from all taxes on labor products and from income and tariff taxes.

The above items together constitute most of the wealth produced by Labor. All of this should and would go to Labor.

*Labor will receive all of these items except that portion which will go directly to those who give personal service.

Referring to No. 1 and its counterpart—they are self-evident.

Nos. 2, 3 and 4 will be considered together: to see how the proposed change will convert the one picture into the other, we need only remember that seldom is rented land held out of use. Land is held out of use by

an owner who hopes to make a profit simply by holding it; not by a lessee—his hope of profit (if he is paying full rental value) is by use. So long as land is held out of use by its owner the carrying charges on it must be paid out of other income. If the community will collect for itself the full rental value of all lands held, and this is known to be its policy, no one will be able to get or will hope to get a profit from holding idle land. In order to make the land earn its rent, every land-owner will need either to use the land himself, or to hire Labor to use it. This will mean that all land which can be put to profitable use by its owner will be used, but when a holder finds that he has more land than he can profitably use, land which every year shows him a loss and which he must know will continue to show him a loss, he will abandon it voluntarily or will fail to pay the rent upon it, in which case it will be taken from him. This abandoned land will revert to the State and be ready for renting to anyone who wants it.

Millions of acres from which would-be purchasers are now barred by high prices, will be freed in this way. ✓
Some of this land is, potentially, the most productive ?
in the country; for our idle lands are not only farm lands, but comprise all kinds of land, including mineral, coal, oil, gas, and timber, as well as valuable sites in towns and cities. So far as being of any benefit to producers, these idle lands might just as well not now exist. If the community collected all site values for itself, the effect would be similar to that of the discovery of a new continent of fertile, productive, easily accessible land; for fully one-half to two-thirds of all the land in the United States would again become free—as free for anyone to use as it was when the Indians held it. This freed land

would make it possible for untold thousands to find opportunities to employ themselves. All classes would benefit—both producers (Capital and Labor, employer and employee) and those who rendered personal service. While the latter do not produce wealth and earn wages (see p. 25), a condition of “more jobs than men” would benefit them equally with “laborers.”

Not only would one find it easier to go into business for one's self, but because of the using of the better grade lands (for certainly no one would continue to use the poorer grades of land when better grades were freely available) all production and all wages would be increased. To illustrate:

If $\frac{2}{3}$ of each of these seven grades of land were held out of use, the condition would be:

	in use	in use	in use	in use	in use	in use	in use
	100	80	60	40	20	10	5
Rent	95	+ 75	+ 55	+ 35	+ 15	+ 5	= 280
							Wages $7 \times 5 = 35$
							Product (wages plus rent) = 315

No. 24

With the better grades of land freed and brought into use, the condition would be:

100	80	60				
100	80					
100	80					
Rent	(3×40)	$+ (3 \times 20)$				= 180
Wages	7×60					= 420
Product	(rent plus wages)					= 600

No. 25

These higher wages would bring into the market the greatest of all employers of Labor, i.e., Labor itself. Such a demand would arise for goods, and for labor to produce these goods, as the world has never yet known. This demand for goods would not be satisfied until everyone had every material thing he could wish for. This, of course, would be never; because constantly new generations would be appearing with new demands. The spectacle of men able to work and willing to work but unable to find a place to work, would be unthinkable.

Regardless of how great a man's wages, or how much he might have saved, he could harm no one with the wealth he possessed; for the only way even the most greedy individual could get a return from his wealth would be by using it himself, or by loaning it to someone else to use; by doing either of which he could not but benefit society. No one could use his wealth to purchase land, whereby to live without rendering any service to others, while taking from others opportunities to work. Since always wages are fixed by the margin of cultivation or by the subsistence level, no one would need to accept low wages so long as there was plenty of high grade land free for use. There would be no group which could exploit Labor even if it wished to do so.

No. 5—To see why it is true that most of the interest now paid goes to the land-owner (though of course not as land-owner, for only rent can go to a land-owner, as such), but that with the abolition of the private appropriation of rent practically all of it would go to Labor, we must see clearly the source of capital. Capital can come into existence only after wealth has been produced, saved, and then put back into production as capital.

