

CHAPTER XXVI.

TRUE FREE TRADE.

"Come with me," said Richard Cobden, as John Bright turned heart-stricken from a new-made grave. "There are in England women and children dying with hunger—with hunger made by the laws. Come with me, and we will not rest until we repeal those laws."

In this spirit the free-trade movement waxed and grew, arousing an enthusiasm that no mere fiscal reform could have aroused. And entrenched though it was by restricted suffrage and rotten boroughs and aristocratic privilege, protection was overthrown in Great Britain.

And—there is hunger in Great Britain still, and women and children yet die of it.

But this is not the failure of free trade. When protection had been abolished and a revenue tariff substituted for a protective tariff, free trade had won only an outpost. That women and children still die of hunger in Great Britain arises from the failure of the reformers to go on. Free trade has not yet been tried in Great Britain. Free trade in its fullness and entirety would indeed abolish hunger.

This we may now see.

Our inquiry has shown that the reason why the abolition of protection, greatly as it would increase the production of wealth, can accomplish no permanent benefit for the laboring class, is, that so long as the land on which all must live is made the property of some, increase of productive power can only increase the tribute which those who own the land can demand for its use. So long as land is held to be the individual property of but a portion of its inhabitants no possible increase of productive power, even if it went to the length of abolishing the necessity of labor, and no imaginable increase of wealth, even

though it poured down from heaven or gushed up from the bowels of the earth, could improve the condition of those who possess only the power to labor. The greatest imaginable increase of wealth could only intensify in the greatest imaginable degree the phenomena which we are familiar with as "over-production"—could only reduce the laboring-class to universal pauperism.

Thus it is, that to make either the abolition of protection or any other reform beneficial to the working-class we must abolish the inequality of legal rights to land, and restore to all their natural and equal rights in the common heritage.

How can this be done?

Consider for a moment precisely what it is that needs to be done, for it is here that confusion sometimes arises. To secure to each of the people of a country his equal right to the land of that country does not mean to secure to each an equal piece of land. Save in an extremely primitive society, where population was sparse, the division of labor had made little progress, and family groups lived and worked in common, a division of land into anything like equal pieces would indeed be impracticable. In a state of society such as exists in civilized countries to-day, it would be extremely difficult, if not altogether impossible, to make an equal division of land. Nor would one such division suffice. With the first division the difficulty would only begin. Where population is increasing and its centers are constantly changing; where different vocations make different uses of land and require different qualities and amounts of it; where improvements and discoveries and inventions are constantly bringing out new uses and changing relative values, a division that should be equal to-day would soon become very unequal, and to maintain equality a redivision every year would be necessary.

But to make a redivision every year, or to treat land as a common, where no one could claim the exclusive use of any particular piece, would be practicable only where men lived in

movable tents and made no permanent improvements, and would effectually prevent any advance beyond such a state. No one would sow a crop, or build a house, or open a mine, or plant an orchard, or cut a drain, so long as any one else could come in and turn him out of the land in which or on which such improvements must be fixed. Thus it is absolutely necessary to the proper use and improvement of land that society should secure to the user and improver safe possession.

This point is constantly raised by those who resent any questioning of our present treatment of land. They seek to befog the issue by persistently treating every proposition to secure equal rights to land as though it were a proposition to secure an equal division of land, and attempt to defend private property in land by setting forth the necessity of securing safe possession to the improver.

But the two things are essentially different.

In the first place equal rights to land could *not* be secured by the equal division of land, and in the second place it is *not* necessary to make land the private property of individuals in order to secure to improvers that safe possession of their improvements that is needed to induce men to make improvements. On the contrary, private property in land, as we may see in any country where it exists, enables mere dogs in the manger to levy blackmail upon improvers. It enables the mere owner of land to compel the improver to pay him for the privilege of making improvements, and in many cases it enables him to confiscate the improvements.

Here are two simple principles, both of which are self-evident:

I.—That all men have equal rights to the use and enjoyment of the elements provided by Nature.

II.—That each man has an exclusive right to the use and enjoyment of what is produced by his own labor.

There is no conflict between these principles. On the contrary they are correlative. To secure fully the individual

right of property in the produce of labor we must treat the elements of nature as common property. If any one could claim the sunlight as his property and could compel me to pay him for the agency of the sun in the growth of crops I had planted, it would necessarily lessen my right of property in the produce of my labor. And conversely, where every one is secured the full right of property in the produce of his labor, no one can have any right of property in what is not the produce of labor.

