

CHAPTER I

TO FREE NATURAL OPPORTUNITIES

WE have now seen at some length the nature of privilege in the United States, and its varied and deadly fruits — that the wonderfully great volume of wealth being produced in this country is being most unequally distributed; that this is due to the exercise of powers of appropriation possessed by some individuals, and conferred upon them by special or general grants of government or by government passively sanctioned; that these powers are privileges, and are, in effect, what the word “privileges” in its original sense meant, private laws — laws for the advantage of particular persons; that in consequence of these privileges, veritable princes of riches are being raised on the one side, while the masses are being held down to an intensifying struggle for a living on the other; that this is producing two distinct classes — the one imbued with feelings of superiority and arrogance, the other of envy and hatred; that as a further consequence, public and private morals are suffering, the superabundantly rich falling into monstrous business practices, private infidelities, divorce habits and irresponsibility for child-bearing, while the multitude of workers are being reduced to conditions breeding want, sin and crime, from which must come general physical, mental and moral deterioration. Proceeding, we have seen how, rising out of this state of things, the country is being divided into two great militant camps: that of the owners of privileges and that of the resisting working masses; that the latter, organizing trade unions

for defense, and then realizing the power coming to combination, have in specific cases passed from the defensive to the offensive with circumstances of tyranny and insolence; that to destroy trade unions, Privilege is abusing court orders and the military functions of Government; that in order to control Government, Privilege is corrupting politics; that in order to influence public opinion, it is reaching out for press, university and pulpit; that in order to extend its conquests and divert the popular mind with dreams of glory, it is directing foreign aggression.

All these results we have seen to follow a continuing unequal distribution of wealth, and this unequal distribution of wealth to be a fruit of the grants and passive sanctions of Government, called privileges.

Therefore in looking for a remedy or for remedies for this mass of great evils besetting the Republic, we must address ourselves to their causes — to privileges. What is the cure for privileges?

As was stated earlier (Book I, Chap. II), the privileges that concern us particularly are divisible into four grand classes or categories:—

- I. Private ownership of natural opportunities;
- II. Tariff and other taxation on production and on its fruits;
- III. Special Government grants; and
- IV. Grants under general laws and immunities in the courts.

Let us proceed to consider these in order.

I. Private Ownership of Natural Opportunities

This is the underlying ill of the Republic. Other forms of privilege at this time attract more attention, but none compare with it in baleful effect upon the nation. For, reduced to simple terms, it means that the land of the United States does not belong to all the people of the United States, but only to some. That some, owing

to the law of concentration, is diminishing in number, while the general population at the same time is increasing. The mass have to pay the comparatively few for the right to live on the soil of the United States, so that the aggregate of that payment is augmenting with multiplying population.

This state of things is not indispensable to high civilization. It is part of our civilization because we adopted it from other peoples. We might have adopted other land laws, or we might have originated laws. But it happens that we applied on this virgin continent the land laws that the Romans used when on their decline, and which succeeding European peoples, copying much that was bad with what was good of those institutions, adopted, thereby abandoning the principle of equal rights that existed in their own land laws.

And so this form of privilege was instituted among us not by a distinct and formal act, like the adoption of a constitution or the passage of a law. It came by absorption, with our language and other institutions from Europe. At first it did not appear in the light of a privilege, because few or none were deprived of opportunity of getting and owning land. But as the supply of free land gave out, and thousands and millions could not obtain any, and as the number of landowners is, not only relatively to the population but actually, lessening, the exclusive nature of the institution of private property in land appeared here. It concentrates land in few hands, precisely as if the land had originally been granted by special private acts, that is, by special acts of Government distributing all the land as particular gifts to individuals.

But because a bad institution exists, it does not follow that it should continue to exist. "There used to be cannibalism and human sacrifices," says Count Tolstoy; "there used to be religious prostitution and the murder of weak children and of girls; there used to be bloody revenge and the slaughter of whole populations, judicial tortures,

quarterings, burnings at the stake, the lash; and there have been, within our memory, spitzruthens,¹ and slavery, which have also disappeared. But if we have outlived these dreadful customs and institutions, this does not prove that there does not exist institutions and customs amongst us which have become as abhorrent to enlightened reason and conscience as those which have in their time been abolished, and have become for us only a dreadful remembrance."²

An institution which Tolstoy thinks has become "abhorrent to enlightened reason and conscience," is private property in land. He says:—

