

The Economic and Social Problem

by Michael Flürscheim

CHAPTER II.

Land.

"Place one hundred men on an island from which there is no escape, and whether you make one of these men the absolute owner of the other ninety-nine, or the absolute owner of the soil of the island, will make no difference either to him or to them ... Our boasted freedom necessarily involves slavery, so long as we recognize private property in land. Until that is abolished, Declarations of Independence and Acts of Emancipation are in vain. So long as one man can claim the exclusive ownership of the land from which other men must live, slavery will exist, and, as material progress goes on, must grow and deepen!" {Henry George in *Progress and Poverty*.)

Land differs from other human possessions in five particulars:

1. It is a product of nature, the stock of which is limited.
2. It is indestructible.
3. It cannot be carried away.

These are three important qualities, which make land the safest investment in the world, for there is no limit to man's products; they are perishable and most of them can be carried away by thieves.

4. Land can produce wealth without human labor. I well know that this is against the theories of orthodox political economy, as against one of its useless and positively harmful distinctions, according to which wealth is a product of human labor and which refuses to accord to nature's work, unaided by that of man, its wealth-producing power. It is this kind of sophistry which has given to political economy the title of the dismal science. Why should a tree, never touched by human hands and sold on the stump, have less title to the term wealth than the board sawn from it? Or do we call this tree a product of labor because man has created a market for it? Then land, too, would be a product of human labor, because merely the presence of man has given it a market value. Though nature can produce wealth without the help of man, man cannot produce wealth without the help of nature, and in most cases nature does the lion's share. Is it not pitiable to call the steer of the pampas the product of human labor, merely because one man has branded him to prevent his appropriation by other men? I shall return to this point further on.

5. Land is indispensable to human existence. Not only by coproducing all our food and raw materials, but as an abode.

These five qualities of land here enumerated render it essential to deal with it differently from any other of man's possessions. Its limited quantity gives to its possession the character of a monopoly; its indispensability makes the monopoly a dangerous one.

This character of land makes its appropriation by individuals intolerable. Man has a sacred right to life and liberty; and, as neither of those rights can be enjoyed without access to land, land monopoly is a denial of man's sacred rights.

But can we speak of land monopoly where there is no entail, where free trade in land exists, which is said to have the tendency of bringing it into the hands of those who put it to the best use, at the same time producing the most extended division of land?

History teaches the very contrary, to wit, that free-trade in land inevitably leads back to

concentration, as brooks and rivulets finally help to form the ocean.

The best proof of this fact is supplied by the history of France, since that memorable night of August 4, 1789, which overthrew feudalism and introduced a century of free-trade in land.

Toubeau, a French author best known for his advocacy of intensive agriculture in *La Repartition Metrique des Impots*, drew attention to some surprising statistical data regarding the division of the French soil, in a paper which first appeared in the *Philosophie Positiviste* of July and August, 1882. Its title is *Le Proletariat Agricole en France depuis 1789, d'apres les Documents Officiels*. Who would have believed, without these official figures, that only one-tenth of the French soil is owned by peasant proprietors, by men who cultivate their land by their own work? No doubt most of the members of the 1889 International Congress of Land Reformers—of which Toubeau was elected secretary—learned this fact for the first time from his lips.

In round figures, the official *Statistique Internationale de l'Agriculture de 1873*—from which Toubeau took his data—gives 49 million hectares (1 hectare = 2½ English acres) as the inhabitable surface of France, after deducting the area taken up by rivers and lakes. The area covered by forest, heath, swamp, grazing land, and wilderness amounts to about one-third of the whole = 16 million hectares. Houses and gardens take another million. Another third = 16 million hectares is leasehold property cultivated by tenants. Of the remaining third, 12 millions are taken up by large properties. They represent 60,000 farms of 200 hectares on the average. This part of the soil is cultivated by laborers. For the peasant proprietor 4 million hectares are left, to which we may add a certain amount of the grazing land, of the gardens, and the house area, say 1 million hectares. We thus arrive at the stupendous fact that in the paradise of the peasant proprietor only one-tenth of the soil belongs to men who work it with their own hands. The number of these properties is 2 millions, with an average surface of 2½ hectares. This number seems to be in contradiction with the statistical tables, which give us 14 million properties. Now, one-half of these 14 million properties pay less than 5 francs land-tax, and on 3 or 4 million of these the tax cannot be collected at all, either because the owners are insolvent or because the properties are so small that the expenses of collection would be greater than the amount of the tax. In fact, the government statistician realizes that a great number of these so-called proprietors are such only by name. He says: "Half of the land-owners possess only a small house with a very modest garden, sometimes an insignificant portion of an old common, or an undivided portion of a yard, open space, passage, or building-lot. In this way, in a great number of cases, in reality they have only the name of proprietors." Four million more pay only a land-tax of from 5 to 20 francs, and therefore their holdings are so insignificant that their owners cannot make a living off their land. Toubeau then deducts the larger owners, the townspeople, etc., and thus arrives at his figure of 2 million families who subsist on their own land by their own labor.

The number of 3¼ million holdings given in the official statistics shows that if Toubeau erred, he did so on the right side; because, of these 3¼ millions, quite a number often belong to one proprietor, and 1¼ million of them are worked by tenants, while the balance of less than 2 million includes the large properties worked by laborers. Anyhow, the number of peasant proprietors does not affect the quantity of land owned by them, which—as Toubeau shows—is not over one-tenth of the French soil, and here we have to consider that a man cannot be called a proprietor in the full sense of the word if a great part of his property is mortgaged, and thus practically belongs to the mortgagee. Under the French system of an equal division of inheritances the partition of the small properties is continually progressing. If no immediate partition of the land takes place one of the children takes over the land, while the others take a mortgage for their share, which then is mostly sold to outsiders. This only means deferring the partition in many cases where land has finally to be sold to satisfy the mortgagee. While the small properties get thus subdivided through inheritance, the same cause has a tendency toward increasing the large properties. Rich people are in the habit of leaving wills, and for

one case where such a will divides a large real estate, because there are not enough other assets to satisfy all the heirs, there may be ten cases where small properties which come into the market are bought by some rich man to enlarge his neighboring domain.

Toubeau's opinion that actually the peasants owned more land before the French Revolution than they do in our time is justified by a passage in Taine's *Les Origines de la France Contemporaine. L'ancien Regime*. p. 453: "Vers 1760 un quart du sol, dit-on, avait déjà passé aux mains des travailleurs agricoles." ("Towards 1760, it is said, that one quarter of the soil had already passed into the hands of the agricultural workers.")

On the preceding page Taine describes how many domains passed into the hands of merchants, lawyers, rich townspeople; a process also going on in our time wherever land can be freely bought in the market. We have seen the obvious reason, Land is indestructible, whereas the products of labor are more or less shortlived. Neither can land be carried away by thieves, like most of the things produced by man. While almost all products of human labor decrease in value through the lapse of time, unless new labor is added, the value of land, as a rule, increases. Fallow land becomes richer in chemical components. Trees yielding fuel and timber grow spontaneously on it. Anyhow, its price rises under normal conditions through the greater demand that follows technical progress and with the growth of population and wealth; rents become enhanced.

The very reverse takes place with most products of human labor. Independent of the destructive effects of time on them, the price at which their equivalent can be produced falls continually, owing to our progress in the arts. As is to be expected under such conditions, the rich and knowing investors give the preference to land, and this raises still more its selling price. In this way, the rate of interest at which rent is capitalized into the selling price of land falls so low, while the selling price becomes so high, that the worker who needs land prefers to rent it, or is forced to do so, as he has not got the means wherewith to buy. The little capital he possesses is wanted in his business, and anyhow, it cannot be invested at the low rate of interest with which the rich landowner is contented.¹ Or, if he buys, and borrows part of the purchase money on a mortgage, usually the rate of interest of this mortgage is so much higher than the net rate yielded by the land, that a two-third mortgage generally swallows the whole of the rental value. This explains how, even in a country like France, where a little over a hundred years ago the Revolution threw a great part of the feudal property into the market, the number of tenants and laborers, who work on other people's land by far exceeds that of the men who work their own freeholds. It is even more astonishing that the same fact obtains in the United States of America, a country most of whose land—within the memory of the living generation—was practically thrown open, free of cost, to the hardy pioneers. Let us take our figures from the census of 1900.

If we go as far down as 100-acre farms, we may suppose we have reached the utmost limit where an American farmer can work the land with his own hands and those of his family. In this case only one-sixth of the cultivated area comes into consideration. Of this we have to deduct that portion which is worked by tenants, to obtain the area worked by peasant-proprietors. As the farms worked by tenants figure up to about 40%, of the whole area, only 10% (or one-tenth) of the whole area, remains for the peasant-proprietor

In case 100 acres should be considered too low a limit for this class of farms, we must not forget that, on the other hand, the mortgages have been left out of calculation. As the mortgagee practically owns the land, whose rent he collects in the shape of interest to the proportion of the mortgage, this takes off a larger percentage of land from the freely-owned area than the inclusion of certain farms above 100 acres could add to it, especially as the mortgages stand at a very high rate of interest.

The tendency towards concentration of landed property in this country is also evidenced by the fact that from 1870 to 1900 the smaller farms under 100 acres only increased from 2,075,338 to 3,297,404 = 60%, while those above 100 acres increased from 584,647 to

2,424,354 = 413%. Those above 500 acres increased from 19,593 to 149,686 = 763%, or almost eightfold; about 13 times more than the farms below 100 acres.

Let us now take the case of a still newer country, usually presented as a model by the followers of Henry George. In New Zealand the number of occupied acres in 1904-5 was 36,511,154, of which 27,013,683 were in holdings of over 1,000 acres, 29,142,776 in holdings of over 640 acres, and only 991,542 in holdings up to 100 acres, inclusive. The holdings over 1,000 acres numbered 4,211, those over 640 acres 6,820, of a total of 68,680 holdings; which means that one-sixteenth of the holdings (belonging to one-seventieth of the people) embrace three-quarters of the occupied land. Of these 893 holdings, or one seventy-seventh of all the holdings, belonging to 3%, of the population, embrace as much as 56 %, of the total occupied land. But if we want to get at the number of peasant properties we have to consider that of the 36,511,154 acres only 16,392,221 are held as freeholds, 3,574,038 are leased from private individuals or public bodies, 1,667,676 are leased from natives, and 14,877,219 are held from the Crown under different tenures. The mortgage debt amounts to 37%, of the value of the land assessed, without improvements, or 23%, of the value including improvements. The interest rate varies from 5 to 8%.

If we counted as peasant proprietors all land owners up to 100 acres we could hardly estimate the area thus owned, after the percentage of indebtedness is deducted, as figuring up to more than 1%, of the occupied area; and if we go as high as a thousand acres, because of the prevalence of grazing—and it is almost impossible in this case to manage the farm with the owner's and his family's unaided labor—we do not arrive at a higher percentage than in France: one-tenth of the occupied land.

That the same state of things prevails also in Australia is indicated by the following utterances of an old friend, A. J. Ogilvie, of Richmond, Tasmania, meant as an attack on the superstition that the desire to own a piece of land is deeply engrained in human nature:

"But, - we are told, - you forget the land hunger. Man naturally craves for the absolute ownership of the soil he tills, and without it loses half the stimulus to exertion. He wants to sit under his own vine and fig-tree."

"Here are three statements rolled into one. Take the last first 'He wants to sit under his own vine and fig-tree.'

"True; and the result of your system of absolute ownership is that ninety-nine men out of one hundred can get no vine or fig-tree to sit under, and the hundredth finds that the vine and fig-tree under which he sits are not his but his landlord's, who charges him heavily for the privilege, and this even though he has planted the tree himself, and watered it with the sweat of his toil.

"Year by year, all over the civilized world, the ownership of the land is passing out of the hands of the occupier. One man rears the fruit, another stretches out his hand and takes it. The very institution which you defend as securing to the producer the full value of his produce is the institution that compels him to part with it.

"How comes this?"

"Because the unearned increment, though certain, is deferred, and falls, therefore, to him who can afford to wait, and who accordingly waits.

"Sooner or later the day comes when a mortgage has to be redeemed, or death brings the property into the market, and then the man of large and independent means, who does not mind getting a low rate of interest for a while in consideration of large profits thereafter, easily outbids the working owner, who has to earn his living, and must have quick returns.

"Thus it is that not only is the rich non-occupying owner fast superseding the poorer working owner, but the large non-occupying owners are also eating up the small ones, and the tendency of the times is for the whole land of the country to pass gradually into the hands of a few enormously rich people.

"We have not got into this second stage yet out here, but we are well on into the first. And so inevitably and steadily land is coming to belong, not to him who has the best right to it, not to him who wants it most, not to him who will put it to the most productive use, or even to any use at all, but to him who can afford to give most for it, for the mere purpose of squeezing other people.

"You offer the name, but you cannot confer the reality. We withhold the name, but guarantee the reality.

"For what is the land hunger?

"It is the natural craving for a permanent home, and for the fruits of our labor; and we guarantee both these; you do not.

"The natural desire of a man is for a dwelling which he can regard as his home, for so long as he chooses to dwell in it; for a piece of land which he can cultivate and build upon and improve as his interest or fancy may dictate, without the fear of a notice to quit, and the certainty that when he quits of his own accord he can realize the full value of his improvements at the time of his retiring.

"If you say further that all these things shall be his own, you are conferring no further privilege. You are only summing up the privileges already enumerated in a compact, sweet-sounding phrase.

"That he shall possess his home so long as he chooses to dwell in it, his land so long as he chooses to fill it; this is the land hunger. But to want to own the land without using it, to leave and yet retain the ownership for the mere purpose of preventing other people from using it, except on payment, this is not the land hunger at all.

"Directly a man has lost the desire to dwell in his home and till his land, and wants to go elsewhere and live on the rent, he has lost the land hunger, and retains only the ordinary desire to make money.

"Therefore, when under these circumstances we require him to give up the land, securing to him the value of his improvements, we violate no craving of his nature; we only take from him what he has ceased to value, the land; and allow him the one thing he continues to value—his money—to invest elsewhere.

"Further, it is the nature and not the extent of the occupancy that satisfies the land hunger. A home and land enough to afford employment are all that is wanted for the purpose.

"The Irishman's poor cabin is as much his home to him as the duke's palace to him; and an acre or two satisfies the craving to be working for oneself, as thoroughly as 1,000 acres would. Therefore so long as we leave a man land enough to provide him full employment, much more when we leave him enough to employ many hired servants, we may take, at a valuation, the broad acres on which he merely runs his flocks, without jarring any legitimate feeling."