Capital is very necessary in our modern world, but with rent taking such a large part of the wealth produced, and with wages so low, only a small part of the capital now available can come from savings made from wages. The great reservoir from which is drawn most of the capital now used is made up of wealth which was collected by the land-owners as rent. Any interest received on this capital will go to those who collected the rents which were converted into capital, i.e., the land-owners. Therefore the land-owners now receive not only all rents, but also all of the interest on that part of capital made up of savings from rent. Since this constitutes, by far, the greater part of all capital in use, it is the land-owners (not as land-owners, of course, but as capitalists) who now receive the greater part of all interest.

Under the proposed system no individual would receive any rent. Practically the only source of capital then would be, could not but be, savings from wages; and since wages would be much higher than now, it would be easy for Labor to save if it wished to do so. If anyone saved a part of his wages and converted the savings into capital, then any returns received on this capital would go to him who saved his wages to make the capital; who, of course, would be the laborer. Since practically all capital then would belong to Labor, Labor would get practically all of the interest paid. The only others to receive interest would be those whose incomes came from giving personal service and who saved a part of their incomes to convert into capital.

No. 6—To see that with the abolition of private property in land, Labor would receive practically all of the benefits which would come to society as the result of

mechanical inventions and advances in the arts and sciences, which benefits now go chiefly to land-owners, refer to diagram 26, showing present conditions. Here with two-thirds of the land held out of use, aggregate wages are 35, and aggregate rents 280.

in use	in use	in use	in use	in use	in use	in use
100	80	60	40	20	10	5

$$\text{Rents } 95 + 75 + 55 + 35 + 15 + 5 = 280$$

$$\text{Wages } 7 \times 5 = 35$$

No. 26

If, under our present land tenure system, mechanical inventions or improvements were to make it possible to double the product from these lands, then the rents would be doubled—increased from 280 to 560. If the change had taken place rapidly, for a short while wages also might be doubled, and aggregate wages brought to 70, as shown in No. 27.

in use	in use	in use	in use	in use	in use	in use
200	160	120	80	40	20	10

$$\text{Rents } 190 + 150 + 110 + 70 + 30 + 10 = 560$$

$$\text{Wages } 7 \times 10 = 70$$

No. 27

But if this doubling of production made it possible to make a living on what is now $2\frac{1}{2}$ land, this would soon be brought into use; and as this land would then produce 5, all wages would be brought back to 5, making aggregate wages 40, as in No. 28. This shows how, so long as men can be pushed out to poorer lands and

forced to bid against one another for opportunity to work, the pecuniary benefits made possible by material progress will go inevitably to those who own the land.

in use	in use	in use	in use	in use	in use	in use	in use
200	160	120	80	40	20	10	5

Rents

$$195 + 155 + 115 + 75 + 35 + 15 + 5 = 595$$

$$\text{Wages } 8 \times 5 = 40$$

No. 28

Greatly increased production and wages would result even with existing methods and machinery if better grade lands were made available, as in No. 29; but if these lands were made available and even a moderate degree of improvement were made in methods and machinery, the result would be what at first thought seems fantastic, as in No. 30. Here a mere doubling of production, since there would be no unemployed to drive wages down, would make it possible to live twice as well as before, with the same labor.

100	80	60				
100	80					
100	80					

$$\text{Rent } (3 \times 40) + (3 \times 20) = 180$$

$$\text{Wages } 7 \times 60 = 420$$

No. 29

With the proposed change made, anything that increased the ability of men to produce would inevitably increase wages. Instead of dreading improved methods and machines, as now, Labor then would be clamoring for more of them, for everyone would know that im-

200	160	120				
200	160					
200	160					

$$\text{Rent } (3 \times 80) + (3 \times 40) = 360$$

$$\text{Wages } 7 \times 120 = 840$$

No. 30

proved machines and methods would certainly raise the standard of living. No one then could think of a labor-saving device except as an unmixed blessing for the whole community.

No. 7—To see that when rents are no longer privately appropriated most of the benefits derived from government expenditures and from improved government would go to Labor instead of, as now, to the land-owner, consider: improvements made by society now tend to raise the value of land, which means that the community makes a gift to the land-owners of practically everything it spends for improvements. To pay for these improvements the government collects taxes from everyone (even the poorest must contribute because no one can buy even the meanest food, clothing or shelter without paying taxes), but since these improvements increase the demand for land and thereby raise land values, a sum, equal to their cost, soon or later must find its way to the land-owners. Wages are not increased by such improvements, as are rents.