The evil and injustice of private property in land have been pointed out a thousand years ago by the peasants and sages of old. Later progressive thinkers of Europe have been oftener and oftener pointing it out. With special clearness did the workers of the French Revolution do it. In latter days, owing to the increase of the population and the seizing by the rich of a great quantity of previously free land, also owing to general enlightenment and the spread of humanitarianism, this injustice has become so obvious that not only the progressive, but even the most average people cannot help seeing and feeling it. But men, especially those who profit by the advantages of landed property—the owners themselves, as well as those whose interests are connected with this institution—are so accustomed to this order of things, they have for so long profited by it, have so much depended upon it, that often they themselves do not see its injustice, and they use all possible means to conceal from themselves and others the truth which is disclosing itself more and more clearly, and to crush, extinguish and distort it, or, if these do not succeed, to hush it up.

Count Tolstoy here speaks of the world at large, but his words have peculiar application to us, for here private property in land is having more marked effect than perhaps anywhere else on the globe; since it is cramping and warping the growth of a great, strong, sanguine, virile, intelligent people. For as the English Professor Cairnes

¹ *Spitzruthens*—sticks used by soldiers when one of them was condemned to run the gantlet, a punishment which the victim often did not survive.

² "A Great Iniquity," *London Times*, Aug. 1, 1905.

says in words that may be adapted to the United States, "The large recent addition to the wealth of the country has gone neither to profits [interest] nor to wages, nor yet to the public at large, but to swell a fund ever growing even while its proprietors sleep — the rent-roll of the owners of the soil."¹

What does that signify? What, indeed, when we consider that the rent-roll of the Astor family in New York — the yearly income from the land they own in that city — amounts to millions; while the total yearly ground value of the whole of Greater New York equals, perhaps exceeds, one hundred and fifty millions!

What would the anthracite coal mines of Pennsylvania bring to their owners yearly if they were leased to a new set of coal operators? Would not the sum be enormous?

What terms would the Standard Oil combination make for use of its wells alone, supposing it were willing to turn over the business of oil production to other hands? Would it not seem to one who had not thought about such things as if it were asking payment for the use of fountains spouting gold?

And so consider the country generally, its varieties and vast amounts of valuable land. All is yielding a revenue or rent. This ground or economic rent is in the aggregate prodigious in amount, and all but a small portion of it is going into *private pockets*.

But this conceded, what is to be done in remedy? How is the principle of equal rights to be reconciled with individual use of the land? If all have the same interest in the land, each has a different interest in the labor he puts into or upon the land — in his improvements. The dullest can see that to declare all land of common right would make chaos of the products of labor resting upon the land, since none would have a place upon which he might take an undisputed stand. All improvements in or on land would be in confusion.

¹ "Some Leading Principles of Political Economy Newly Stated."

Fixity of tenure, assurance of a permanence of holding, is necessary for the advancement of civilization. How continue that usage and at the same time destroy the evil principle of privilege in land — of private property in natural opportunities? Does this lead to a proposal that the Government resume title in all the land in the United States and then lease it out in lots or parcels to suit, and so obtain the economic rent?

No; nothing of the kind. There is no need to disturb present titles. Let present owners continue to call themselves owners, but let them be subject to a tax heavy enough to take the whole yearly value of the land, instead of the tax that now takes but an inconsiderable part of it. Leave the land in its present hands, but tax its entire annual value into the public treasury!

That would leave the shell and take the kernel of the nut. Individuals would go on using land as they pleased, *so long as they paid its full value*, as a tax, to the public. It would cause all the people to share in common what Professor Cairnes calls "the rent-roll of the owners of the soil."

Consider the volume of revenue from this one source in this country if *all* land having value, exclusive and regardless of improvements — all urban and suburban land, all agricultural land, all forest land, all land bearing minerals or oil or gas in its bosom, all grazing land, all land that would sell for anything on the open market — should turn that value over to the public tax gatherer! It is conservative to say that the revenue for municipal, State and Federal purposes¹ would far exceed the pres-

¹ A simple method of dividing the revenue raised by this single tax would be to have the municipality use part of the existing taxation machinery, collect the tax, and pay over to the state and Federal authorities the quotas apportioned for each. The income tax, several times levied by the Federal Government, was left to the States respectively to collect and turn over to the Federal Treasury, the amount from each State being apportioned, and the Federal Government making a liberal discount for the labor and expense saved it by the States.

ent needs of Government economically administered. It would therefore make unnecessary the multitude of compounding taxes now heavily burdening and galling production. The whole weight of Government—Federal, State and municipal—would thus rest, through this *single tax*, upon the rent of land: of land alone, regardless of improvements. This does not mean rent of land as it is commonly understood, for that means merely the income the owner receives, and much speculative land is leased at a nominal rate. What is meant is potential rent—the annual advantage that such land affords over the poorest land in use; what in political economy is called economic rent.