Even in England, where the feudal system has long held sway, where the entail is still the rule, even in England the saleable freehold exists and tells its usual sad history.

Macaulay, in Chapter III of his History of England, where he treats of the yeomanry, says: "If we may trust the best statistical writers of that age (1685), not less than a hundred and sixty thousand proprietors, who with their families, must have made up more than a seventh of the whole population, derived their subsistence from little freehold estates. The average income of these small landholders—an income made up of rent, profits, and wages—was estimated at between 60 and 70 pounds a year. It was computed that the number of persons who tilled their own land was greater than the number of those who farmed the land of others. I have taken Davenant's statement, which is a little lower than King's."

What a change for the worse these figures present! Considering the difference in the value of money, we must take at least £150 as the equivalent of the £60 to £70 of two centuries ago. Now, we certainly cannot go below holdings of 5 acres when we want to find men who can make an income of £150 a year from the land, and the total number of holdings above 5 acres, and not exceeding 50 acres, in 1889, was for all England and Wales 203,861. The Financial

Reform Almanac, from which I take these figures, does not give the number of these holdings, which are freeholds; but to anyone knowing England, it is evident that only a very small proportion of this land is owned by the parties who cultivate it. On the other hand, Macaulay may have included holdings above 50 acres. Erring largely on the right side by compensating the two causes of error, we arrive at the conclusion that, in spite of an eight-fold increase of population, the number of people who make a living on their own land by their labor has not increased; while it ought to be eight times greater. Where, two centuries ago, "the number of persons who tilled their own land was greater than the number of those who farmed the land of others," it is notorious that tenant farming is the rule in the England of 1908, and a man's tilling his own land has become such a rare thing that it plays a very insignificant part in the English corn yield.

The great scientist Alfred Russel Wallace** finds in England the same causes at work, which I indicated in the case of France, in *Studies Scientific and Social*:

"It is a favorite dogma of some reformers that all the evils of the present day would be got rid of by what they term 'free trade in land.' They seem to think that if all obstacles to the sale and purchase of land were abolished, if entails of all kinds were forbidden, and the conveyance of land made as cheap and expeditious as it might easily be, the obstacle that now exists to the growth of a body of peasant proprietors would be got rid of. This notion appears to me to be one of the greatest of all delusions. The real obstacle to peasant proprietorship or small yeoman farmers in this country is the land hunger of the rich, who are constantly seeking to extend their possessions, partly because land is considered the securest of all investments, and which, though paying a small average interest, affords many chances of great profits, but mainly on account of the political power, the exercise of authority, and widespread social influence it carries with it. The number of individuals of great wealth in this country is enormous, and owing to the diminution of the more reckless forms of extravagance, many of them live far below their incomes, and employ the surplus in extending their estates. The probabilities are that men of this stamp are increasing, and will increase, and the system of free trade in land would serve chiefly to afford them the means of an unlimited gratification of their great passion."

The following verses from *Land and Labor*, the excellent organ of the English Land Nationalization Society, illustrate in a happy vein the chances the average English peasant has, under the present free trade in land system, of securing enough land to make a bare living on.

THREE ACRES AND A COW.

"I hear thee speak of a bit o' land.
And a cow for every laboring hand;
Tell me, dear mother, where is that shore,
Where I shall find it and work no more?
Is it at home this promised ground,
Where the acres three and a cow are found?
Is it where pheasants and partridges breed?
Or in fields where the farmer is sowing his seed?
Is it on the moors so wild and grand
I shall find this bit of arable land?"
"Not there! not there, my Giles!"
"Eye hath not seen that fair land, my child,
Ear hath but heard an echo wild—
The nightmare of an excited brain,
That dreamers have like Chamberlain.
Far away, beyond the ken
Of sober, practical business men;

Far away beyond the sight
Of men whose heads are screwed on right;
Where castles in the air do stand.
Behold the cow and the bit o' land!
'Tis there! 'tis there, my Giles!"

Many more proofs might be given that the formation of large estates is the inevitable result of free trade in land, experienced everywhere since the times of old Rome, when Plinius found in large landed properties the cause of Italy's ruin.

The contention is made that free trade in land not only brings the land into the hands of those who use it to best advantage, but that this is to the benefit of the community at large. Facts show that neither premise nor conclusion is correct, and that Ricardo was right when he claimed that "the interest of the landlord is always opposed to that of every other class in the community." The interest of the landlord is to collect for himself the highest rent or net produce attainable. In figuring this rent or net produce the expense for labor stands among general expenses, which are deducted from the gross product to obtain the net product. But for the laborer his wages are his own net product, and thus finally all gross products resolve themselves into net products of other people. Every cent paid out for machinery, manure, seed, fences, cattle, etc., is finally spent for labor of some sort, and is the net product of somebody else. In this way all gross products are practically all net products, from the point of view of the community. The well-being of the people consequently depends on the quantity of gross products.

Take, for instance, the case of a large proprietor owning 10,000 acres. If he lets the land to a hundred small farmers, or employs a hundred laborers, the gross product of the land may be \$100,000, while his net income from the rent obtained, or from the crop sold, after deduction of wages and other expenses, may not amount to over \$10,000. If he lets the land to a grazier or raises cattle on his own account, the gross product may not exceed \$20,000 and still leave him a larger net amount in the end than he obtained in the other case. His preference will naturally be for the highest rent, and so only a few cowboys find employment, where a hundred families might have earned their bread. Which is of greater benefit to the community as a whole? The State, the representative of all citizens, would probably refuse the higher rent and lease the land to the hundred farmers. Leaving all higher considerations aside and looking at it only from the financial side, this policy might even in the end yield a larger income to the public exchequer through the taxes paid by the farmers and their purveyors, the urban producers, who make their clothing, the wire of their fences, their furniture and household goods, their machines and their tools. Supply and demand are beneficial regulators in the case of commodities that can be produced in any quantity, but not in the case of a limited commodity like land. Free trade in land could never have found such a number of defenders if it had not been looked upon as the best antidote to feudal monopoly; whereas in reality it merely substituted the plutocrat for the aristocrat, a worse for a better master. The capitalist landlord has not been connected by a family tradition of centuries with the land and its occupiers; to him his land is nothing but the equivalent of other investments, which he gave up for it. Its rent replaces the interest which those investments yielded, and he expects his rent to fall in somewhat after the quasi-automatic process in which his coupons were cut and cashed before he exchanged the bonds to which they were attached, for the land he bought with their proceeds. As he never cared who finally had to pay the interest represented by these coupons, so the tenant of his land to him is merely a rent-paying machine, to be exchanged for another, so soon as it does not regularly perform its functions.

This is still more conspicuous where the capitalistic ownership is indirectly exercised through the mortgage and, especially, where the mortgagee is not a person but a corporation, often one who represents thousands of poor people, as in the case of savings banks and

insurance companies. To these institutions it is a case of mere figures. It is no longer a question of one man's relation to his fellow-man who works for him; but that of the impersonal capital to its interest. The right of capital to earn interest seems such a self-evident one, that anybody who refuses to pay his interest dues is considered as defrauding capital of its rights. Neither can the savings bank be blamed for not granting facilities; as it is merely the agent of others who have brought their savings. The real landlord is yonder poor widow, who has invested her few dollars in the bank; or perhaps the farmer's own laborers, who have not the least idea where their interest comes from, and dream not that they are the oppressors of their poor master, who bitterly refers them to his own misery when he refuses to raise their wages. A remarkable illustration, this, of the so-called 'class war'!

But what other system is better adapted to bring the land to the most rational use, if free trade in land, instead of accomplishing this purpose, has the pernicious effect of concentrating possessions in the hands of the few to the detriment of the many? The reverse of free trade: entail? Perhaps, if rationally organized: i.e. so as not to keep the land in the possession of the exploiter, but to insure permanent possession to the workers. If feudalism was the father of aristocratic entail, the Germanic Mark and the Russian Mir might give us a precedent for democratic entail. Of course, periodical re-allotments, only possible under a primitive system of cultivation, would not be practicable under scientific farming. Nor are they essential to Mark or Mir, of which they rather are the greatest obstacle. An allotment which in place of his well-cultivated land, assigned to an industrious farmer the neglected field of a thriftless neighbor, obviously discouraged the better man and had a tendency to bring him down to the other's level.

A slight change in the American Homestead Laws would have provided an improved 'Mark' with all the advantages of the old plan without its inconveniencies. Let us suppose that this country had added the following simple clause to her Homestead Law: "This land is to remain freehold property of the settler during his life and that of his descendants, provided that he or they occupy the said land themselves. The title does not include the right of sale or lease. Whenever personal occupation of land by the settler or his descendants ceases, the land reverts to the previous owner: the United States, with full right of free disposal, free of any charge but the price originally charged to the settler, plus the payment for the improvements made by the dispossessed party at their assessed value." An inventor who enriches the world with a product of his brain has its ownership guaranteed for only 17 years; why should the first occupier of a piece of land, which is not his product, have a right of eternal possession, the right to use and abuse it, also to cede this right to others?

Though it might have had a deterrent effect on mere speculators holding land for a rise, and meanwhile, like dogs in the manger, keeping bonafide occupiers at a distance, such a law would not have held off a single real settler. On the contrary, the increase of free land at their disposal, besides the effect on general social conditions, concentration of wealth in particular, would have brought over the best class of immigrants from the whole world. Even if the whole of our present population were farmers, there would still be available 100 acres for each family on the average, if we take only the occupied area into account. Of course, the State would not re-allot homesteads that come back into her possession without a just compensation for the increase of value in price or rent.

A Homestead Law with such a condition, insuring to the community the reversion at cost price whenever the party to whom the homestead has been given ceases to occupy it either in person or through his or her descendants, would have produced wonderful results; but unfortunately, a law of this kind has never existed. The American abortion bearing the name of "Homestead" has been a most serviceable instrument of landlordism and capitalism. Only Germany in her new Chinese colony has shown a practical approach to something in the nature of a real Homestead Law. The State buys the land from the former occupiers at a certain price based on the land tax paid by them, or rather the land rent, as the soil of China nominally

belongs to the Emperor. The land is then sold to the settlers at the market price resulting from supply and demand. The right of pre-emption is reserved to the State, in case the buyers want to sell at any future time. If the government makes no use of this right, it demands a tax of 2%, on the selling price and, furthermore, one-third of the unearned increment, of the profit made on the original price—of course, taking first account of the improvements made by the owner. This third has to be paid, anyhow, once within 25 years, whether the land changes hands or not. In addition to this, a yearly tax is demanded amounting to 6%, of the selling value of the land. This tax cuts off the soil under the feet of land-hoarding speculators, who besides the interest on their outlay, lose every year as much as 6%, of the selling value of the land they leave unused; and, in the best of cases, they have to give up one-third of their final profits. It is understood that the 6%, cannot be deducted from the profits from which the State gets her third. As the tax is one of the conditions of the purchase, all the advantages of a land-value tax are reaped by the State without the stigma of confiscation.

A valuable proof in the progress made in land reform occurs in Germany since the society now called the League of German Land Reformers was founded, through my instrumentality, in 1888. a time at which the mere idea of land nationalization was generally ridiculed in the Fatherland. Such proof is furnished by one part of the address with which the government's representative, Contre Admiral Tirpitz, introduced the new law in the Reichstag. He put stress on the fact that the financial point of view had stood in the second line only in the motives, which caused the government to bring forth this law; motives which any one would have looked for in the pages of Progress and Poverty rather than in the speech of a representative of Germany's emperor. Better than this, a representative of the Bund der Landwirthe, the league of the agrarians, Germany's big land owners, not only approved of the law, but would have liked to see the third of the State's share in the profits raised to one-half. The manner in which this progressive law may affect the development of the German colony will be shown in time.

However, the best system of securing enough land for the occupier and the rental income for the community is Common Landownership.

Of all which has ever been written on this subject, nothing can approach the wonderful work of Henry George, the pioneer of the modern land reform movement. Progress and Poverty has opened a new world to untold thousands who had previously refrained from social reform work, because socialism did not seem attainable or even desirable, and no other solutions were in sight. The mere looking out for such meant a dive into the dismal abyss which the science of economics presented to the ordinary mortal, until Henry George's poetic prose, his wonderful imagery, a limpid style such as had not been known since Macaulay fascinated his hosts of readers, rendered economic subjects more attractive than the ordinary novel. Here lies the imperishable merit of the book; not in its scientific theories, which unfortunately contain many sad errors.

The book is too well known to require any recapitulation. To those of my readers who have not read it, I merely offer the advice to study it. They may not agree with everything in it; in fact, if they have any notion of economic realities they will shake their heads over several strange theories, such as the relations George finds between wages and interest, his absolute negation of the wage-fund theory through his ignorance of the currency problem, and his ideas as to the cause underlying commercial depressions. But they will acquire the absolute conviction that justice and expediency demand that the ownership of the soil must belong to the people as a whole, and that no thorough-going reform in the social domain is at all possible without the restoration of the land to the community. With unmitigated delight we follow the author's sledge-hammer strokes against the greatest crime man ever committed on this planet—the crime of selling and pawning God's own, this earth, the great heritage of humanity. One after another of those sophistic defences with which the usurpers and their gang of venal or ignorant lackeys have tried to prop up the foul wrong crumbles before those mighty strokes. Nothing will hold together. Not the right of discovery, or first occupation, claimed by the

human mite left stranded for a few seconds by the ocean of time on some little nook of this globe which, according to this mitish knowledge, was never before alighted upon by any fellow-mite of his, whereupon the little mite prefers a title to that nook for all times to come, including the right of use and abuse, of letting to fellow-mites against heavy tribute, or withholding the use, though fellow-mites should die miserably in consequence. Not the right of conquest, based on superior power, driving other mites from the locations previously occupied by them—a dangerous title anyway, for it legitimizes Democracy's claim to the right of expropriation without compensation, whenever it has the power to enforce the claim. Not the right of purchase from other mites, whose title, after we have proceeded backward through the centuries, finally finds itself based upon some pretence of first occupation or conquest. Not any right whatever given by king or parliament: by His Majesty, the chief mite, or the mite-hive's representatives. Not even the assent of all the mite-hives which ever crawled over this little dust-ball of the universe during a few pulse-beats of eternity, on their journey from the unknown to the unknowable, even if this assent be engrossed ever so visibly on the hides of defunct sheep, goats, or asses. Can a thief give a valid title to his booty?