No matter how complex the industrial organization, nor how highly developed the civilization, there is no real difficulty in carrying out these principles. All we have to do is to treat the land as the joint property of the whole people, just as a railway is treated as the joint property of many shareholders, or as a ship is treated as the joint property of several owners. In other words, we can leave land now being used in the secure possession of those using it, and leave land now unused to be taken possession of by those who wish to make use of it, on condition that those who thus hold land shall pay to the community a fair rent for the exclusive privilege they enjoy—that is to say, a rent based on the value of the privilege the individual receives from the community in being accorded the exclusive use of this much of the common property, and which should have no reference to any improvement he had made in or on it, or to any profit due to the use of his labor and capital. In this way all would be placed upon an equality in regard to the use and enjoyment of those natural elements which are clearly the common heritage, and that value which attaches to land, not because of what the individual user does, but because of the growth of the community, would accrue to the community, and could be used for purposes of common benefit. As Herbert Spencer has said of it:

Such a doctrine is consistent with the highest state of civilization; may be carried out without involving a community of goods, and need cause no very serious revolution in existing arrangements. The change

required, would be simply a change of landlords. Separate ownership would merge into the joint-stock ownership of the public. Instead of being in the possession of individuals, the country would be held by the great corporate body—society. . . . A state of things so ordered would be in perfect harmony with the moral law. Under it all men would be equally landlords, all men would be alike free to become tenants. Clearly, therefore, on such a system the earth might be inclosed, occupied and cultivated, in entire subordination to the law of equal freedom.

That this simple change would, as Mr. Spencer says, involve no serious revolution in existing arrangements is in many cases not perceived by those who think of it for the first time. It is sometimes said that while this principle is manifestly just, and while it would be easy to apply it to a new country just being settled, it would be exceedingly difficult to apply it to an already settled country where land had already been divided as private property, since, in such a country, to take possession of the land as common property and let it out to individuals would involve a sudden revolution of the greatest magnitude.

This objection, however, is founded upon the mistaken idea that it is necessary to do everything at once. But it often happens that a precipice we could not hope to climb, and that we might well despair of making a ladder long enough and strong enough to scale, may be surmounted by a gentle road. And there is in this case a gentle road open to us, which will lead us so far that the rest will be but an easy step. To make land virtually the common property of the whole people, and to appropriate ground-rent for public use, there is a much simpler and easier way than that of formally assuming the ownership of land and proceeding to rent it out in lots—a way that involves no shock, that will conform to present customs, and that, instead of requiring a great increase of governmental machinery, will permit of a great simplification of governmental machinery.

In every well-developed community large sums are needed for common purposes, and the sums thus needed increase with social growth, not merely in amount, but proportionately, since social progress tends steadily to devolve on the community as a whole functions which in a ruder stage are discharged by individuals. Now, while people are not used to paying rent to government, they are used to paying taxes to government. Some of these taxes are levied upon personal or movable property; some upon occupations or businesses or persons (as in the case of income taxes, which are in reality taxes on persons according to income); some upon the transportation or exchange of commodities, in which last category fall the taxes imposed by tariffs; and some, in the United States at least, on real estate—that is to say, on the value of land and of the improvements upon it, taken together.

That part of the tax on real estate which is assessed on the value of land irrespective of improvements is, in its nature, not a tax, but a rent—a taking for the common use of the community of a part of the income that properly belongs to the community by reason of the equal right of all to the use of land.

Now it is evident that, in order to take for the use of the community the whole income arising from land, just as effectually as it could be taken by formally appropriating and letting out the land, it is only necessary to abolish, one after another, all other taxes now levied, and to increase the tax on land values till it reaches, as near as may be, the full annual value of the land.

Whenever this point of theoretical perfection is reached, the selling value of land will entirely disappear, and the charge made to the individual by the community for the use of the common property will become in form what it is in fact—a rent. But until that point is reached, this rent may be collected by the simple increase of a tax already levied in all our States, assessed (as direct taxes are now assessed) upon the selling value of land irrespective of improvements—a value that can

be ascertained more easily and more accurately than any other value.

For a full exposition of the effects of this change in the method of raising public revenues, I must refer the reader to the works in which I have treated this branch of the subject at greater length than is here possible. Briefly, they would be threefold:

In the first place, all taxes that now fall upon the exertion of labor or use of capital would be abolished. No one would be taxed for building a house or improving a farm or opening a mine, for bringing things in from foreign countries, or for adding in any way to the stock of things that satisfy human wants and constitute national wealth. Every one would be free to make and save wealth; to buy, sell, give or exchange, without let or hindrance, any article of human production the use of which did not involve any public injury. All those taxes which increase prices as things pass from hand to hand, falling finally upon the consumer, would disappear. Buildings or other fixed improvements would be as secure as now, and could be bought and sold, as now, subject to the tax or ground-rent due to the community for the ground on which they stood. Houses and the ground they stand on, or other improvements and the land they are made on, would also be rented as now. But the amount the tenant would have to pay would be less than now, since the taxes now levied on buildings or improvements fall ultimately (save in decaying communities) on the user, and the tenant would therefore get the benefit of their abolition. And in this reduced rent the tenant would pay all those taxes that he now has to pay in addition to his rent—any remainder of what he paid on account of the ground going not to increase the wealth of a landlord, but to add to a fund in which the tenant himself would be an equal sharer.