The proposal is very much like that which a group of great Frenchmen just before the Revolution in France proposed and called *l'impôt unique*, a tax which, on account of the results it would effect, Mirabeau, the father, who was one of this group of economists, pronounced the greatest discovery since that of printing.

A point to be accentuated is that this very tax now exists in rudimentary form in our present complicated fiscal system. A tax on land values is one of the multitude of taxes we now levy. But its size or rate is inconsiderable. What is proposed is to abolish the whole mass of taxes save this one small tax falling on land values, and to increase its amount or rate until it absorbs the entire potential or economic rent.

The landowner could not shift this tax, for, as John Stuart Mill has said: "A tax on rent falls wholly on the landlord. There is no means by which he can shift the burden upon any one else."¹ A cloud of authorities and common reason support this statement.

But why discriminate; why make land values the sole resting-place of taxes? Because, for one reason, land values are not produced by landowners, but by the public;

¹ "Principles of Political Economy," Book V, Chap. III, Sec. 2.

by social growth and social improvement. John Stuart Mill most wisely says, "It is not the fortunes which are earned, but those which are unearned, that it is for the public good to place under limitation."¹ What he means by that may be judged from a further statement: "When the 'sacredness of property' is talked of, it should always be remembered that any such sacredness does not belong in the same degree to landed property. No man made the land. It is the original inheritance of the whole species. Its appropriation is wholly a question of general expediency. When private property in land is not expedient, it is unjust."²

In a word, this single tax conforms more nearly than any other kind of tax does to what Adam Smith calls the "four maxims" of taxation, which maxims or conditions my father has compactly set down as follows:—

1. That it bear as lightly as possible upon production—so as least to check the increase of the general fund from which taxes must be paid and the community maintained.
2. That it be easily and cheaply collected, and fall as directly as may be upon the ultimate payers—so as to take from the people as little as possible in addition to what it yields the Government.
3. That it be certain—so as to give the least opportunity for tyranny or corruption on the part of officials, and the least temptation to law-breaking and evasion on the part of the taxpayers.
4. That it bear equally—so as to give no citizen an advantage, as compared with others.³

That this single, land value tax would most nearly meet these requirements is important, indeed.

It is also important that in going to a natural fund for the defraying of the expenses of Government, all taxes upon production might be remitted. A legion of taxes that now embarrass general production, but which Privilege turns to advantage, would be wiped out. Among them would be the tariff. We shall go into this in con-

¹ Book V, Chap. II, Sec. 3.

² Book II, Chap. II, Sec. 6.

³ "Progress and Poverty," Book VIII, Chap. III.

sidering the second class of privileges. It is mentioned here only to show its relation to the application of the land value tax.

But all this question of revenue from land values belongs to but one phase of the matter of natural opportunities. Important as it is, a still more radical and far-reaching effect of taxing land values to their full would be to throw open great natural bounties now locked up against use. Such a tax would break "corners" in natural opportunities.

Take an instance: The hard coal combination in Pennsylvania, generally termed the Anthracite Coal Trust, owns, holds by lease, or otherwise controls practically all the available anthracite coal in that State, and there is nowhere in the world another deposit of quality approaching it. The managers of this trust therefore control the world supply. Whoever wants to buy anthracite coal, at least of that quality, must go to them. Their policy is not low prices and large sales, which rules where there is competition. They take the opposite course: the highest possible prices and comparatively small sales. They do not desire large output of the mines; they deliberately restrict that output. Many times as much coal land within their possession is kept locked up and idle as is worked; and on that which is worked, the men are rarely busy full time. Much coal land has been purchased with the predetermination of preventing any one from mining it at this time; and much land that could be obtained only by lease was leased in order to prevent coal from being brought forth to increase the market supply, even though to shut off that coal the trust had to pay to the owners of such leased land stated sums in lieu of royalty it would have had to pay had it taken coal out of the ground. The trust, by thus controlling the market supply of anthracite coal, could fix so high a price to the public as to leave a large profit to it after allowing for the expenditure on locked-up lands.

And while the trust thus puts up the price of coal to the public by limiting the amount mined, it at the same time tends to keep mine workers in subjection, since the limitation of output which raises the price to the public also reduces to a minimum available opportunities for employment. Thus by a policy of restricting the working of coal land, both the public and the mine workers are robbed, the one through high prices for coal, the others through low wages for their labor.