George shows that the right given by improvements can only extend to the improvements, not to the land on which they are made. What produces most of the land's value are not the improvements made by the landowner, but those made by other, outside of his land. If an untouched piece of original forest land existed near New York City it might be even more valuable than the improved farm land near it, through the value of the timber, but the main value of both improved and unimproved land would be created by the neighborhood of millions of men and women who need this land as a place of work and residence. What gives to land most of its value is not the labor of the owner, but that of all humanity since untold ages.

A Stephenson broods over the problem of transportation by steam-driven wagons on iron-shod roads; others invent new plows, sowing, and reaping, and threshing machinery—and land far off in Dakota's prairies, as worthless before as the water of the ocean, acquires an immense value. Not through the work of the cultivator, which covers it with the waving corn; for he is getting his wages from the proceeds of this corn after the rent of the land has been paid. This rent is due, not to the corn which can be grown on the land, for that could have been done since immemorial times; but to the railways and steamers which permit the sale of this corn in the London market, cheaper than the neighboring Essex farmer can supply it; which puts the farmer into communication with the rest of the world, from whence all he needs is brought to his door at reasonable rates. It is further due to the inventors of that machinery which enables one man to do the work of a hundred.

An inventor finds a system of freezing establishments and cool-storage ships, through which Australian carcasses of sheep and cattle can be cut up by the Smithfield butcher and served to the Londoner as fresh as the meat of animals slaughtered yesterday—and millions of Australian acres double and treble their value in consequence. Talk of this value being due to the improvements of the landlords! Why should they be entitled to land values produced by this and similar work done all over the world, including the work of the meanest hand in an English factory, which enables him to buy this Australian meat or this Dakota wheat, and thus pay some of the rent of the distant land? Germany's warriors are victorious on the fields of Königgrätz and Sedan, and the farmer at the gates of Berlin sells his land for building purposes at a price exceeding its cost more than a hundredfold. Was it his merit? The State erects irrigation works on the Grand river of Colorado, and land—bought a few years before as a homestead, almost for nothing—soon sells for \$600 an acre, because water becomes attainable at a moderate charge which changes the desert land into fertile soil, producing innumerable crops without manuring. Is it the merit of the chance landowner that the State or private parties carry out irrigation works? Only the community can be the rightful heir of the fruits of this work of present and past generations, which made the world of to-day, can rightfully claim the

additional value, the unearned increment, as it is called, thus created. Rather a misnomer, for, as Miss Helen Taylor said: "Those who earn it don't get it, and those who get it don't earn it."

With kindling eyes you read on and on, more and more eager to follow the great leader to the ramparts where the advocates of wrong vainly try to defend their parchment fortresses. Alert you listen for that word of command by which the glorious captain will direct the attack.

At last you come to the study of Chapter II, of Book VIII. Can you believe your eyes? Are you reading aright? Is it possible that the very man who has just proved with a logic as transparent as crystal that private property in land is doomed and must be exterminated, if humanity is to live, that this very man now advises you to leave this property in the possession of its present owners, on the grounds of expediency, and to content yourself with taxing it? Again and again you read the page; but there it is, it cannot be wiped out. Was the great prophet after all only a poor, erring human being?

It is almost unbelievable that a man like Henry George should have thus left the straight plain road he had opened, and should instead have chosen a crooked by-path, full of thorny weeds, and ending in a quagmire. For such a course he must have had most powerful motives, certainly worth examination.

When, however, we investigate his reasons our astonishment increases, for all he has to say in explanation of such a sudden departure from the principle which the whole book has been advocating, is contained in the following few lines:

"To do that (confiscating all the land and letting it out to the highest bidders) would involve a neediest shock to present customs and habits of thought—which is to be avoided. To do that would involve a needless extension of government machinery—which is to be avoided. It is an axiom of statesmanship, which the successful founders of tyranny have always understood and acted upon—that great changes can best be brought about under old forms. We, who would free men, should heed the same truth. It is the natural method. When Nature would make a higher type, she takes a lower one and develops it. This is also the law of social growth. Let us work by it. With the current, we may glide fast and far. Against it, it is hard pulling and slow progress."

That is all.

George, as we see, sets out from the axiom that land nationalisers want to confiscate the land, though most land nationalisers, like myself, will fail to remember ever having met one single partisan of our special method of land restoration who even dreamt of proposing such a measure. It is, however, quite consistent with George's convictions to leave out of consideration any other method of accomplishing land restoration.

The idea of compensation is so absolutely antagonistic to his thoughts and principles that he cannot even conceive how those land nationalisers who propose compensation—and, as I have just said, they all do—can be honest. In his opinion, we do not really want to obtain the land for the people at all; we only want to draw a red herring across the track of land restorers, as one of George's disciples once stigmatized my work for land nationalization in New Zealand. George's words are: "For to say that men must be compensated if they are prevented from doing a thing, is to say that they have a right to do that thing. And this those, who intelligently advocate compensation, know. Their purpose in indicating compensation is to prevent abolition" (*A Perplexed Philosopher*, p. 276). Now, it is certainly not a feeling of unkindness towards co-workers on another plan which begot such thoughts, for he was the kindest of men and the most loyal of friends. No, it was his firm and unshakeable conviction of the absolute injustice of compensating anybody for ceasing to perpetrate a wrong. Private land ownership, in his eyes, is a theft, and if anybody were to be compensated, let it be not the robbers, but their victims, the landless people whose heirloom has been taken away from them since times immemorial. Emerson gave expression to the same idea regarding compensation to slave-owners: "Pay ransom to the owner, and fill the cup to the brim. Who is the owner? The slave is the owner; pay him!" "Let bygones be bygones," I have heard George say repeatedly in public,

"only don't sin any more!" ... "Let the people forgive the past, the immense amounts wrested from them by the landlords, and only demand to be at last reinstated in their rights."

According to him, it makes no difference how the landowners got into possession, whether they inherited, stole, or bought their land in good faith. The law demands restitution without compensation from anybody who bought stolen property; why should there be any difference whether the stolen object is a watch, or a piece of God's earth?

He usually compared private land ownership with slave property. Both confer the right of claiming the work of fellowmen without any compensation. In fact, we might say that the slave-owner gives some kind of compensation to the slave whose services he makes use of, for he feeds and clothes him, provides him with shelter, medical advice, and assistance; whereas the landlord demands his rent, little caring how the tenant makes a living. The tenant often has to work harder than a slave to pay his landlord, and has to 'find' himself.

"Compensation for the selling value of a slave, which disappears on the refusal of the community longer to force him to work for the master, means the giving to the master of what the power to take the property of the slave may be worth. What slave-owners lose is the power of taking the property of the slaves and their descendants; and what they get is an agreement that the government will take for their benefit and turn over to them an equivalent part of the property of all. The robbery is continued under another form. What it loses in intension it gains in extension. If some before enslaved are partially freed, others before free are partially enslaved" (A Perplexed Philosopher, p. 263). We shall see further on that this is an error; that compensation can be given without the imposition of any new tax.

Other arguments are given, and more might be added.

A strong one has already been alluded to on a previous page. The original title—in Europe, anyhow—is based on conquest in the last resort, on the right of the strongest. Since the landless people now are stronger than the land-owners, the latter could have no valid objection to confiscation were the people sufficiently united for land restoration to overcome by force any possible resistance, for the new title would have the same foundation as the one it superseded. History has seen such cases. On that memorable night of August 4, 1789, of which Carlyle says: "Dignitaries, temporal and spiritual; Peers, Archbishops, Parliament-President, each outdoing the other in patriotic devotedness, come successively to throw their own untenable possessions on the altar of the Fatherland. With louder and louder vivats—for indeed it is after dinner, too—they abolish Tithes, Seignoral dues, Gabelle, excessive Preservation of Game; nay, Privilege, Immunity, Feudalism root and branch."

It was a voluntary surrender only in appearance; in reality, the old spent force, which once had conquered the privileges yielded to the new force, which did not content itself with what was surrendered, but confiscated a good part of the remaining monopoly, the property of the land.

When a people emerges from despotic government, and takes its destinies into its own hands, assuredly it may also overthrow the institutions of the old regime; revolution has its own laws, those of the strong.

So has reaction, the revolution backward. The following passage taken from Macaulay's History of England, Chapter II. shows to members of the English Liberty and Property Defence League—a league of drones formed for the defence of the liberty of exacting tributes from the land-using workers, and of the property wrested from the people, the land—that their own party supplied a very valuable precedent how to treat vested rights, even where founded on cash payment. Their own actions in the past have deprived them of their strongest defence against plans of confiscation.

Single-taxers (the infelicitous title assumed by those followers of Henry George in the United States and in England's colonies, who have adopted his land-restoration method) may point out to the Liberty and Property Defence League of how little value their own party accounted the right based on honest purchase, how it was they who first in England made use

of Henry George's argument in regard to land that the owner of stolen property has the right to take possession of it without any compensation, wherever he finds it, never mind what consideration has been given by the actual possessor.

"Property all over the kingdom was again changing hands. The national sales (under Cromwell) not having been confirmed by Act of Parliament, were regarded by the tribunals as nullities. The bishops, the deans, the chapters, the Royalist nobility and gentry reentered their confiscated estates, and ejected even purchasers who had given fair prices."

It is hard to see, however, in what way confiscation could be justified on such grounds in the United States, where most of the land was parted with by the people's elected representatives, who acted in perfect agreement with their mandators. Though Henry George was not the first who wrote against the prevailing system of private landownership, yet before his great book appeared not one man in a thousand was conscious of the fact that trade in land differed fundamentally from the trade in any other marketable object. Though the abuses due to the system were painfully felt, the system itself was attacked only by a few socialists whose opposition to private land ownership formed only a part of their antagonism to any kind of private property used for revenue purposes. The people, as a whole, were just as ardent defenders of the freehold as they were of other private property. Would it be just under such conditions to turn round on and punish with confiscation men who acted on views, which we ourselves entertained but yesterday? We should act like that good Christian who wanted to justify his attack upon one of 'the Lord's people' by accusing them of crucifying Christ. When his victim defended himself by stating the fact that the circumstance had taken place a couple of thousand years ago, he replied: "No matter, I had never heard of it until yesterday!"

It is hardly fair to style landowners 'robbers' under such circumstances, and certainly nobody has a right to indulge in such aspersions and to ask for confiscation, who himself held the ladder by which the burglars entered the house.

A state, which proceeded on these lines would furnish a very bad precedent. Today it confiscates the land which it sold for hard cash, because private landownership is robbery; tomorrow it declares that the public debt has long since been more than repaid by the interest the creditors have received in the course of years, and interest is robbery. Consequently the debt is repudiated without any other compensation to bondholders than to call them robbers, never mind whether they are the original lenders, or those who bought their papers only yesterday, trusting in the State's good faith. The day after, socialists obtain the majority and declare every employer a robber; they confiscate the factories built by the workers, and, of course, as they make it out, belonging to them by right.

We can leave the question aside whether the confiscation of the land is a crime or a justified action, for Talleyrand's famous word applies here: "C'est plus qu'un crime, c'est une faute." (It is more than a crime, it is a blunder.) Even the proverbial Yankee who sent his son into the world with the advice. "Make money, honestly if you can, but make money anyhow!" preferred the honest way, if it was as practicable. If I shall therefore succeed in proving that compensation is the practicable method and, further, that it is the cheapest, I should think that we may as well take that way which most people in our generation believe to be also the honest way, never mind what George and his disciples may think of it.

It is not with books like *A Perplexed Philosopher* that such men as Herbert Spencer are gained over to our side. The great sociologist certainly acted wrongly when he gave up the idea of land restoration because he could see no practical way of accomplishing it without wronging the present owners. Such a withdrawal was not moral in a man who had recognized that "with this perplexity and our extrication from it, abstract morality has no concern. Men having got themselves into the dilemma by disobedience to the law, must get out of it as well as they can, and with as little injury to the landed class as they may."

Henry George would have been better entitled to cast stones at Herbert Spencer if Progress and Poverty had proposed a practical reconciliation of the interests of the people with those of

the landowners.

On page 282 he reproaches Herbert Spencer for not even so much as alluding to his proposal of taking land values, not land, for ignoring it "because there is on that line no place for proposing or even suggesting compensation. Compensation to the ultimate payers of a tax is something unheard of and absurd."

Even here George is wrong, as I pointed out to him before he wrote this passage. When in 1865, in Prussia, the land tax was imposed on the properties of certain nobles, who, as former independent sovereigns, i.e., direct dependents of the German Empire, had been exempt from this tax, they were compensated to the full capitalized amount of the tax (at 4½%, or 22 years purchase), because a tax on land confiscates a proportionate part of the land's value, which is nothing but the capitalized rent; and any deduction from this rent correspondingly reduce value, or selling-price. Whether we take away a man's land, or the rights, which this land gives him, and which alone constitute its value, amounts to the same thing. If we give him no compensation, we are guilty of confiscation.

I should have had a better right to accuse the illustrious Spencer that he maintained errors long after he had a chance of correcting them. After his letter in the Times (November. 1889), giving his principal reason against carrying through land nationalization that the interest, which would have to be paid to raise the funds required to compensate landowners would exceed the rent obtained by the State. I showed him how, through the rise of rent on the one side and the falling of the interest-rate on the other, there would be a growing surplus sufficient to pay off the whole debt within a measurable time. Granting, as implied in the answer I received, that pressure of work and the state of his health prevented the philosopher from giving a complete reply, still he cannot be excused for failing to investigate the facts placed before him. If found true, as they were bound to be, they withdrew the foundation on which his opposition to land nationalization had been based, a reform without which—according to him—the law of equal freedom is infringed.

As confiscation is not on our programme, let us see whether, as George says, land nationalization "would involve a needless shock to present customs and habits of thought."

Certainly not in England, where by far the greatest part of the land does not belong to the people who use it, and is not used by those who own it; where it does not change to any great extent existing habits and customs, whether the tenants, the land users who were the highest bidders, have to pay their rents to the agent of the Duke of Westminster, Buccleuch, etc., or to the official of the government. Even in the United States almost 40%, of the land is worked by tenants, and some of the rest is mortgaged so heavily that the nominal owner is practically the tenant of the mortgagee. Similar conditions exist pretty well in the whole of the civilized world. If we take all this into consideration, we come to the conclusion that, after all, the substitution of the State for the private landlord would not involve so very great a "shock to existing customs and habits of thought."

But to impose a tax that shall gradually grow until it swallows the whole rental value of the land, thus gradually to confiscate the basis of this property guaranteed by the State like any other property, to put on the shoulders of one class of citizens the whole of the State's charges, this, according to Henry George, could be done without any "needless shock to present customs and habits of thought."

He goes on: "To do that (nationalize the land) would involve a needless extension of government machinery, which is to be avoided."