When all site values are collected by the community, and land consequently has no selling value, the chief beneficiaries of public improvements will be the users of land, not the owners. Since practically all, then, will be laborers, these benefits must accrue chiefly to Labor. The only others to benefit will be that extremely useful

number who make their living by giving personal service.

In addition, the change which is here proposed will benefit all by decreasing the cost and complexity of government and by eliminating the chief opportunity for dishonesty on the part of politicians and public officials, as well as its greatest incentive.

The chief source of corruption of public officials is directly connected with our present land tenure system and the bad methods of taxation which it necessitates. Every tax on a commodity, on a business, or on a class, opens the way to bribery, fraud, discrimination and perjury. No one denies this. This source of corruption would disappear if there were no taxes on persons, property or income, and the rent of land constituted the only source of public revenue. Land values are so easy to ascertain that if bribery were attempted it could be detected quickly and the collection of land rents, on the whole, would be fair and just to all.

There could be no buying of land by public officials or others, in anticipation of public improvements, in order to resell to the community at a higher price. Land would have no selling value, and the community would no more need to purchase the land it needed than would the individual.

Regardless of the idealism which may actuate the leaders of a political campaign, all such campaigns cost money. They who will contribute most liberally are they who hope to benefit by some proposed change, or by keeping things as they are, as the case may be. It is the wool growers and not the lumbermen, nor the grocers, who will advance money to support a campaign for a tariff on wool. It is chiefly they who hope to be

able to rent their properties for saloons, gambling houses, brothels, etc., who want and will pay for a campaign for an "open town." If any change is proposed which is expected to increase land values in a given locality, the price of that land and its rent will go up. It is from these rents that a political machine draws most of its funds to finance its operations; therefore the collection of site values by the community would tend to put political machines out of business. If large sums could not be secured for "protection" of various kinds, there would be few, if any, "crooked politicians."

So much for the chief source of dishonesty and graft among public officials; but in addition to removing the cause of these, the proposed change also would decrease very greatly all legitimate governmental expenses.

Cities would grow naturally, being neither congested because of high land prices, nor, unduly extended by reason of vacant or but partially improved lands. The holding of unused or but partially improved lands within a city increases far beyond any legitimate need the cost of supplying streets, water, light, gas, sewers, police and fire protection, and other services. A natural development would mean a lowering of all these costs.

A few years ago the authorities of Los Angeles estimated that 2,000 miles of streets had been constructed in front of *vacant* lots within the city limits, requiring annual maintenance charges of \$1,435,869. Counting losses from delinquent taxes and other costs, it was estimated that these uninhabited miles of streets increased the city's expenses \$3,000,000 annually—which did not include the cost of installing the improvements.

Few cities have attempted, as did Los Angeles, to estimate the increased expenditures necessitated by install-

ing public improvements or furnishing services where not needed, but this burden is carried by every town and city in the country. Chicago has enough subdivided acreage to house 10,000,000 more people. New Jersey has about 4,000,000 inhabitants, but it has enough sites in its various subdivisions, already laid out (1946) to house 8,000,000 more. Until New Jersey has a population of 12,000,000 people, the cost of services to these vacant lots, even if no more be added, will be a great loss to all of its people excepting the land-owners. Similar instances abound everywhere.

Not that all land-owners profit from their investments—quite the reverse is true. But just as it made no difference to the slave whether his owner lost or profited by owning him, so the injurious results to the community are the same whether the holding idle of natural resources brings a profit to the holder or not.

Costs of government would be reduced in many other ways, among which are:

a—The cause of relief doles and other forms of public charity would be gone. People would be ashamed to accept such payments even if they were offered (which they would not be), if it were known by all that anyone could get work at good wages whenever he wanted it.

b—Very many of the cases in our civil courts arise from disputes over land titles or something connected with the land. There would be comparatively few, if any, such cases when the community owned the land and all occupants were paying site values; thus the cost of our civil courts would be greatly decreased.

c—The opening of opportunities for all and the consequent rise of wages would soon eliminate from society those thieves, swindlers and other criminals who

develop because of poverty or the fear of poverty. Thus the administration of the criminal law also, with its police, prisons, etc., would soon cease to be the drain it now is on society.

d—Since in no country is there too little land to support its own people if they could get access to it and could trade freely with the rest of the world, wars of conquest would cease as their main cause would have been removed. Therefore, military expenses also would be reduced to a minimum.

e—If we eliminate the above military expenses, the cost of charity and the cost of preserving order and administering justice, we find that the bulk of the remaining costs of government consists of what is paid for the assessing and collecting of taxes themselves, for the detecting of evasions of taxes and the punishment of the evaders, and for the checking and rechecking of taxes drawn from many varied sources. These costs would all be replaced by the relatively low cost of merely assessing and collecting site values.