But how can the trust afford to keep valuable coal land idle? Is not such land taxed? Yes, but only nominally. Much of the finest hard coal land of Pennsylvania is taxed merely as farming land, and poor farming land at that. Probably a large proportion of those mine workers who are fortunate enough to own a little patch of ground and a little home on it have to pay more taxes relatively than the great corporations adjoining pay on land kept idle, the mineral from which would bring a great price. So low is assessment of such mineral land for taxation purposes that it bears comparatively no tax at all. The trust can find a handsome profit in buying or leasing all such land, paying the inconsiderable tax, and then withholding that land from competition with coal land that is being worked.

But what would happen if the tax falling on this land were not very light, but very heavy? The value of such land can be and is determined easily enough when it comes to a sale or a lease. What if the tax were laid on such a valuation — a tax that should take the whole potential or economic rent of such land? Would the land then remain locked up? Would it stay idle? Would not the fine for idleness be too heavy to bear? Would not the trust set immediately to using all its available land, or to getting rid of such land as it could not use? And would not such discarded land — good coal land that the trust could not use and therefore would not care to pay taxes on — be immediately taken up by others

and worked? Are there not plenty of men about with requisite knowledge and means who would jump at a chance to sink shafts and drive tunnels into this idle coal land?

A tax taking for public use all the economic rent of the hard coal lands — lands unworked as well as lands worked — would destroy the Anthracite Coal Trust. The latter's policy then would be, not to make profit by cornering land and limiting output of coal, but in holding only such land as it could work and working that land to the limit. The principle of monopoly would be destroyed, that of competition set up in its place. The coal operators would then look for their profits, not in restricted sales at high prices, but in extended sales at low prices. The robbery of the public and mine workers through high prices and low wages would cease. The market charge for coal would be low, while such would be the demand for laborers in the mines that wages would obviously advance materially over present rates.

If this heavy land value tax would smash the hard coal trust in eastern Pennsylvania, it would operate in precisely the same way against the soft coal combination in western Pennsylvania, and against the bituminous combinations, in Ohio, West Virginia, Indiana, Illinois and all the other coal States. We all would use more coal if it were to be had more cheaply. Cheaper fuel would be a boon to countless manufacturing activities. It would be a distinct gain to civilization. We could have it if we would. Tens upon scores of millions of tons of fine, accessible, easily workable coal lies waiting to be brought forth from the bosom of our soil. But a few men stand guard and say: "No; we choose that fuel should not be cheap. We care nothing about public needs, about activities in production, about civilization, if it depends upon our coal being sold cheaply. We are after the highest price that we can get for our property, and you cannot prevent us because the law says the source of coal supply

is ours. We propose to keep down the output so as to raise the price to the maximum. Our motto is: 'Kill competition among coal producers and exact the limit from coal consumers.'"

And what can Government Commissions and Government regulation do against this? Certainly nothing for the public in lower prices, while it would add to general demoralization by swelling the number of public officials to be bought or otherwise corrupted by the trust.

But a tax would bring the trust to its knees. A tax that would take from the coal landowners the full economic value of their lands — that would cause them to pay just as much into the public treasury on lands lying idle as if those lands were being put to their highest use — would hush all such brave speeches as "Kill competition among coal producers and exact the limit from coal consumers." The only purpose then in owning or controlling land would be to use it, and to use it to its highest capacity, since none but a fool would care to pay so dear to hold land idle. If the trust tried to retain its monopoly of deposits and recoup itself for the increased tax, it could get no more than it is exacting now. For all things considered, its charge now is the limit, and to demand more would force the public to lessen its use of coal, either by turning to other kinds of fuel or by doing with less artificial heat — probably both. Hence the great coal fields of the country would be flung open and coal would pour forth, which would benefit our whole people with its abundance and cheapness, from the mill owner, who uses a carload a day, to the New York tenement dweller, who buys by the pailful; while it would make such a great and permanent demand for labor in the coal fields as to send up wages and keep them up. This would do much to cause mine workers to forget the need of unions, strikes and boycotts, and even the spirit that now belongs to the bitter struggle for a living and the conditions of passive industrial warfare.