When George wrote this he was almost totally unacquainted with the political condition of European countries; he reasoned from the impressions received in his native country, the United States. Even thus he left out of consideration the working of cause and effect. Instead of arguing: The powerful monopolies which have arisen out of private landownership have corrupted our government machinery to such an extent that we cannot possibly entrust it with the administration of the land of the nation; he ought to have reasoned: The destruction of

those influences which have made the government of the United States almost the most corrupt on earth, among which our system of landownership takes the first place, can alone restore purity of administration to such a degree that we may safely confide the land of the people to their government. If he had gone to Germany he would have found the Prussian State domains among the best administered farm land in the country. The States' forests are models of a perfect management. The national mines and railroads are well managed. The effects of land nationalisation on employment would render government employees more independent and less liable to obey unjust dictates from above, so that even the political dangers which might be feared from a further extension of government influence would be less than under our type of administration. A landowning democracy where every citizen has a stake in the country is certainly less corruptible than a landless rabble.

And, must we ask, has corruption no influence on tax collection? When we behold American officials, charged with the assessment of personal property, so blind that they cannot see the contents of large palaces full of the most valuable furniture and objects of art, but consider them as not in existence, and as if the millionaire who exhibits them daily to his guests possessed bare walls and the simplest pine furniture; when we see the Mayor of Cleveland, Tom L. Johnson, prove to the railway pass-owning tax assessors that their assessments of railway property are made at only one-tenth of the actual value, can we expect such officials to obtain much better eyesight under the single-tax? It is true, land values are more visible than the contents of a palace, though not more visible than the real estate of a railroad, but a much thicker gold varnish is at hand to render opaque the assessing official's spectacles. It is already thick enough in the case of our present land assessors.

"It is an axiom of statesmanship, which the successful founders of dynasties have understood and acted upon—that great changes can best be brought about under old forms. We, who would free men, should heed the same truth."

Perhaps; but not when some day the old form threatens to bring back the old contents. Who guarantees us against a repetition of historical facts, such as those connected with the English land tax? Every land reformer is familiar with the manner in which England's landlords used their legislative power to reduce this tax, a remnant of their military dues in times of feudalism, to about one twenty-fifth of its original signification, by leaving the valuation on which it was imposed unchanged since the time of William III., whereas the value of the land increased twenty-five-fold since. If this tax had been collected from the actual value of the land, as it ought to have been, its proceeds would have redeemed England's public debt.

Or take German experience, showing how even those nobles who were compensated for subjecting themselves to the land tax helped in the agitation, anyhow passively, to have this tax practically repealed by demanding that its proceeds should be used to relieve the rates, which were mostly on the shoulders of the landowners. The German 'Lex Huene' and the so-called 'Landlord relief bill' of the recent English Tory government are twins, but the German case is even more iniquitous. Only a generation had passed since the equivalent of the tax had been handed over to these noble landlords in interest-paying State bonds; yet who could have anticipated that so soon a time would arrive when these very men, while complacently continuing to cash the interest coupons of these bonds, would try to get rid of the tax they had undertaken to pay with the proceeds of these same coupons?

And a time would come also when a new Pharaoh knows not Joseph, when Henry George's arguments would be forgotten, and when the landholders would unite in a fight against his victorious single-tax, with the success which united and strong minorities often gain against divided and indifferent majorities. Shall we, with open eyes, expose our children to this danger? No; the hydra, Land Monopoly, can never be effectually destroyed until we cut off and burn out all its heads, the land titles as well as the rental income. Otherwise we shall see the experience of old Hercules repeated: while one head is cut off, another is rapidly regrowing.

Though the danger is not so great as under Single-taxism, it is not totally absent even under land nationalization.

This is proved by such an outrage as the 'Rebate of Rent Bill,' brought in at the end of the 1900 session of the New Zealand legislature. Here we had a government deliberately attempting to make a present to State tenants of 10% of their rents, which means courting the favor of these tenants by offering them the nation's property. Where the whole of the land belongs to the nation, there will be naturally more State tenants than at present, and consequently the number of electors influenced by such gifts must be proportionally much greater. Who guarantees us that the Seddon of another generation might not offer to relieve the tenants of half the rent they agreed to pay, or even the whole?

The case proves the old truism that economic and political reform must go together. The most advanced political freedom has no guarantee of permanence where the economic and social position of the people is on a low level, of which Rome's history supplies the best illustration. On the other side, it is equally true that not only are political arms required to fight the battle of economic reform, but that political reform affords the sole means of preserving the results of victory. The land and its fruits can only be secured to the nation by preventing the servants of the nation from becoming its masters, by giving the citizen the power of effectually carrying out his will through the referendum. Where the constitution cannot be changed without a vote of the majority of all who are entitled to vote, and where the new laws are made part of the constitution, attempts of the nature just described are effectually barred.

If Henry George wanted to conserve old forms he ought just to have fought the freehold, which is a new form and a mere transitory stage between two kinds of tenancy, the ruling system the world over, though the forms of the tenancy contract gradually changed. If we look at the mortgage as a kind of tenancy contract, and if we exclude those remaining freeholds, which are worked by paid laborers, a very insignificant fraction remains where the freehold is worked by the owners. We have found that this holds good even in France, the reputed home of the peasant proprietor, and in new countries, like this and Australasia.

But even supposing the freehold to be the old form, would it be real statesmanship to bring about the great change by the method, which George proposes? The very reverse is true; in fact, his system is the only one which has absolutely not the least chance of being carried through. If confiscation should ever solve the land problem, if the people should ever reach the state of mind without which such a measure cannot possibly be carried—looking at might as right—they would not stop at mere taxation; they would take the land and all there is on it. Not Single-taxism but Communism would be the result of such a mental state, and a much more logical result, too.

If George wanted to follow 'the law of social growth,' 'the natural method,' which to 'make a higher type takes a lower and develops it,' he had no other way but to develop the prevailing lower type—private tenancy—and to develop it into the higher type of public tenancy; and this means land nationalization, not Single-taxism.

"With the current we may glide fast and far; against it, it is hard pulling and slow progress."

Of all the vain delusions under which Single-taxers suffer, the worst is the professed belief that most landowners will voluntarily consent to the imposition of the Single-tax. The landowners would not dream of such a thing, even if it could be proved to them that they would gain more through the relief from all other taxes than they would have to pay, if taxed as high as 100 cents in the dollar on unimproved rental values. One of my best friends in New Zealand, a farmer owning about 500 acres, which is by no means a large farm in that country, a convinced socialist, would not listen to Single-taxism. because he could not see why landowners alone should have to bear all taxes, while the majority of the people were relieved altogether. That is human nature, and we have to reckon with it. Besides, no juggling with figures could make him see how this relief from taxation of all non-landowners would not

increase his own charges. Leaving out of consideration the fact that all small landholders in town and country entertain the hope of some day extending their holdings, and thus entering that class which, according to the Single-taxers, will have to bear the brunt of the battle, it is rather disgusting thus to play the 'beggar your neighbour' game.

"Vote for this law! It will not hurt you; it will only weigh upon the richer men!" is certainly not a battle-cry apt to inspire a nation. This appeal to the lower instincts invariably and justly proves to be a bad policy. If, in this instance, it were effective, the Single-tax would have no final satisfaction; far beyond the intention of its apostles, the ultimate goal would be sought.

Another serious objection to the Single-tax campaign is that, by substituting a tax and practically a tariff problem for the great land reform, it shifts the entire battle-ground, to the great disadvantage of the reform. Many people who are enthusiastic for land restoration do not believe in free trade: the inevitable outcome of Single-taxism, which preaches the substitution of the land tax for all other taxes and duties. It has been the cause of creating antagonism to land law reform (or land reform, the usual name) from motives absolutely strange to the same. A man may honestly believe that protective duties benefit his country, and still he may be an ardent land reformer. The intermixture of tariff legislation and land reform has thus done a great deal of harm, especially in the United States and the British Empire. In these countries many enlightened men are thorough protectionists, who, in that respect, have to stand up against men with whom they are united in the fight for a much more important issue.

But all this is nothing compared with the most serious obstacle, in the path of the Single-taxer: the mortgage. To tax away the rental value of the land destroys the best part of the mortgagee's security, and mortgagees are shrewd enough to be perfectly conscious of this fact. They would be absolutely unmindful of their interests if they did not carefully watch the chances of success, which Single-taxism might have. Long before its principles could ever be embodied in a law, mortgages would be called in all over the country.² It can easily be imagined that in these circumstances new mortgages could not be contracted, and nothing would remain to the unfortunate landowners but to submit to a public sale. The prices which the land would fetch in such a market would not pay off the mortgage, and the mortgagee would not only enter into possession of the land with all its improvements, but probably also of his debtor's other property as well, while the poor mortgageor would be completely ruined. Do Single-taxers really believe that our farmers will join their ranks, with such prospects before them, no matter what the future effect of the measure may be? I, for my part, have never yet met with such self-sacrificing farmers, and I have known a good many. Individualists, as they mostly are, you could much sooner obtain their adhesion to communism pure and simple, which, at least, would give them an equal share in the total wealth.

Difficulties like these were too glaring to quite escape the notice of George's followers. As is usually the case, where the straight path has been forsaken, concession has had to follow concession, each step taking them farther away from the original goal: Land restoration. They came to the conclusion that it would not do to cut the dog's tail all at once, but that a gradual increase of the tax until the hundred cents in the rental dollar or five cents of the capital value dollar have been reached, would be the only method likely to be carried. They—the radical anti-compensationists—do not see that this system would leave much more of the unearned increment in the hands of the present landowners than a rational system of land nationalization. It is easy to prove this.

More than a quarter of a century has passed since Progress and Poverty was first published in this country, a quarter of a century which has seen a very lively agitation for the Single-tax. Yet there are few States in the Union where we have progressed so far that, the land is assessed and taxed independently of improvements, the first step towards the Single-tax. Practically not even this slight advance in the direction of the Single-tax, after which the tail-cutting business, the real campaign, is to begin, has been reached so far. Now let us suppose that the next ten years may witness the first instalment of a tax on land values, independent of

improvements, beyond present taxes, to the amount of as much as one-tenth of the rental income, and that we shall find such self-sacrificing land owners or such a radical landless majority that the tax is raised every ten years one-tenth more; a supposition so absolutely optimistic that no sane statesman would build upon it. In this highly improbable case it would take a century³ before the community could enter into the enjoyment of the full rental. This practically unattainable result would be equivalent to the enjoyment of the full rental by the present landowners for another 50 years. Now, if we are able to show that under a system of full compensation the land could be fully paid for without imposing any new tax, within not more than 25 years, can we not claim that the arch-enemies of compensation give practically a much higher compensation than those who advocate honest purchase of the land? This proves what Mr. Joseph Hyder, the able general secretary of the English Land Nationalization Society, said in *Land and Labor* of February 8, 1899; "The real controversy is not between compromise and no compromise, but between two or more different compromises; not between compensation and no compensation, but between two or more different methods of compensation. For to say that landlords shall keep all the rent, less whatever tax can be levied upon it, is in reality to offer compensation in the hope that it may afterwards be cut down by taxation."

We should be much farther advanced if it were not for the stubborn extremism of Single-taxers, who insist on their special 'ism,' oppose all other methods proposed, and thus prove themselves the worst enemies of land restoration. The final answer I usually get from their leaders, when I have driven them into a corner, where they can no more gainsay my arguments, is: "Let this proposal (of compensation) come from the landowners, not from us!" As if landowners all over the world were not perfectly satisfied with their monopoly! As if they could be expected to initiate land reform of any kind! Many of them will oppose both land nationalization and the Single-tax; but whereas we perhaps can get them to meet us halfway on a plan of compensation, they would fight tooth and nail any attempt at confiscation. America had a civil war of four years' duration on less incitement. The proverb says: "Build a golden bridge for your enemy," and it is for us to propose fair means and ways to attain our end; we must not wait for the other side to take the initiative. If they do take it, it will be on the lines of British landlords when they passed the Ashbourne and other recent Irish land acts, which strengthened landlordism by widening its base, just as the New Zealand "Land for Settlement Acts" have done in the past.

However, even the Ashbourne Acts—although they merely created new landowners—have rendered our cause a great service by showing how easily compensation can be carried through without costing the people a single penny. The land was paid for by means of the difference between the cheaper interest rate at which the State could obtain the purchase money, and the higher rate at which the rent was capitalized in the land price. In this way, though a reduction of rents to the amount of 25% was allowed, the land is paid for within 46 years. But instead of belonging to the State at that period, through whose good credit the operation had become possible, it was made in favor of certain privileged individuals, besides the former landlords. The tenants, who accidentally were in possession at the time of the law, became landlords without paying a single penny, by simply continuing to pay their old rent, reduced by one-quarter for the next 46 years, unless they preferred to purchase right out at the official valuation. The *Times* of January 28, 1890, gives the inevitable results. One tenant bought the farm he cultivated at £550, and soon sold it, subject to the repayment of this sum, for £970. Another farm bought for £538 was sold, subject to the purchase money, for £1,280. One which had fetched £755 was sold by the fortunate tenant who obtained possession of it through the new law, subject to the purchase money, for £1,725. £3,975 profit were made in these three cases; more than three-fold the purchase money was obtained. Those who bought on such onerous terms pay, in the shape of interest, a more burdensome rent than their forerunners, when their state of distress resulted in the legislation, which, from the oppressed, made them

the oppressors. It matters little whether the title under which the power of oppression is exercised is that of the landlord or that of the mortgagee, whether the tribute is called rent or interest, whether the oppressor is the nobleman, whose ancestors had conquered the land, or the former tenant, who has been fortunate enough to enter into possession when the new law passed, and who retires from active work supported in a town by the new tenant's or mortgaged owner's labor.

The difference between the rate of interest at which the price, which is to be paid for the land is capitalized from the rent, and the rate which the State would have to pay for the purchase money, would be at least as great in this country as in Ireland. The one rate will not be less than 5%, the other not over 3%, and instead of a reduction of 25% on present rates, a progressive country like this, with a rapidly growing population, could count on a rapid rise.⁴

While the rental income of the State would thus increase from year to year, the interest rate, paid for the bonds issued for the purchase of the land, would decrease through the laws of supply and demand.⁵ The demand for safe investments is growing all the time through the savings of untold thousands of persons who, taught by experience, shun investments in business and prefer land values and government bonds. The supply of the latter does not grow fast enough to keep pace with the unconsumed portion of the incomes that look for new investments, a portion rapidly growing, through the effects of compound interest. However, on the other hand, land values now offer an elastic field for investment, ever widening with the demand—not through any extension of the never-widening area, but through an increase of price in consequence of demand. As rent cannot increase equally fast, being limited by the paying capacity of the tenants and the yield of the land, such values cannot rise proportionately to the demand unless the rate of interest at which rent is capitalized is forced down.

