

CHAPTER V

The Single Taxer

A FEW YEARS after I got out of college I accidentally met up with Henry George's *Progress and Poverty*. I had heard about the book but knew nothing of its content, so that when I picked it off a friend's shelf and read the introduction, while he was shaving, I had no idea of what I was in for. The style of the writing interested me and I borrowed the book for further reading mainly because of this fact. I thought Henry George was one of the nineteenth century essayists who had passed me by, and undertook to read him for this reason only.

I read the book several times, and each time I felt myself slipping into a cause. A young man must have a cause, even as he must have a wife; it is natural for the imaginative young mind to attach himself to an idea, to glamorize it, and to put his ebullient energy to the realization of that idea. Some young men make a cause of their careers, some of their religion, some of fraternal organizations, and some are attracted to an utopianism. Among the latter are the socialists, the anarchists and the single taxers. I had rejected socialism offhand, anarchism I found wanting, and since neither woman suffrage, prohibition, monetary reform nor any of the dozen other advocated cure-alls

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appealed to me, I found myself without a cause; yet, though I was not conscious of the need, I must have been ready for one, and the single tax filled the gap.

When I returned to New York in 1917 (I had read *Progress and Poverty* in Chicago) I happened to meet with a group who called themselves the Single Tax Party. Though I knew nothing about politics, and instinctively distrusted politicians, the poverty of the Single Tax Party and the devotion of its members appealed to me, and I threw myself into its work for a couple of years. The work consisted mostly of handing out tracts on street corners and of soap-boxing. The latter activity was exhilarating. The soapboxer begins by convincing himself that he is possessed of a great truth which he is impelled to give to the world. But, it soon dawns on him that on the street corner he is not a teacher at all, but rather an entertainer of sorts. The crowd that gathers around him consists of idlers, interested only in passing time hanging heavily on their hands, and in the give and take of the speaker and his hecklers. It is the question and answer period, which the speaker gets to as soon as possible, that makes the crowd. The questions put to the speaker are rarely honest ones, that is, questions eliciting information, but are usually aimed at upsetting the speaker and getting a laugh from the crowd at his expense. To avoid that embarrassment, the soapboxer soon acquires the habit of answering the supposed queries with quips that turn the tables on the heckler. Soapboxing has gone out of style, but while it lasted it was great fun, developed skill at debating and accomplished nothing in the way of education. I tired of it in short order.

The subtitle of *Progress and Poverty* gives a clue to

George's utopianism: "An inquiry into the cause of industrial depressions and of increase in want with the increase of wealth." Here was an implied promise, that he would show a way out of the enigma of persisting poverty in the midst of progress in the arts of production. Socialists and anarchists have tackled the problem and come up with solutions that amount to the abolition of private property and the distribution by the State of the results of production. The weakness of this solution lies in the fact that the abolition of private property would dry up the initiative that results in the abundance of things that men live by; besides, the State, being composed of human beings, is without the omniscience necessary for the proper distribution of goods. George would have none of that. Poverty, he insists, results not from maldistribution, but from the shortage of production; labor and capital are prevented by a quirk in our social arrangement from producing enough to go around. It is this deficiency in production that George addresses himself to.

All production, George points out, is the result of the application of labor, with the assistance of capital, to land; and land he defines as all the resources of nature. Nothing usable, nothing that caters to man's desires, can be acquired in any other way. Therefore, the secret of production lies in the availability of land, particularly the land of greatest natural yield, or sites on which the greatest number of exchanges can be made. There is land enough in this world from which enough can be extracted merely to keep body and soul together, which is a condition of poverty; but there is a scarcity of sites which because of their natural productivity or because of their nearness to markets yield

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most to the application of labor. This scarcity gives them value; the bidding by labor and capital for their use is expressed in rent.

But, the rent of these lands is not an expense that labor and capital must bear; it is merely a measure of their desirability, and is actually paid for by the greater productivity of these sites. Thus, the rent of a desirable city site is not a charge against the services or merchandise produced thereon, is not added to the price of these goods or services, but is distributed in the number of transactions made possible by the nearness of this location to traffic, by its accessibility to buyers. While the rent of agricultural land is fixed by the excess of its yield over the best land that can be had for nothing and cannot be added to the price of crops, the price is determined by the higgling and haggling of the market, regardless of the rent of the land on which these crops are produced.

So far so well. However, under the private collection of this rent there is a tendency on the part of the owners to hold their sites out of use in anticipation of a higher capitalized rent than they can at present pay. Capitalized rent is the price demanded for land. This holding of land out of use for greater yields is called speculation, and it is this practice that holds down production. Since wages come out of production, this curtailment of output results in a lower wage level, which is the economic description of poverty. Nor is that all. Land speculation, by holding out of use the most desirable locations, those that can yield the most to an investment of labor and capital, reduces the abundance of goods in the market place and thus raises the price of the available satisfactions. So that, besides reducing the level of

wages, land speculation hurts labor as consumer. Meanwhile, capital—which George defines as goods used to produce more goods, or tools—is deprived of its wages, or interest, by the lack of opportunities for investment occasioned by the holding of sites out of use; for capital, like labor, is useless unless it can be applied to natural resources.