There is truth in the common saying that "most of the trusts have their roots in the soil." Tax that soil, and you get them from the roots up. Apply such a tax to the Steel Trust, to the Oil Trust, to the Lumber Trust, to the Salt Trust, to the Borax Trust, to the hundred and one great industrial combinations, and they will go to pieces in the same fashion as the Coal Trust would. Transportation and tariff privileges, which later will be considered, enter into some of these trusts; but the monopolies of the storehouses of nature, of natural opportunities, are privileges without which such trusts could not exist. Possessing them untaxed or practically untaxed, the trusts can laugh at all steps to "regulate" and "moralize" them. They are like men having legal possession of an oasis in a desert. Caravans that come that way must pay the owners' price for water and resting accommodation, or proceed on their way without stopping.

This clearly is true of the Steel Trust. The Carnegie Company became the backbone of the trust, and Mr. Carnegie early in his steel-making career secured coal, iron and lime fields. Did not Mr. Schwab, as president of the United States Steel Corporation (the trust), testify before the Industrial Commission at Washington that his company could carry its huge stock inflation because it had a monopoly of the Connelsville coal fields in western Pennsylvania, this coal making the best coke in the world for steel production? Did he not further tell the Commission that his corporation possessed a very large interest in the best quality of steel-making ore in the Northwest, and did he not intimate that it hoped soon to have a practical monopoly of that great deposit? Is it not an additional fact that the Steel Corporation is quietly buying up steel company after steel company, not for their plants, since it already has more than enough to supply its business needs, but to secure the natural resources possessed by each of these concerns? If the United States Steel Corporation can succeed in acquiring all the easily ac-

cessible, good-quality ore and coking-coal lands in this country, it can laugh at competition within our borders — that is, if its lands shall go practically untaxed, as now. But apply heavy taxation to the real value of its land, and the Steel Trust would collapse like a house of cards. It could no longer play dog in the manger with mineral land it could not itself use in fifty years. Nature's raw materials for steel manufacturing would be thrown open to users, and competitors would spring up on every hand — competitors whose only hope could lie, not in monopoly prices, but in "low prices and quick sales."

The public appropriation, through taxation, of the full economic rent would have a similar effect upon every trust or combination based upon a monopoly of natural opportunities, and most of them are so based. It would not lop off a little of the foliage here or there, which is the best that "regulation" of the trusts could do; it would strike at the roots.

And the tax that would go so vitally home to the trusts — to the monopolizers of the vast unused mineral, agricultural, timber and grazing resources of the country — would fall with a killing hand upon land speculation in and about every city and town and village in the United States. It is probable that not a third of the available area of the city of Greater New York is in use; and this is more or less the condition in all our communities. The rise in value of urban land is so active that there is a general desire to obtain some of it so as to participate in this increase. This causes a great many people to regard land, not for its *present use*, but for its *future value* — the increased price that growing needs of population will cause to be paid for it. And because this increased value is in expectancy, the owners of land will not part with it except they get some share of that benefit.

Every community must pay rent on the land it uses based upon what that land will be worth some time in the future. It makes an artificial scarcity of the land, inso-

much as it puts a speculative or artificial value on it. And every betterment that occurs in the community, making it a more desirable locality for men to be in, adds to the value of land, as any who will may see when a street is paved, a new transportation line put through, or a public park opened. The speculator does nothing but wait. He waits for population to increase the demand for his land.

Now the mere talk of taxing land values checks speculation, and a tax based upon the selling value of urban land — a tax that would take the whole rental value, as based upon that selling price — would cause such speculation to turn into thin air and vanish.

For where would be the fruit of speculation if taxation absorbed the *whole value*, whether that value advanced or receded? The future would hold out no hope to speculation, and so land in and about urban centers would be held, not for a "rise," but for present use. And no one would keep land who could not use it, since the tax penalty would be too great.

Hence the price of land there would be based upon its use value — its value in production, not its value in speculation. The price of land would shrink to this value in use; that is to say, urban land would be cheaper, much cheaper, than it is now. Obviously this would be a great benefit to all the users of land, and everybody in the city, town or village uses it, some more, some less. To cheapen land would benefit the storekeeper, the factory and mill owner, the banker, the professional man, the clerk, the mechanic, the seamstress — all the inhabitants of the community except the land speculator, who would lose; yet he, too, would be a gainer to the extent that he would live in a community so much more prosperous.

In other words, taxing economic rent into the public treasury would destroy monopoly of natural opportunities in the urban centers just as it would destroy land monopoly elsewhere. The land that Nature offers for

building sites would be thrown open for such use, instead of being fenced in and marked, "Reserved for future use." Labor and capital would have to pay less for the use of this land, and every channel of production in these centers would receive a great and permanent stimulation.