A few figures will illustrate this. Suppose that the demand for L (land) and P (the price paid for it) has quadrupled, while R (rent) has only doubled, I (interest rate) would be reduced to one-half; for P is the product of R multiplied by 100 divided by I. Therefore, whenever P rises to 4P, while R rises only to 2R, I must fall to one-half, or the total of 4P could not have been reached. If P rises from \$100 to \$400, though R only increased from \$5 to \$10, this implies a fall of I from 5% to 2½%, for at 5% an R of \$10 corresponds only to a P of \$200, while at 2½% an R of \$10 capitalizes to a P of \$400. Or, as it is often expressed in England, the price of the land has increased to 40 years' purchase from 20.⁶

Just as slave values disappeared on the day of Lincoln's proclamation, so land values cease to exist when land nationalization is accomplished. It must not be forgotten that I use the word value only in its economic sense of market price. The real value of the negro, as well as of the land, their use-value, not only remains after their liberation from private ownership, but rises; for free men are finally worth more to the community than slaves, and free land will be made to produce more wealth than that which is monopolized by individuals.

For the former land values, which—in the capital market—elastically extend with the demand for them, government bonds are now substituted, deprived even of the limited power of price extension they now possess in consequence of their temporarily excluded convertibility, which makes the fall of the general interest rate raise correspondingly the bonds' price, their exchange rate.⁷ A fall of interest from 5% to 2½% would result in a rise of 5% bonds, inconvertible for a long period, from 100, the supposed price of issue, to 200, or, to be exact, to some price between 100 and 200, according to the date at which the bonds can be reimbursed at par. The loss of capital must be just made up by the gain in interest. This is the reason why certain bonds are quoted at a premium on the stock exchange. As a matter of course, in our case, the State would not forego the right of reimbursement or conversion for a period, as it did in the case of certain bonds in the interest of financiers under Cleveland. It would reserve the right to convert the bonds to a lower interest rate or to pay back their amount at any moment. This right of conversion or reimbursement at any time would keep the price of the bonds at or below the par level; consequently the interest rate, which the State would have

to pay for her bonds, would permanently fall.⁸

Each reduction of the interest rate and consequently of the interest dues on the bonds, besides the interest saved on the reimbursed bonds—compound interest, for once, working on the side of the people—would increase the profit margin made by the State between the rising rental income and the decreasing interest disbursements. The amortization of the public debt would thus proceed by leaps and bounds, and this would further restrict the field of interest-bearing safest investments for private capital. The effect would be the increase of the demand for the said investments and of the pressure on the interest rate. How beneficially this would affect production and trade is left for discussion in the chapter on Interest; here we refer to it only because of its rent raising consequences to add another element to strengthen my assumption that the period required for the amortization of the debt, incurred through the purchase of the national land, would not exceed 25 years, and that not a single tax would have to be imposed for the purpose. The income made out of the margin between the rent paid by the land users and the interest of the bond issued for the purchase of the land from its present owners, would suffice for the purpose. If such a plan had been carried out when Progress and Poverty first appeared, all the land could belong to the people by this time, free of debt, though full compensation was given. I need not say that the rent paid by the land users to the State is not a tax, but merely the equivalent for the special benefit obtained through the use of land.

Of course, the term of the debt's final amortization might be extended indefinitely, if found convenient. The probability is that it would be extended, because the State might have good use for part of the rental income for the benefit of the new landlords, the citizens, of which I shall have something to say further on. There need not be any hurry, for the interest rate would fall through the mere excess of the savers' demand over the supply of safest investments, an excess caused by the substitution of the unelastic, or eventually narrowing field of investment in government bonds to the elastically widening land value field. The rate thus would fall, even if not a single bond were reimbursed.

This part of my work is necessarily limited to a demonstration of the practicability of land purchase by the State without imposing any new taxes upon the people. No need to treat questions of detail, such as the expediency of purchase and administration by the States, the counties, or the municipalities of the individual States of the Union; or of purchasing gradually; or at once. Many who would have been afraid of a financial operation on such an immense scale ten years ago, have of late become so habituated to business running into the billions, that a few zeros more or less have lost much of their former bogey power. However, there are methods of a gradual nationalization, which may prove less objectionable to many. For instance, the right of pre-emption given to the State at present values, for all times, whenever a sale takes place, would cut off the future unearned increment from investors by enabling the community to purchase whenever there is a profit in the operation. A number of Prussia's cities begin already to go part of this way in taxing away a portion of the profits made on land sales. It is an idea proposed as far back as 1870 by Professor Adolf Wagner, and since then taken up by the league of German land reformers. Anyhow, whatever method may be found preferable, let us aim at full public ownership by all means! Let us never be satisfied with a tax, no matter how high, even if it were only that a tax keeps up private ownership and does not touch the right of the landowner to use and abuse his power as he sees fit.

Provided he pays his tax, nobody would under the Single-tax prevent another Duke of Sutherland from clearing thousands of hard-working people from his land, from their fatherland, from mailing another of those bloody entries in Clio's book by which his family scutcheon has forever been tarnished. All that would be asked of him is to pay a tax equivalent to the highest rent which the poor, despairing crofters—driven unmercifully from the homes and the soil which they and their forefathers had tilled in the sweat of their brows—might have been willing to pay. What of that? His income from other sources, from bonds and stocks of all kinds, from houses and factories, allow him this sport. He wants a deer-park, and he can afford

to pay for it as well as the American Winans who bought Scotch land from sea to sea for this purpose.

Nor could the Single tax have prevented facts like those reported in the following newspaper extracts:

A Millionaire's Freak.—Mull, an island on the coast of Scotland, is the property of Earl Beauchamp. It has an area of 237,000 acres, and a population of 4,691 living in 1,030 houses. Among its products are oats, barley, flour and potatoes, and the inhabitants have also had a fair export trade in sheep and cattle. A millionaire has recently secured the sole ownership of the island, and wishes to turn it into a deer-park for the amusement of himself and friends. He has, therefore, given the whole population notice to quit, and has decreed the pulling down of all the houses.—Barrier Truth.

Deer-Forests in the Highlands.—The acreage of deer-forests in Scotland is increasing. Fifteen years ago they extended in the Highland counties to 1,711,892 acres; last year (1898) they were 2,287,297 acres. These figures are exclusive of certain forests, such as Glencannich and North Affaric, with regard to which no return has been obtained. I observe, says a London correspondent, from the Parliamentary Report, that in several cases the sheep-farms of 1883 have become the deer-forests of 1898.—The Highlander.

Suppose that under the Single Tax the Rothschilds and a few hundred other millionaires in England and America should share this whim of turning Great Britain into a deer-park, and British landlords should sell at reasonable figures because of the new tax, which destroys the selling value of their land. Under existing laws, what could prevent these men from having their will? Certainly not the land-value tax, even if it were as high as it would be were the present values taken as a basis of calculation, i.e. 200 million pounds a year. The income of Rockefeller and Carnegie alone is at present valued at 12 to 15 million pounds each; that of the Rothschild families is higher, and without going any farther, we have already obtained one-quarter of the yearly tax required. But how long would it be required? How long would there be a rental value of 200 million pounds in a depopulated England, in that magnificent new deer-park? That value would follow British enterprise wherever the evicted people went. The United States, Australia, New Zealand, Canada, South Africa, would see their land values rise as the British land values fell; and finally, the 200 million might be reduced to something like 5 shillings an acre, to 20 million pounds, or less even, a mere trifle for such magnates.

That such an event is practically impossible is begging the question, because it is only saying in other words that the Single-tax is impossible.²

In fact, I can see no reason why this system should at all do away with some of the worst abuses of landlordism, abuses of daily occurrence. Even in Germany, where property is much more equally divided than in England, there are instances of large landowners who buy up all the surrounding land until whole villages disappear, sometimes to let the land become overgrown with forest. The same takes place in Austria. Henry George's plan would not in the least increase the financial sacrifice of such purchasers. They would have to buy and sacrifice only the improvements, as they do anyhow; the unimproved value of the land would disappear in consequence of the tax, and this tax would not be higher than the present interest on their purchase money.

Nor could a mere land-value tax do away with cases like the following, which are quite of common occurrence in England and Scotland. Here are a thousand acres, used as grazing land for sheep, and yielding the landlord a net rental of £1,000 in sheep and wool, after labor to the amount of, say, as much as £200 has been paid. If the land were let out in allotments, it would yield a rental of £2 an acre; and it would keep at least 100 families against 2 in the other case. The gross product would be at least four times, the net income of the landlord twice as large; but the landlord prefers the lesser income, because the division into small holdings would interfere with his sport. In the Paris Congress of land-reformers, my departed friend, William Saunders, in narrating his Wiltshire experiences, told of a landlord who preferred to accept 15

shillings an acre from a farmer rather than £3 paid for allotments—a rent at which the laborers, his tenants, yet made a living, while the farmer, who paid only a fourth, failed.

Sport may not have been the only cause for this anomaly. The landlord was perhaps afraid that allotments would render the laborers too independent, so that neighboring farmers would have to pay higher wages, and thus be unable to afford as much rent.

What difference would a tax make in such cases? The landlord would simply pay the tax, even though it should reach the height of the rent offered by the crofters, and would still retain the farmer (and his sheep) who takes part in the hunt, instead of interfering. The State could not prevent this comparatively unproductive use of the land—unproductive in a double sense: in wealth and in men. Under the Single-tax all it has a right to claim is its tax.

Nor would a mere land tax prevent those abuses of the landlord's power so often experienced in England, attacks on the liberty of conscience, the prohibition of building dissenters' places of worship, or attempts against the tenants' political independence, coercion of voters through the Damocles sword of notice to quit always gleaming over their heads.

Nor would it render possible the construction or reconstruction of towns on improved plans, which might be adopted by a landowning community, for under the Single-tax the community's power does not exceed its taxing privilege. Once the tax is paid it has nothing farther to say beyond the issue of comparatively trivial building regulations.

Henry George was principally misled in his assumption that the self-interest of the individual must bring about the best use of the land. The tax would, according to him, be at a level with the highest rent, which the average land user would be ready to bid for the land, and no man could pay this rent without putting the land to the best use. The question still remains whether what may appear the best use to the owner or his tenant is always the best use in the interest of the community.

We have already seen that the interest of the community is very often opposed to that of the individual, real or supposed. The individual has the passion of hunting and shooting, and his interest, as he understands it, drives him to deplete a large area of land of its inhabitants so that his game may not be disturbed. Or he may destroy thousands of homes because sheep-runs are more productive—not of human happiness—but of rent. On the other side, the community prefer sheep to deer, and citizens to sheep. The State, if it realizes its own welfare, cannot allow a condition wherein—as was said in England centuries ago—sheep will swallow men and it certainly cannot allow deer to develop a still greater appetite for human flesh than that possessed by sheep. The State's principal object must be to see the greatest number of happy persons grow up under her protection, and only her citizens will protect her against outside attack. Neither sheep nor deer will take up arms in her defence in the hour of need.¹⁰

Therefore she cannot afford to allow the letting of the national land become a mere financial manipulation, a question of the largest rental income in each special case.

"Cash payment is not the sole nexus of man with man, how far from it," says Carlyle. The landowning State would soon find that out, and would lease the land on principles not quite following the mere 'supply and demand' theory. Cases might arise where a high-born or low-born capitalist offered a million pounds a year for a certain county of Scotland, whereas fifty thousand poor crofters could afford only £10 each, and yet the crofters would be allowed to continue raising oats and hearty men and women on the land, whereas the capitalist would have to look elsewhere for partridge coverts. For, fortunately, no agent of Lord Gobbleland or of John Brown—retired partner of Smith, Brown & Baker—would have the letting, as they would even under the Single-tax; but poor Hodges, who wants a little croft on which to grow potatoes for his children, and Jones, the artisan, and Mill, the factory hand, who want a home market for their goods, not barred off by protective Chinese walls, and who know that fifty thousand crofters use more shirts, coats, boots, and hats, and other manufactures or produce, than a dozen Gobblelands: these are the men whose agents will have the letting of that land. Even if these agents will collect £500,000 less a year, and even if the tax-paying power of the

50,000 tenants and their purveyors should not make up the deficit in the common purse, they will not mind so very much, as long as their—the people's—eating, their shirt and coat-wearing power continues to grow, which, strange to say, has more weight with these deluded beings than all the calculations of learned professors, who want to convince them that they are acting against all the tenets of a sound economic doctrine, according to which the land ought to go to the highest bidder. That is not the State's business to procure employment to such men as they. That such unscientific proceedings would merely result in a further over-population. That if there is no demand in the market for their work or produce, they must get out of the country as fast as they can, or put on khaki to shoot Chinese and other people who presume that they can do as they like in their own country, instead of recognizing that their paramount God-taught duty is to buy the over-produced goods of Old England. The idea of wasting £500,000 rental income of the State to provide a market for 5 million pounds' worth of home produce, and thus sustaining not only the 50,000 crofters and their families, but also many thousands more, who exchange manufactures for their food and raw materials! To provide, instead of this, only a living for Gobbleland's 50 game-keepers may be a poor policy, but by letting the nation's land according to the gospel of Supply and Demand we have at least the consolation of working within the fines of orthodox political economy. It is true. Supply and Demand will not defend England should the foreigner succeed in invading the country. Nor would it feed the nation if some day foreign fleets cut off the corn fleets of distant regions; or where those corn-growing regions have joined the ranks of England's enemies. Lord Gobbleland's partridges certainly would not go very far towards supplying the necessary food; the oats grown by the 50,000 crofters might do more good. Their arms, and those of the artisans and mill-hands they provide with a living, will form a better army than the 50 gamekeepers—officered by Gobbleland, if he is not in India tiger-shooting or taking his ease in Paris. But what does all that signify when Gobbleland's £500,000 additional land tax is taken into consideration?

Otherwise the system of administration of the public land need not give us much concern. We have enough precedents to prove that the officials of public bodies are as capable of undertaking this work as the agents of our landlords. The Prussian administration of the royal domains may be considered the model of a perfect management, and the Birmingham administration of the land belonging to the city is accounted as, at least, equal to any management of private landlords. Neither will the question how the management and revenue is to be divided between the central and local governments offer insuperable difficulties.