The legislative, judicial, executive and military functions of government would be so simplified that the whole cost of government would be very greatly reduced.

No. 8—When government now collects taxes, it collects (at least theoretically) only what is needed to pay for the services it renders. As we have seen, these services at any given location are almost certain to increase the demand for land there and this increased demand is followed by higher land values. Although, nominally, the land-owner today may pay taxes for his share of these services, he is later reimbursed when he collects rent for his land or sells it. Therefore, the land-owner

really pays little or no taxes. Taxes for the support of government actually are paid by land users, who thus pay twice for what they get—once to the land-owner and again to the community. If there were no private appropriation of site values, the land-user would pay but once (to the community) his share of the costs of government—even this being returned to him in services.

To recapitulate: when site value is taken by the community and used for its own needs, Labor will receive not only greatly increased wages, but practically all interest, practically all the benefits which may come as the result of material progress as well as from improvements made by or in the government itself, and it will have a better and a cheaper government. Land will have no selling price, and there will be unlimited opportunities of employment open to all.

Therefore, it is no exaggeration to say that under this system practically all of the wealth produced will go to Labor.* Involuntary unemployment, low wages, and undeserved poverty will be unknown. And all of this increased prosperity will come to Labor without the imposition of one extra burden—for Labor now pays rent (often artificially high) for the land it uses. And, too, Labor will receive all of these benefits without the loss of one bit of its personal liberty, for there will be no need of government regulations or restrictions of any

*While the return to those rendering personal service is not economic "wages," any change which would benefit Labor by raising general wages could not but prove equally advantageous to those rendering personal service. A condition of more opportunities for employment than there were applicants for employment would insure to everyone the full value of the service he rendered, in whatever field he might be working. He who was rendering personal service always would be free to become a laborer and vice versa.

kind, excepting such as may be necessary to prevent one from infringing on the person or property of another; and when everyone knew he had equal opportunities with all his fellows, the incentive to infringe on others would be slight.

When we consider the evils which arise because government permits continuance of the present system, we are forced to a realization that the government should collect all site value, even if, after it had been collected, it were thrown into the sea (and the people taxed for the support of government, as now); because, only in this way is it possible to insure that no one will have an economic advantage over any other.

While this change will not make men moral or industrious, it will open fair and equal opportunities to all; it will remove the artificial hindrances to success by which honest and industrious men are now hampered; and it will permit men to be as considerate of others as they may like to be, without fear of the consequences.

QUESTIONS FOR DISCUSSION

- 1—Is there not plenty of "cheap," nearly "free," land now for those who want land to use? If so, why do they not use it? If people can get cheap land to use, how would they be benefited if all selling value of land were destroyed? What does "cheap" really mean when applied to land?
- 2—Would the benefits from destroying private property in land be increased or decreased by destroying private property in anything else in addition to land? Explain why?
- 3—Are property rights in labor products infringed by extending property rights to include land? Why?

- 4—Can success attend *any* effort to raise wages and insure permanent prosperity while our present land tenure system remains in effect? If so, how? If not, why not?
- 5—What is the effect on production of taxing labor products?
- 6—With private property in land abolished, could the possessor of a great fortune use it to injure anyone else? If so, how? How could a great fortune be accumulated?
- 7—With private property in land gone, the land user would pay all costs of government. Would this be just to both land users and all others? If so, why? If not, why not?
- 8—What would be the effect on corrupt politics and crooked politicians of abolishing private property in land? Why?
- 9—If government officials could not make up deficits by increasing taxes, would this lead to efficiency or to inefficiency in the conduct of government? Why?
- 10—If all site values were taken by government and if all the land were in use, what would be the effect of technological improvements on rents, on wages? Who, then, would get the chief benefits of such improvements?
- 11—If all lands were taken over by the government and all then living consented to an issuance of government bonds, the proceeds to be used for paying the landowners for the land they surrendered, would this make "compensation" just to those then living? Would such a program be just to those born tomorrow?
- 12—Could the full results of the proposed change be realized if it were adopted by a single municipality? Why? Would the result be different if it were adopted by a country like the United States? Why?