So, then, the fly in the ointment is land speculation. If this practice were made impossible, if the best lands were open to exploitation by labor and capital when, as and if they were needed, production would be limited only by the industry of labor, the amount of capital available and the degree of technological knowledge attained. Buildings would arise on sites which are either held idle or are uneconomically used in anticipation of a rise in land values, slums and blighted areas would disappear, and this boom in construction would create innumerable jobs in mines, lumber camps and in the industries catering to the building business. Idle land nearer the cities would be put to use producing truck gardening, which would bring down the price the housewife has to pay for such commodities. And so on. Wages, interest and rent—the three natural avenues of the distribution of wealth—would rise in proportion. Involuntary poverty would disappear, and only those would be poor who preferred that condition of life.

To abolish land speculation George would have the government collect the rent and use it for social services. (George is not quite clear on which government would do this, but from the context of his writings one draws the conclusion that he meant local, as distinct from national, government.) If this were done there would be no point in

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holding the land out of use, since every increase in the rental value of land would accrue to the government. At one point, George suggests that a small percentage of the rent could be retained by the owner, to make it worth his while to act as collector for the government; but this percentage would not be sufficient to warrant speculation.

Rent would be sufficient to meet all the needs of government and, therefore, all taxes should be abolished. In point of fact, George maintains, the value of the services rendered by government is reflected in the rent of land, and the collection of the rent would be payment for these services. Thus, a location becomes desirable because of the streets, bridges, fire protection, sewage disposal, schools, and so on, which it enjoys. The rent of land goes up in proportion to the number and quality of the services rendered by government. More than that the government has no right to. Hence, taxes are both undesirable and unnecessary.

When George published his book, in 1879, there was no income taxation, and practically all taxes were levied on production. Taxes on production are passed on to the consumer, in the prices of commodities, and bear most heavily on those least able to meet the expenses of government. He would therefore abolish them and substitute a heavy tax on land values (or capitalized rent), heavy enough to discourage speculation. This proposal got the name of the "single tax," a term he rarely used; he was for the abolition of taxes and the collection of land rent in lieu thereof. He used the expression a "tax on land values" reluctantly, as a concession to usage; people know what taxation is, but are ignorant of the meaning of rent; but, he pointed out, a tax on land values would eventually wipe out these values

and people would become accustomed to the collection of rent *per se*.

Rent is not a tax. It is payment for the use of a location, determined by the higgling and haggling of the market, and it makes no difference to the land user whether he pays rent to the city fathers or to a private owner. Nor can he pass on the payment to the consumer in the price of the commodity he produces on the location, or of the services he renders there. Where rent is high, there goods are cheap; where land values are low, there the products of labor are expensive. It is true that an automobile will sell for the same price on Broadway, New York, as on Main Street in some small town, but on Broadway the dealer will throw in free many services that the dealer on Main Street is incapable of rendering, or offer a trade on one's used car that the small town dealer cannot offer. In New York, where rentals are enormous, as compared with those in a smaller city, one can enjoy opera, the art museums, theatre, or a multiplicity of specializations—as in medicine, as which are not available in low rental areas. Rent is merely the measurement of the opportunity of rendering service on that site, or, conversely, of receiving services by the community. It is not a cost of doing business. It is an item of expense that is absorbed in the number of transactions that that particular location makes possible. It differs from a tax in this respect: a tax on commodities makes them dearer, while a tax on rent makes land cheaper.

That, in a nutshell, is the "single tax:" the public collection of the rent of land in lieu of all taxes. It is a simple proposition, economically irrefutable and fiscally sound, and moreover appeals to our sense of historic justice. After all, as

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George points out, all title deeds to land originated in force or fraud, and current titles cannot get rid of their original unsavoriness. The moral basis of private property is labor; a thing is mine because I made it, or because I exchanged what I made to acquire possession of it. But, nobody has yet invented a way of adding one iota to the sum total of natural resources which is the world; land is what it always was and will be, the gift of God. Yet, George would not disturb the present ownership of land, and would give these owners titles in perpetuity; so long as they or their heirs pay rent to the community, it would be theirs. George is not concerned with land, but with rent.

The solution of the problem of poverty, or lack of wages, lies in the encouragement of production by making available to capital and labor the most productive sites, when they are needed, and in abolishing all taxes. As for industrial depressions, George locates their cause in the antecedent land booms. Most economists ascribe these precipitous collapses in all values to the widespread speculation that precedes them; George, digging down to fundamentals, finds the primary cause in the speculative advance in land values or the securities based on them. During a period of industrial activity the demand for land, from which all the raw materials for industry must come, is active. Land is a fixed quantity, cannot be increased at will, and pressure for its use gives rise to the expectation of a still greater demand. This results in speculation, the holding of desirable lands out of use in expectation of receiving higher rents or purchase prices for permission to use. This speculative rise in rent (or capitalized rent) leaves less and less for wages and interest until at long last labor and capital have

little in the way of compensation for their efforts, and production comes to a halt. This stoppage of production, which is what a depression really is, causes land values to drop, and when they reach a level determined by the economic needs of the community (when the speculative advances have been squeezed out), production starts in again. This explanation of the cause of depressions is supported by the known fact that long before production and exchange in the cities decline, mines and quarries begin to shut down, and declining prices of farm products result in mortgage foreclosures; the depression hits the land first. The obvious cure for depressions is to forestall speculation in land by the public collection of rent.