The length of leases or, rather, the periods of revaluations of rents, present a more disputable field. In any case, I do not think that these periods ought to extend as far as many leases of city property given by English landlords, i.e., 99 years. The only advantage which the private landowner may find in such long terms does not exist for public bodies. The former has the tendency to prefer benefits obtainable during his own life to the superior opportunities of his successors. A tenant who obtains a 99 years' lease will certainly pay a somewhat higher rent than he would for a shorter lease. The additional amount thus realized by the lessee may be a mere trifle when compared with the loss in the next generations, with their largely increased rental values; but the proverbial bird in the hand will not fail to claim its superiority over the bush species. Public bodies, however, are longer lived than individuals, and though, unfortunately, often addicted to a very short-sighted policy, are not quite so inclined to sacrifice the future for the present. The long-lived lessor will find it good business to take advantage of the short-lived leasee's natural inclination to value the shilling which he himself enjoys higher than the pound which he might save for his unborn descendant, and to prefer shorter leases at lower rents to longer leases at, presently higher—but in future relatively much lower rents. The privilege reserved by English landlords of confiscating improvements after the longer lease has run out does not add much to the inducement of the long lease, and prevents improvement on the property towards the expiration of the lease.

With regard to urban lands I should prefer the system adopted by the City of Wellington, New Zealand, in its leases of the reclaimed land (land formerly covered by the bay and now nearly the most valuable business location). The land is leased for a term of 21 years at a stipulated rent. The tenant has to pay rates, taxes and assessment. At least six months before the expiration of the lease the tenant can demand a valuation of the rent for another term of 14 years, and so forth. Three valuers are appointed; one by the tenant, one by the corporation, and the third by the two valuers thus appointed. In ascertaining such new rental, the valuers shall not take into consideration the value of any buildings or improvements then existing upon the premises, but they shall value "the full and improved ground-rental of the premises" that ought to be payable during the new term. The corporation prescribes the kind of building, which the tenant has to erect on the land. The tenant has a right to have his lease renewed by the corporation at the new valuation. If he does not demand a valuation, it means that he has no wish to renew the lease; and the corporation enters into possession of the land and improvements without paying for the latter. The tenant's only chance to get compensation for them is to find a party who takes the lease off his hands and pays him for the improvements.

Of course, it may happen that these improvements, though they have been very costly, are worthless under the circumstances. Let us suppose, for instance, that when the tenant took the lease, the quarter of the city that he erected buildings in was looked upon as a fine location for residences, but, through the growth of the town, had become a business locality—as has occurred in certain portions of most American cities—and in consequence of this change, the ground-rent for the land has been considerably raised. In this case he could only recoup by increasing the rent of the residence built on the land, which is impossible, because the locality is much less desirable for such a purpose than it was before: whereas its inner arrangements render the house absolutely unfit for business purposes. As the higher rent can thus be recouped only by pulling down the house and building business premises on the ground, no tenant could be found who would pay more for the house than what can be obtained from parties contracting for its removal. Or business premises might have been erected which were perfectly suitable 21 years before, and paid well at the lower rent; whereas now, when the rent is raised, only a building of much larger dimensions could be made to pay. If the land were freehold, the owner would not hesitate to pull down the old building and erect a new one, provided the increased rent not only pays the interest of the new building, but, if capitalized, also soon refunds the cost of the old one; or in other words, provided the unearned increment obtained from his land amply compensates him. But under the changed conditions this increment goes to the community, and tenants, in tendering, have to take into account any possible loss on their improvements. They will not rent unless they feel sure that the rent they pay will allow them to lose on the improvements when the lease runs out.

The condition that the tenant has to pay rates, taxes, and assessments of any kind under the Wellington system renders a special betterment clause unnecessary, which, otherwise ought to be inserted in every lease of public land and, meanwhile, ought to form part of our land tax laws.

Any increase in the rental value directly traceable to public improvements made in the neighborhood of any property ought certainly accrue to those who pay for such improvements. Even under the Wellington Corporation leases, where the city benefits by such improvements after 21 years, there is no reason why the lessee should obtain the full benefit of any betterment through public improvements made while his lease runs.

A new municipal tram line passes the land he holds; a public railway station is erected; a park is opened in its immediate neighborhood, or the street is widened. All this is done at the expense of the public. It would certainly not be fair to make a present to the lessee (under present conditions to the landowner) of the increase in rental value thus created, which was not expected at the time the lease (purchase) was made; to let him reap where others sowed. The betterment clause would force him to contribute to the improvement in proportion to the profit

he derives from it, giving him the benefit of the doubt as to the exactness of the assessment.

A very valuable lesson in land administration has been supplied by the little State of Hamburg, in Germany. When the new free port was constructed in 1884, a contract was made between the Senate of Hamburg and the Norddeutsche Bank, by which 30,000 square metres of the 40,000 square metres (11 acres) belonging to the State in that section were—not sold or given away, as our shortsighted government sold or gave away land traversed by our railroads—but leased to the bank, on terms which left in the possession of the community the increase of value certain to follow the improvement created. It was done without any oppressive condition against the bank, and the company founded by it—both which did a profitable business. The State became, so to say, a partner of the company, putting in its land against the company's capital. The buildings were valued at 300 marks per square meter, while the State put in its land at 500 marks, and shared in the profits at the rate of 5 to 3; every surplus beyond 3½% being counted as profit. In this way the State has received a yearly rental of 525,000 marks since 1889 for its 8 acres. But that is not all: for, beyond its share, the State obtains another 10% of the net profits made by the company, after the 3½% and a moderate reserve are deducted, and this 10%, with the accumulating interest, is employed to purchase for the State shares of the company. A yearly lottery determines the numbers, which have to be given up for this purpose at par. In the year 1900, the State had thus obtained shares to the amount of 223,000 marks. Finally, since 1899, the State has the right of purchasing the remaining shares at a price not under 110% and not above 150%. It is calculated that without paying out a single penny the State will own the whole property within 50 years. The *Deutsche Volksstimme*, from whose 2nd August number of 1900 I extract the above information, says that this system, which thus rescued the land from private speculation and made it subserve the public interest, has in no way hurt the development of the Hamburg free port; nor have buildings of inferior value been constructed on the leased ground. On the contrary, the buildings, constructed on plans approved by the State, are of a superior quality, and the company has not found the least difficulty in obtaining mortgages. Eight million marks have been borrowed in this way on a building value of about double the amount. The dividend has been 5% of the capital invested, which in Germany is considered quite satisfactory.

Enough has been said to prove that practical business men can devise as good systems of land-use for the community as the landlords have been able to find in the past; better ones, in fact, because the landlords only consider their personal advantage, which, as we have seen, is not identical with that of the community. The community will let the land on a different plan, certain to bring not only greater financial results, but also more beneficial to the citizens as a whole.

I have now shown that as a method of land restoration, land nationalization is preferable for various reasons to the Single-tax. First, because it does not sacrifice principle to expediency. It stands for a straight and full restoration of the land to the people, while the Single-tax leaves it in the possession of the present landowners, which can never yield the full benefits expected from land restoration, as it preserves many of the old abuses and does not even prevent the return of those which it reformed.

I have also shown that the inferiority of the Single-tax system to land nationalization is due not only to principle, but expediency. While land nationalization can be carried by methods commending themselves to the justice and fair-play of the average citizen, the Single-tax appeals to the instinct of spoliation and thus can never hope to convert a majority of the nation. I have further shown that the dishonest method is practically also the costliest and slowest.

The result of the false policy adopted by Henry George and his followers has been that, during a quarter of a century's agitation practically no progress has been made towards land-restoration on Single-tax lines in this country. I believe that the great man has almost as much retarded land restoration, by the advocacy of a false method, as he has furthered it by his general work. The very word 'taxation' stinks in the nostrils of the overtaxed American, while

the idea of nationalization becomes more popular from day to day. The service done by our railroads, express and telegraph companies has been found bad and expensive; their political influence pernicious and, in spite of the efforts made by the interested parties, who even founded a special bureau for the purpose of spreading lies through the press as to the failure of nationalization and communalization wherever tried, the conviction gains ground that, no matter how objectionable nationalization might be, it could certainly not produce worse results than the present system. The real facts cannot well be quite suppressed. Foremost among them that Prussia now clears 135 million dollars a year from her nationalized railroads, by which her debt could soon be paid off without levying any special tax, in spite of better service, lower passenger rates and one-tenth of accidents per passenger mile. State railroads are found in over fifty other countries, and I think this country stands alone as one in which not only the railroads, but even the telegraph, and parcel service are private monopolies. Finally the question is bound to force itself on the public why what is so successfully done elsewhere cannot as well be carried out here.

Consul-General Richard Guenther, writing from Frankfort (Consular Report. Friday, May 10, 1907), says that the Prussian State railroads, after payment of the interest of the debt, showed in 1906 an excess of earnings over expenditures of \$135,650,000 (565,200,000 marks). From 1882 to 1904 the excess in earnings has amounted to \$1,205,000,000. These sums represent from 6 to 7%, of the capital originally invested in the roads; and from 14 to 16%, of the capital debt as yet not repaid out of the earnings.

If the followers of Henry George had done their duty, if his unfortunate errors had not switched them into the Single-tax siding, the popularity of land nationalization might be further advanced than railroad nationalization. It is high time that an American land reform league should take the lead in this great fight, instead of leaving the honor to socialists. The latter's error of pressing for the nationalization of much else that had perhaps better be left in private hands, at least for a time, will be less and less in the way of their victory if they remain the only champions of free land, if the pretenders of the championship continue to fight for a lie that calls highly taxed land, free land. Those are the most dangerous reactionaries who keep progress back by pretending to fight its battle.

There is still time to make the change, which, after all, is only one of methods; not of principle.

History has often supplied the proof that great men's followers are far less accessible to compromise than their leaders. Henry George supplied me with a proof of this in 1889 at Paris, where, supported by him and William Saunders, of London, I had called a Congress of the different schools of land reformers. When the tenor of a joint resolution was debated, he tried to have it run on Single-tax lines, but, finding no support outside of his direct followers, he finally joined us in the acceptance of the resolution, which then was unanimously passed by the Congress. The final line of this resolution reads: "This meeting declares that individual property in the soil must disappear and become replaced by appropriation for the benefit of all." As a contrast to this conciliating attitude of the master, let me exhibit that of one of his disciples, Mr. J. Dana Miller, who in June, 1907, refused for his "Single Tax Review" a free contribution, in which I put up for discussion the question of a change of methods, for which I think the time has come.

The nationalization of public utilities; of railroads, telegraphs, telephones and parcel-service, would further land nationalization as much as the latter would support the agitation for the nationalization of public utilities. The close relation between them will presently be illustrated. I do not wish to see my opposition to the Single-tax misconstrued. I am fully aware that there is much to be said in favor of a tax on land values. I attack the plan only because it comes before us with the pretension of supplying the best method of land restoration. For such a purpose it is not only the worst proposal that could have been made at all events in this country, but it marches under false colors by overstepping the dividing line between taxing and

confiscation, or robbery. An uncertain dividing line, anyhow, for any robbery may be called a tax; any tax may be raised to the point of confiscation.

The very history of taxation proves this. Taxation originated in robbery, and robbery finally became reduced to taxation, either through the resistance of the robbed, or because it did not pay to kill the goose that laid the golden eggs. The robber knights at first robbed the passing merchant of all his goods and often of his life. The armed people of the cities or the Imperial forces destroyed a number of their castles. The fact now impressed itself upon the remaining robbers that dead merchants do not bring merchandise and that the danger of loss stopped commerce; so that to take all, finally meant to get nothing. Thenceforth only a certain portion of the goods were stolen. In the course of time the stealing business became a vested right; and, when the State took over the knight's vested rights, the knight's toll became the State's tax, the progenitor of customs duties.

The origin of income and inheritance taxes is not a whit more reputable. The robbery of the whole income and heritage finally stopped the creation of incomes and heritages and had to be limited; after which it took the name of income and inheritance taxation.

Thus a certain amount of confiscation, of robbery, adheres to any system of taxation, and to find out the exact dividing line between robbery pure and simple, and the exaction of a fair contribution towards common needs, constitutes a special department of political economy, called: the Science of Taxation.

Therefore, one may look at Single-taxism without compensation as a robbery of present bona fide landowners, and still advocate a reasonable land tax, or rather a land value tax, by which is meant a tax on the value of land apart from improvements. Such a tax unites the two criterions of a just tax: benefit received with ability to pay. Even in conservative Germany a heavy municipal tax begins to be levied upon building lot profits, as it is recognized that generally such profits are created entirely by the community and not by the work of the landowner. Strong evidences of this well known fact have been lately brought into special notice by the large increase of values due to elevated and subway railroad constructions in some of the great centres: New York, London, and Berlin, especially. In some cases the price of suburban property has increased more than four fold in the course of a few months. In London, for instance, there is a suburban building zone from five to ten miles from the centre, where blocks of houses are standing on land of £600 lease value. After the construction of the Tube, some of this land has been let at ground rents ranging from £2,500 to £3,000. A striking instance of how such improvements, instead of benefiting the tenant, benefit only the landlord, was given after Waterloo-bridge, in London, was thrown open to the public, free of toll. The saving to the workers living near the bridge on the right shore who had to come over the bridge every day, which amounted to six pence a week, was at once added to their rent. Increase of wages has the same effect. During the late tory ministry in England it was officially stated how little the government employees at Woolwich profited by a rise of wages because rents rose with them. It has been correctly pointed out by Henry George that if a benefactor willed a yearly pension to every inhabitant of a certain town, the only effect, which such benevolence produces would be a corresponding rise in rents and land values. To enjoy this pension, people would have to move into the town, and as this is impossible without living on the land, the landowners would demand in higher rents or land prices the full equivalent of the benefit thus connected with a residence on their land.

That a land value tax is an equivalent for benefit received from the community and thus also corresponds to the taxpayer's ability to pay, is not its only recommendation. With one of the arguments in its favor the one generally adduced by Single-taxers, viz. that it cannot be shifted, I do not quite agree. Though it is true that as a rule the landlord takes all he can extort from the tenant, this power of extortion depends in the last resort on the rent-paying power of the latter. Now, as any tax relief obtained by the tenant raises his rent-paying power, the landlord may certainly recoup, by a higher rent, any tax shifted on his shoulders from those of

the tenant. If a tenant pays \$300 rent and \$50 taxes and you make the landlord pay the \$50 taxes, will not the rent at once rise to \$350?

This is entirely in agreement with Henry George's own teaching, according to which all progress in the last resort increases the landlord's rental income. Now, the Single-tax would certainly mark a great progress over our existing system of taxation, and thus would increase purchasing and rent-paying power all round, which according to George's own theory, raises rent proportionately. If this is not shifting, what is?

And if all taxes were abolished for the Single-tax on land values, would it not enable the tax saving tenants to pay higher rents? Rents would rise in exact proportion with the economized taxes, if it were not for the land kept out of use by speculation which is offered cheaper in consequence of the higher tax. However, we must not count too much on this element of the calculation; because once the landowners got over the loss caused by the imposition of the Single-tax, they would find as ample compensation for holding land out of use, in the increase of rents, and consequently of land values, as they do now. Of course, the new increase of rents might be taxed away, too, the proceeds being used for public improvements; but these, too, have a rent-raising effect; and thus Rent would continually race ahead of the Single-tax.

There is one way only, which precludes shifting of land taxes and that way is closed to Single-taxers. Instead of using the proceeds of the tax for the relief and benefit of the tenants, they ought to be applied towards the purchase of privately owned land—whose price the tax would cheapen in this case—for the community; in other words, to further land nationalization. No shifting then, because there is no relief of the tenant's taxes, the rack-renting finds its only antidote: the community's competition in the land-leasing business.

This rack-renting, this charging all the traffic can bear, i.e., all the tenant can afford, is also the answer to the attacks against building laws, which force the landowner to restrict the height of houses, or to leave open certain parts of the space. Such laws do not raise rents, as is pretended, for rents are always at their highest, but they lower the value of the land. Nothing has, on the other hand, so raised the value of land in the business part of American cities as the invention of sky-scrapers, which permit the use of more of the air space which belongs to the landowner. Office rents have not fallen in consequence of this putting half a dozen houses, one upon the other, but the ground, which thus is better exploited, has correspondingly increased in value, so that the most expensive skyscrapers are not as costly as the land on which they are erected. Or rather, the land, which was formerly worth only a little more than the low house on it, is now more valuable than the high building it supports. If ever we should succeed in building a hundred-story edifice, rents will not fall, but the land on which such houses stand, or are to be erected, will correspondingly rise in price. The first separate assessment made in 1904 of land and improvement values in New York City, has developed the astonishing and unexpected fact that in those quarters, in which the most expensive and luxurious buildings are to be found, the value of the bare land is greater than that of all the improvements. The total valuation of real estate in greater New York was \$4,798,344,789 of which the land was assessed at \$3,679,686,935 and the improvements at \$1,100,657,854, so that the percentage of land valuation to valuation of real estate was 77% to 23%. If we take the borough of Manhattan alone, where practically all the costly structures are situated, their value only amounted to \$600,000,000, while the land was assessed at \$3,000,000,000, five times as much. Ten of the most recently constructed sky-scrapers aggregate a cost of \$9,543,000, while the land on which they stand was assessed at \$16,072,000, 70% more than the buildings. Sixteen of the leading hotels, including the Waldorf-Astoria, were assessed at \$6,445,000; the land on which they stand, at \$20,805,000. Ten of the larger and more costly mansions on Fifth avenue are assessed at \$5,065,000; the land at \$13,355,000.

Taxes on land where they do not relieve the tenants, or laws restricting its use, not only do not raise rents, but they have the very opposite effect; they lower rents; paradoxical as it may sound. They do this by forcing the speculative owners of unoccupied land to hasten its sale, all

such restrictions and taxes reducing the expected profit; and making it more expensive to wait for the final recuperation.

The present system has the effect of favoring the speculator who holds land out of use, in the face of an urgent demand, until he can secure his usurious price, while it punishes the improver by taxing his improvements. Here is a man who erects a fine house, an ornament to the place, and at once he is fined for his bad action by a heavy tax on this house. Next to him is a plot full of weeds, or of the garbage from the neighborhood, owned by a speculator who finds his land increasing in value in consequence of the new building. This man is encouraged in his dog-in-the-manger game by the low tax on his unimproved land. In some countries this tax is not even levied on the selling value of the land, but on the income derived from it, which in such a case is practically nil: agricultural rent on city property. It seems unbelievable that the League of German Land Reformers has had to fight for laws that change assessments levied according to rent actually derived, into assessments on selling value. At last town after town adopts the new system, and the householders who, through ignorance, oppose the reform, find themselves benefited by it, as it hits only the speculative holder of unimproved land.

Another advantage of the land tax is that it cannot be dodged; as the taxable object is evident before everybody's eyes. The tax could also be made an excellent accessory to land nationalization if a plan, often proposed, were adopted in connection with it, i.e., allowing the landowner to be his own assessor, with the understanding that the community is to have the privilege to purchase from him at any time at the assessed price. The taxpayer thus finds himself between the Scyllia of paying too much in taxation and the Charybdis of receiving too low a price for his land.

I have adduced enough to prove that if the American followers of Henry George were content to style themselves tax reformers, they would be accepted as valuable helpers in fiscal reform; though in this case they could hardly pretend to the position of workers for a thorough social reformation. But they call themselves Singletaxers; they want to make the land-value tax, the sole tax; and a tax productive enough to permit the abolition of all other taxes; which practically means a confiscation of the rental value of the land, the basis of its selling value. They thus leave the domain of tax reform to enter that of robbery, pure and simple; and in this way they have become the worst enemies land restoration ever had. Their very name is obnoxious to the two opposite wings of the community; the fair men who want to combine reform with justice, and the revolutionists who aim at the subversion of all property rights. To one they are mere robbers; to the other timid weaklings who do not dare to face the full consequences of their teachings.

In another way their agitation has injured land restoration, i.e., by misleading land nationalizers. One wrong is generally the father of another. The Single-taxers' wrong, of preaching the confiscation of private rent to relieve the landless from all taxation, has begotten the unjust proposal of land nationalizers to use the public rental, after it has been restored to the people and thus belongs to all equally, for the relief out of the public purse of those who justly pay more than the average share of taxation. Whereas in the one case the rich are to be robbed to relieve the poor; in the other the poor are to be robbed to relieve the rich. Land nationalizers forget that the idea to use the rental income for public expenses, though logically in the Single-tax plan, of which it forms the very essence, in reality is absolutely out of place in their own scheme of restoring the land to the people. Taking the rental from private landowners in the form of a tax means, if the point of confiscation is left out of sight, that each landowner is taxed according to the benefit he receives from the community through the use of the land he owns. However, the case changes where the land has been honestly bought back by the people, and where the land-users rent this land from the community. Their rent is a fair equivalent for the benefit they receive from the land; but it is no more a tax. It is a rental income belonging by right in equal parts to the landowners: the people of the country. Public expenses ought to be paid by means of taxation as before, and on the most approved principle;

i.e., each citizen ought to pay taxes in proportion to the benefit he receives from the State. To confiscate the common rental income for public expenses under the new conditions would work a similar injustice on most of the new landowners as the Single-tax would on many of the present ones. It would mean that each citizen is to pay as a tax his equal share in the national rental, though his dues are unequal on the benefit-received principle; for the rich receive greater benefits from the public than do the poor. The whole apparatus of public defense, of police and of justice, protects property; while the funds spent for public education in its higher branches benefit the wealthy far more than the poor. Is it just to force the poor to pay as much as the rich for the soldiers and policemen to protect their property? Yet this is exactly what would be done if the share of the poor in the national rental were used for public expenses, instead of being paid over to them or used otherwise according to their wishes. To assume that these wishes run in the direction of relieving the rich of their just proportion of taxation is certainly an idea which might never have occurred to land nationalizers, if Henry George's confiscation plan had not been first in the field, in which the heavier load it lays on the wealthy to some extent is equalized by the greater benefit they obtain out of the tax fund, which in so far lessens the wrong inflicted. Land nationalizers do away with this wrong altogether; but, forgetting the exceptional conditions under which the proposal to use the common rental income for common needs had arisen, they adopted this part of George's plans, though they rejected those features of his teachings which alone could justify it. I repeat, while George's plans involved robbery of the rich, the use of the common rental, bought with common funds, for public expenses, means simply robbery of the poor. This is not only an injustice, but also a bad policy; for it means leaving unused the best weapon in the arsenal of land nationalization.

The share of each family in the United States in the common rental may be estimated at about \$200 a year. The prospect of obtaining by legal methods such a contribution to the budget of the workers, or a correspondingly high insurance in the case of invalidity and old age (at least \$600 a year) would call forth quite another enthusiasm for land restoration than the mere hope of a relief from taxation figuring up to a much smaller sum for the man of the people.

There would not be found insuperable difficulties in the way of raising a public revenue by a just and sufficient taxation without any taxation of the land. The income tax, if imposed where the income is made, not where it is spent, not only works on the ability-to-pay principle, but also on that of benefit-received; for, without the help of the community no income can be obtained. Alcohol and tobacco, if the monopoly of their sale is given to the State, could be made to produce a very large fiscal revenue. This also would be a tax on the ability-to-pay principle, because nobody is forced to use these noxious commodities; and though the taxpayer certainly does not enjoy an equivalent in any benefit received—rather the reverse—he would at least indemnify his fellow-citizens for the damage done them by his use of the two poisons—by the one through the employment it provides for our police, criminal courts, prisons and asylums; by the other through the contamination of the air and the injection of poisonous gases into the lungs of his fellow-citizens.

We shall see in Chapter VIII how an extension of the State's monopoly of distribution from one or a few to all products would by itself yield such enormous savings that a fraction of them would, if put aside for public expenses, suffice to amply provide for them. Savings due to the work of society are certainly not wrongfully used for the benefit of all.

Inheritance taxes on fortunes above a certain amount, supplemented by the substitution of the State for indirect heirs, where no will is made in their favor, might supply another bountiful source of revenue.

Before closing this chapter, I have to say something more on a subject already touched upon, nearly related to the land question and now in the centre of public discussion: Public ownership and management of public utilities. It is one of those important questions, which are

yet open in this country, despite the unanimous favorable verdict passed upon it elsewhere. I refer to the reports of Professor Frank Parsons in his "Railways, the Trusts, and the People." The facts given are of the highest importance; the arguments lucid and convincing. I have to limit myself to a few points.

Concerning the fear of political influence and graft, Parsons finds it easy to prove from the examples of Germany, Holland, Belgium and Scandinavia, as well as Australia and New Zealand, that independent railroad boards and civil service regulations have proved an effective protection against this danger. Anyhow, in this country an objector to railway nationalization on such grounds would present the case of the passenger on a storm-tossed boat who jumps into the sea for fear of drowning. The worst that public ownership and management could do would be nothing compared to what private ownership and mismanagement has been doing, and is doing, in this country.

Professor Parsons correctly says on page 516: "In answer to the objection that government ownership would put the railroads in politics, we may ask: 'Where are they now?' It is doubtful whether they could be in politics in any worse form than they are today, and it may be further remarked that it is not necessary that the railroads should be in politics at all in the objectionable sense, under a common-sense system of public ownership with a non-partisan commission, railway courts, and solid civil service organization, such as is provided for in the Pettigrew Bill." To this, a quotation from Professor Richard T. Ely is added: "Our American railroads are incomparably more 'in politics' than the German railroads. Not only this; those German railroads, which have been bought by the State, I believe, are less 'in politics' than they were when they were private property. Our terrible corruption in cities dates from the rise of private corporations in control of natural monopolies, and when we abolish them we do away with the chief cause of corruption."

The defenders of the existing private monopolies must find it rather a hard task to frighten the people with possible abuses of political power under National ownership, when even the worst abuses of this power could not begin to approach those continually perpetrated by the existing monopolies, which own legislatures, courts and press. Next to the political bugbear, the inferiority of public management to private management is usually put into the foreground of the discussion. This reasoning is due to a kind of atavism, an inherited notion under whose influence we overlook the fact that 'private management' in our father's time was entirely different from that of our existing corporations. The master and owner of the little workshop, with his few journeymen, who practically was only the foremost worker of the shop, or the owner of the little factory, in continual personal contact with his employees and hands, represented private management in its good sense. That of our corporations has mostly preserved only the bad side of private management: its personal greed, while it lacks the good sides of public ownership and operation: devotion to the public good. What guarantee have we that a stock company is sure to bring better managers to the top than the public administration? Is the control of the largest number of shares, through ownership and proxies at a stockholders' meeting, a better test of efficiency than that of the largest number of votes at a national, state or city election? Is the method of procuring the votes so vastly superior in one case than in the other? And the result? I entirely agree with Professor Richard T. Ely, where he says: "Management of the public finances so corrupt as that which has characterized the private railways of the United States, would have produced a revolution long ago. ... For every failure of municipal ownership and management which it would be possible to adduce, twenty failures of private ownership and operation could be named."

The most corrupt political bosses this country ever produced, from Tweed to Cox, from Sweeney to Quay—and in this specialty America beats the world—are poor bunglers in grafting compared with some of our great railroad chiefs. It is questionable whether the 'earnings' of all the bosses in the Union during a whole generation reach those of the great Harriman alone. The methods of the graft may differ; the result remains the same.

But why do we assume that public management in this count would be sure to be inferior to private management? The following facts stated by Professor Parsons seem to prove the reverse. "As high as 20%, of the railroads of the United States have been operated at the same time by government agents called receivers, and the success and honesty with which these public managers, responsible to the Federal courts, performed the duties of their calling under infinite difficulties, bringing the roads back to prosperity after they had been wrecked by private enterprise, shows the possibilities of public management of railroads under reasonable safeguards. The very same men that now manage our railways would gladly manage them with equal ability, far more justice and public benefit, and infinitely more happiness, if they were the honored and respected servants of the Republic, than as they are now, the suspected, accused, and condemned leaders or agents of the forces of predatory wealth that are preying on the public, defying the law, and corrupting the government, and are denounced by many of our best people as enemies of the Republic and guilty of treason under the Constitution."

To get at the core of the partiality for private management, we find it due to its effectiveness during a period now more and more receding: that of competition. We are too apt to forget that this competition gradually becomes a thing of the past in the distribution (exchange) and transportation of products. Concentration brings such immense advantages into this domain that it saves far more than the most effective management, due to the competitive struggle, could ever yield. Take the case of a hundred competing post-offices splendidly managed by a hundred commercial geniuses and imagine the cost of a letter when, compared with that obtained under our centralized system. The waste through competition in this case would far outweigh the savings attained through a better organization. The organizers of our corporations know this, and their best efforts are successfully directed towards a centralization of their enterprises, in spite of the ridiculous Sherman law. It is estimated that seven men now control the railroads of this country, and when centralization has so far progressed that all the roads are managed from one central point, the service can be made still more effective, waste can be still further eliminated. We are coming to this, and if we come to it, the saving will not be due to the genius of the manager, but to the fact of the central management. But even if this were otherwise, and if private management provided better men than universal suffrage, would the public benefit by the greater success of the monopolists' chief? Does it now benefit by it? The crisis, which is already thundering at our doors, while this is written, is certainly not an affirmative answer. And if we go so far as to admit the temporary advantages of allowing the superman's domination, the effects on the race are certainly pernicious. The worst effect, however, is found in the mortality of the superman, who very often is superseded by idiot heirs, whose power is established without the brains to make it beneficial to anybody.