The "single tax" has been attacked as being too simple, unfair to landlords, an inadequate source of public revenue and even socialistic. All of these charges have been well refuted. There is, however, one objection to the reform which even its opponents overlook and which its advocates are inclined to slur over. George assumed that the rent of land when collected by public officials would be used to defray the expense of maintaining services necessary for social living. But what if they did not apply the rent fund in that way? What if they used it to further their own purpose, which is the expansion of their power over society? What if they spent it for the purchase of votes, even as they do with taxes? To such questions the advocates of the "single tax" reply that if the rent were not used on social services rent would decline and the government's income would decline in proportion. Where there are no adequate roads, where sewage disposal is neglected, where police and fire protection is wanting, where schools are abandoned, there produc-

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tion would shrink and the demand for land would dwindle. But, in that event, would not wages and interest decline along with the rent? And, in that case, the economic and social benefits of the "single tax" would disappear.

Besides, what are social services? The term is quite elastic, and could be used to include socialized medicine, loans to business, subsidies to various segments of society, foreign adventures, enlargement of the bureaucracy, and a host of other activities that prosper the politician at the expense of society. It has been estimated that the rent of land in this country far exceeds the income from taxes, and if this vast sum were put at the disposal of politicians it would be used with the same profligacy. To the aspiring politician, rent or taxes would be the same.

George himself met this argument, when it was put to him, with excusable naïveté. In his day the State had not yet become the monstrous institution that it has, thanks to the income tax. The power problem of his time was not the growth of the political establishment, but the growth and importance of the corporations then burgeoning. True, the politician was recognized as the pawn of these interests, but was not considered as of primary importance; he was generally looked upon as a menial who would sell his services to the highest bidder. This would stop, said George, if political office were put into competition with industrial opportunity. The vast increase in productive activity that would result from the introduction of his reform would open up untold opportunities for men possessed of any skill whatsoever, and political offices would go begging; only men of independent means and with a passion for public service would seek political office.

This is the answer of a man blinded by his own panacea, or one with an abiding faith in the essential goodness of man. The fact is that men are attracted to a political career not because of cupidity—although this does play a part with some men—but because of lust for power. Why does an extremely wealthy man spend a considerable portion of his fortune for the attainment of office? Because (he honestly believes) of the opportunity it offers him to render public service. He hopes to apply his business experience to political affairs, by which he means the subjection of politics to the rules of the market place. But, he soon learns, from the ubiquitous bureaucracy, that government is power and that power cannot be controlled by the competitive conditions that obtain in the market place. There cannot be two governments vying for authority. And what is political authority? It is the right to compel people to do what they do not want to do or to refrain from doing what they want to do. There is nothing else that government can do, that it has any competence for. And so, the public spirited rich man turns to the use of the power vested in him to do things for the "public good." He institutes programs which in his estimation will prosper the people, but each program is implemented with the power of enforcement; it cannot be subjected to the rules of the market place. Thus, the more programs he institutes the greater the power vested in his office, which he eventually leaves (quite reluctantly) with the feeling that he has accomplished something that benefits the people. Whether they have or not, the net result of his term in office is that more and more constraints have been put on the people, that their freedom to pursue happiness in their own way has been curtailed. He has achieved

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nothing but a sense of satisfaction in the power he has exerted over them—which, though he may not have been aware of it, is what attracted him to the office in the first place.

Now, political power is in exact ratio to the amount of money at the disposal of the politician. This is so because the programs he institutes all involve restraints on the people and must be enforced; they are not self-enforcing. And the enforcement agencies, the bureaucracy, must be paid. Now, whether the funds come from the collection of taxes or the collection of rent is immaterial. Even if, as seems probable, the collection of rent in lieu of taxes would spur industry for the benefit of labor and capital, it would also increase rent, which is part of production, and thus give the politician more with which to ply his trade.

This was the dilemma I found myself in when I was teaching the philosophy of Henry George, as director of the Henry George School of Social Science. I have not resolved it yet. If, as Henry George intimates, the reform he advocated were locally applied, it would produce the economic and social benefits expected of it, but that is because in smaller communities the politician is more subject to social pressure than in large political units, and the people's surveillance of their rent fund would hold him in line. But, even under our present iniquitous tax system, the freedom of the people is in inverse proportion to their distance from their ruling government; the nearer they are to their rulers the less they are ruled. If the "single tax" were nationally instituted, or even on a state-wide basis, though production would go up, freedom might be impaired.