I here refer to what the opening pages of the chapter on Democracy contribute to this subject of dominion by the enlightened minority over the ignorant masses.

The ignorant masses! To whom is their ignorance due and why should not better men rise from their ranks than the best now at the head of our affairs? The community will find such men at its service after the present avenues are forever closed, where ambition finds its best paying remuneration, from the paltry standpoint of the dollar. The very class of men we find now at the head of our big corporations will then try to force their way to the direction of the public administration, as Professor Parsons indicates. But the people begin to find out that it is not merely a question of dollars; that considerations of a far higher nature are coming into the foreground. It is a question whether the corporations are to own the nation; or the nation the corporations.

Smithianism has been too long dominant in political economy; its sway over universities, press and rostrum has been too general to yield at once even to the most stubborn facts, or the revolt would have come long ago. Land nationalization would, however, bring such powerful forces to the side of public ownership against the private corporations, that the victory would soon be won. Between land and public utilities the most intimate connection exists. A railway

or tram-line stands in the same relation to the adjoining land as a lift in a sky-scraper stands to the rooms of the building. Without this improvement the rooms would only have a fraction of their present rental value; and without the railway or tram-line the lands it connects with the centers would be far lower in price. The lift is the vertical railroad, the railroad the horizontal lift. To give the right of running and owning the lift to an outside party would be just as sensible on the part of the house-owner, as it is on that of the people as owners of the land to let private parties own and run their horizontal lifts, their railroads and trams. The lift-owner would have it in his power to determine the rent of the rooms according to the rate of his fares demanded from the occupants and their visitors; a power virtually exercised by the owners of our means of transportation. The horse-owners run their lifts free of charge, and can well afford to do so, because they obtain correspondingly higher rents. So the community as landowner could afford to give general free transportation and still do a good business, in consequence of the higher rents, which the land thus served would fetch.

Landownership and transportation, like Leda's twins, thrive best when un-separated. Independent transportation enterprises often starve, though land values along their lines rise materially through their activity; and land values are kept low where the transportation monopolies take all the traffic will bear. Together they are a strong thriving unit. The same principle holds good for the supply of gas, water, electricity, telegraphs and telephones.

The question of compensating present owners of public utilities is as easily solved as that of compensating landowners. In both cases growth of population increases the incomes out of which the purchaser gradually cannot only pay the interest on the capital, but obtains a growing fund for redemption of the debt, a fund largely increased through the falling of the interest rate. To be absolutely just in the valuation of such properties we must try to get over the perfectly natural attack of hydrophobia (fear of water) which we are experiencing when we meet with their inflated values. As a rule the market price expresses the capitalized value of the income derived from the properties or expected in a near future. It is identically the same case as that of land values. To offer our corporations mere payment of cost of construction and of running material would be like offering to the landowner the value of his improvements only. To offer first cost, including the cost of the right of way, would be like offering the landowner first cost of his land plus improvements. Justice in both cases demands that we pay present market values, which include a lot of water, said water being the capitalized value of incomes obtainable from the property over and above the interest on the original outlay. It makes not the least difference in which way the price of the water is expressed, whether in a low nominal capital, accompanied by a high stock exchange quotation, or a high nominal capital and a lower quotation. I give an illustration. (See Pohlmann in *Deutsche Volksstimme*.) The French *Compagnie des Mines de Houille de Courrières* (*Courrière Coal Mining Co.*, in which over a thousand human lives were lately lost) was founded in 1852 with a capital of 600,000 francs, divided into 2,000 shares of 300 francs each. Dividends began in 1857 and gradually rose from 150 francs per share to 2,300 francs in 1891, which means that the invested capital brought from 50% to near 800%. This enormous profit began to be compared by agitators with the low wages earned by the miners, which proved unpleasant, and so the owners managed to disguise it by inundation. In 1896 they raised their nominal capital to six millions, issuing 60,000 shares of 100 francs each, so that each shareholder obtained 30 new shares for one of the old ones. Things looked better now: for, though the dividends still rose—in 1900 to 125 francs for each new share, or 3,750 francs for each of the original shares of 300 francs, it only spelt 125%, not 1,250%, the real percentage, which would have too much horrified the public when the terrible catastrophe brought about by the economies of the management destroyed so many human lives. To the market price of the mine the watering did not make the slightest difference, for it matters not whether this price is computed in 60,000 shares at 2,800 francs a piece, the quotation of 1901, or in 2,000 shares (the original number) of 84,000 francs a piece. In both cases the market value of the mine was 168 million francs, and to expropriate it for less would

have been a proportionate confiscation. This example shows that the often expressed opinion that watering of stock raises the people's tribute payments is erroneous because based on a confounding of cause and effect. The tribute is always as high as the market will bear. The amount of the nominal capital only influences the interest rate, i.e., appearances, not the interest sum, the reality.

To recognize the injustice of all proposals, which tend to expropriate such properties below their market value does not imply that the State is to buy at extravagant market prices, when it is in her power to press down these values to reasonable figures without any interference with so-called vested rights. To find out how this is done we may look for valuable lessons to those clever men who organized our trusts. They did not invent boycott and blackmail, but they make profitable use of it. When they want to buy out a competitor they fix their own price, which he generally is forced to accept, though no law compels him to do so. They arrange conditions in a manner that no choice is left him. He finds it impossible to obtain railroad cars when he wants them. His raw materials rise in price, while the finished product falls. The threats of the trust force his best customers to refuse touching his goods. His bank refuses further credit. Everything suddenly turns against him, and ruin stares him in the face, so that finally he is only too glad when an offer of purchase is made to him. The people when they want to buy out present proprietors can profit by their example without resorting to any injustice. They can make use of the law that their demand is the creator of value in the economic sense, by regulating this demand according to their interests. Wherever they find that extravagant prices are demanded for a property they can simply agree to reduce their demand for the product and to retire the laborers. What would those Courcelles mines be worth to-morrow if the people refused to buy another pound of their coal, and the workers left the mines, without others taking their places? Practically nothing at all. Under such conditions any price offered by the nation would be gladly accepted. This price ought to be the capitalized profit, which would remain after a reasonable reduction of the coal price and a just increase of wages under fair working conditions. Such a price would certainly not be based on 1,000% dividends. The same principle would hold good in the case of railroads wherever no exclusive monopoly has been granted or as soon as the monopoly has expired. New roads would be built by the people and nobody could blame them if they gave their exclusive custom to their own roads. Anyhow, the State can hold out longer than private companies in bringing down rates and can thus force on sales just as the trusts have done with their competitors, with the difference that the State would only use her power to obtain reasonable terms, not to ruin competitors. It is the policy, which Bismarck applied, or threatened to apply, in Prussia at the time when she gradually bought up the private roads. The same policy would be used in the case of mines, oil wells, trams, gas and water works, etc., wherever feasible, and in regard to land in general. The people need very little land for their maintenance if they make use of intensive culture. The desert land still owned by the community, if brought under a perfect system of irrigation, as indicated in 'Arid America'—the excellent work of William E. Smythe—would by itself suffice to provide a large population with all the foodstuffs they require and abstention from the cultivation of privately owned land would soon force down its price to a reasonable level.

New centres built on agricultural land, on the Garden City plan (see Chapter VII) would depopulate the old cities and reduce their land prices. All this would not be confiscation, but merely a reasonable pressure on the real estate market, through the influence of supply and demand.

Let the people once unite on first principles and the rest will be easy. No need of injustice to demolish injustice! Monopoly's value is based on the people's readiness to be fleeced. Let us cease being ready victims and vested rights will lose the most valuable part of their vestments or such vestments are purchasable for a trifle in the old clo' market of the world's vanishing ghettos.

The gamblers are beaten at their own game, and, as it is not good form to appear a bad

loser, they will take their defeat much more calmly than might be inferred from the noise they are now making, while the stroke is merely impending.

Continued

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1. De Lavergne, the enemy of peasant proprietorship, speaks of: "That turning aside of capital from the cultivation of the land to its purchase, which is one of the chief vices of our French rural economy."
2. Taxing also the mortgages would only precipitate the process of having the mortgagees look out for other investments, or of raising the interest rate paid by the mortgagor high enough to compensate the mortgagee: for the tax, as is now done wherever this most foolish of all taxes exists.
3. The existing land taxes left out of consideration in this calculation are amply balanced by that part of the tax, which is shifted; of which more, later on.
4. This has been contested. It has been said that under free conditions rent will fall, because speculative withholding and rackrent are absent; wages of labor thus obtaining the increment caused by progress. I think this leaves out of sight the fact that nature produces wealth without human labor, though certain theorists deny it. saying that without the presence of man there is no market, and consequently no wealth in the economic sense. Neither should we have professors of political economy without the existence of man, a redeeming feature of the calamity.

On the Mataponi river in Virginia, where seagoing ships can load timber by merely throwing a plank to the shore from the ship, I have seen land, in the sixties, where they counted that from one-half to one cord of wood grows yearly on each acre without any labor, and a cord brought \$2 in the standing tree. Of course this wealth production by nature would not have existed without the presence of people who wanted wood and of others ready to cut and ship it; but this does not in the least alter the fact that nature produced wood on this land worth a certain price before any worker touched it; that nature added something to the productivity of labor which this labor could not produce to earn anywhere else.

Is the value of the herd of cattle, living and procreating on the open prairie, entirely created by the labor of the cowboy who branded them?

I pick out these special cases as examples, because here the part done by nature, without the assistance of labor, is so clear and unmistakable that no amount of sophistry can eliminate it; but the same fact exists more or less wherever labor uses land inside of the margin of cultivation; i.e., inside the line beyond which more land is found free than there are workers ready to use it. Such a margin exists in few civilized countries. Even in the wilds of the Scotch Highlands not a foot of land can be had free; nor could it be had free even under land nationalization; for rich men would always be ready to pay a certain rent for such land for its use as a deer park.

These deer parks indicate another land use forgotten by our theorizers—the use for health, comfort and pleasure, the value of which grows with the wealth of the people. The inhabitant of our slums, where a thousand and more people are crowded on a single acre, is just as fond of a cottage surrounded by a garden as his betters. Where now a thousand people live on one acre, these will, in better times, want a hundred acres and more—though the single acre may fall in price, the total of the city's surface will yield a much higher rent, because large areas of agricultural land will be covered with houses and gardens. And where further out the rent now only corresponds to the yield of wheat or corn, it then conforms to the higher income of the market gardener, whose produce is eagerly bought by a teeming wealthy population, and to the craving for their own pleasure-parks by the well-to-do, far more numerous than in our times of artificially restrained productive power.

Thus it can safely be asserted that with the increase of population and productive power the value of land and consequently of rent will increase all around, with which position Henry George is in full agreement.

5. The bonds could either be given in payment to the landowners, or they could be sold in the market, in which most of the former landowners to whom the money is paid would be looking out for these new solid investments and thus return the money to the State. Under our wonderful system, which permits bankers to buy interest-bearing United States government bonds with money obtained almost free of interest on the deposit of these bonds, the nationalization of our land, our railroads, telegraph, etc., on this plan, instead of creating a money stringency, would cause the bond sales to make money more abundant.

6. Of course this is only a rough outline, not quite corresponding to the actual facts, which are influenced by various data. For instance, we may find a local rise in the price of land based on the expectation of a future rent increase reducing the rate of interest, on which the capitalization is based, below the regular rate. The demand of land-hungry peasant proprietors, or neighboring owners of large properties, desirous of enlarging their possessions, may work in the same direction. The difficulty of selling land or of collecting rents rapidly may, on the other hand, raise the rate of interest at which the rent is capitalized above the interest rate of bonds, which will take place the more certainly the more the rate of the latter falls below a certain limit. For instance, it is not likely that at a bond interest rate of $\frac{1}{2}\%$ rent will multiply with 200 (200 years' purchase) to obtain the land price. Perhaps only a hundred years' purchase would be obtainable.

7. 4% U. S. bonds 130 in May. 1906.

8. The falling of the interest rate, which I expect from land nationalization independent of currency reform, is not without historic precedents of similar conditions. I quote from Adam Smith's *Wealth of Nations*, Book I, Chapter IX: "The province of Holland, on the other hand, in proportion to the extent of its territory and the number of its people, is a richer country than England. The Government there borrow at 2%, and private people of good credit at 3. The wages of labor are said to be higher in Holland than in England, and the Dutch, it is well known, trade on lower profits than any people in Europe."

See also in Kahn's *Geschichte des Zinsfußes in Deutschland*, where we learn that the interest rate of mortgages in Hamburg was 2% previous to 1842.

At the time of which Smith speaks comparatively few bonds of any government existed—only 2500 million dollars, according to Fenn—and land was mostly tied up, so that little opportunity of this sort was open for the investment market. In Hamburg, at the period mentioned, the savings of its rich citizens seeking good investments near home, were very large, while the demand for money on mortgage was comparatively small.

Incidentally we might note that the low interest at which money could be obtained by businessmen in Holland had an effect on wages not at all in accordance with Henry George's strange theory that interest and wages rise and fall together.

9. Since I wrote this, I have learned that Dr. William Clarke published an article in the *Contemporary Review* of December, 1900, in which he predicts that England will gradually be turned into the pleasure domain of the world's aristocracy and plutocracy. The population, which did not emigrate would serve as their flunkies and shopkeepers.

10. In Peru and in Egypt part of the soil was distributed to the soldiers. Diodorus says: "This was done to give a solid basis to their patriotism. It is absurd to confide the public safety to those who have nothing in the country worth the trouble of fighting for." (Ch. Letourneau. *Property: Us Origin and Development*. p. 145.)

The famous passage from Pliny's writings where he describes the fate of Rome's soldiers, who did not own a square foot of land, as worse than that of the wild beasts which have their lair, applies to Great Britain's soldiers who fight for a country in whose soil most of them have no part whatever, while their foes in Africa were endowed with the strength of Antaeus through

being in continual touch with their own soil. And how much land is owned by our own
regulars?

Ref. See *Land Nationalisation* by Alfred Russel Wallace on this site,