In the second place, a large and constantly increasing fund would be provided for common uses, without any tax on the earnings of labor or on the returns of capital—a fund which in

well-settled countries would not only suffice for all of what are now considered necessary expenses of government, but would leave a large surplus to be devoted to purposes of general benefit.

In the third place, and most important of all, the monopoly of land would be abolished, and land would be thrown open and kept open to the use of labor, since it would be unprofitable for any one to hold land without putting it to its full use, and both the temptation and the power to speculate in natural opportunities would be gone. The speculative value of land would be destroyed as soon as it was known that, no matter whether land was used or not, the tax would increase as fast as the value increased; and no one would want to hold land that he did not use. With the disappearance of the capitalized or selling value of land, the premium which must now be paid as purchase money by those who wish to use land would disappear, differences in the value of land being measured by what would have to be paid for it to the community, nominally in taxes but really in rent. So long as any unused land remained, those who wished to use it could obtain it, not only without the payment of any purchase price, but without the payment of any tax or rent. Nothing would be required for the use of land till less advantageous land came into use, and possession thus gave an advantage over and above the return to the labor and capital expended upon it. And no matter how much the growth of population and the progress of society increased the value of land, this increase would go to the whole community, swelling that general fund in which the poorest would be an equal sharer with the richest.

Thus the great cause of the present unequal distribution of wealth would be destroyed, and that one-sided competition would cease which now deprives men who possess nothing but power to labor of the benefits of advancing civilization, and forces wages to a minimum no matter what the increase of wealth. Labor, free to the natural elements of production,

would no longer be incapable of employing itself, and competition, acting as fully and freely between employers as between employed, would carry wages up to what is truly their natural rate—the full value of the produce of labor—and keep them there.

Let us turn again to the tariff question.

The mere abolition of protection—the mere substitution of a revenue tariff for a protective tariff—is such a lame and timorous application of the free-trade principle that it is a misnomer to speak of it as free trade. A revenue tariff is only a somewhat milder restriction on trade than a protective tariff.

Free trade, in its true meaning, requires not merely the abolition of protection but the sweeping away of all tariffs—the abolition of all restrictions (save those imposed in the interests of public health or morals) on the bringing of things into a country or the carrying of things out of a country.

But free trade cannot logically stop with the abolition of custom-houses. It applies as well to domestic as to foreign trade, and in its true sense requires the abolition of all internal taxes that fall on buying, selling, transporting or exchanging, on the making of any transaction or the carrying on of any business, save of course where the motive of the tax is public safety, health or morals.

Thus the adoption of true free trade involves the abolition of all indirect taxation of whatever kind, and the resort to direct taxation for all public revenues.

But this is not all. Trade, as we have seen, is a mode of production, and the freeing of trade is beneficial because it is a freeing of production. For the same reason, therefore, that we ought not to tax any one for adding to the wealth of a country by bringing valuable things into it, we ought not to tax any one for adding to the wealth of a country by producing within that country valuable things. Thus the principle of free trade requires that we should not merely abolish all indirect taxes, but that we should abolish as well all direct taxes on things that

are the produce of labor; that we should, in short, give full play to the natural stimulus to production—the possession and enjoyment of the things produced—by imposing no tax whatever upon the production, accumulation or possession of wealth (*i.e.*, things produced by labor), leaving every one free to make, exchange, give, spend or bequeath.

There are thus left, as the only taxes by which in accordance with the free-trade principle revenue can be raised, these two classes:

1. Taxes on ostentation.

Since the motive of ostentation in the use of wealth is simply to show the ability to expend wealth, and since this can be shown as well in the ability to pay a tax, taxes on ostentation pure and simple, while not checking the production of wealth, do not even restrain the enjoyment of wealth. But such taxes, while they have a place in the theory of taxation, are of no practical importance. Some trivial amount is raised in England from taxes on footmen wearing powdered wigs, taxes on armorial bearings, etc., but such taxes are not resorted to in this country, and are incapable anywhere of yielding any considerable revenue.

2. Taxes on the value of land.

Taxes on the value of land must not be confounded with taxes on land, from which they differ essentially. Taxes on land—that is to say, taxes levied on land by quantity or area—apply equally to all land, and hence fall ultimately on production, since they constitute a check to the use of land, a tax that must be paid as the condition of engaging in production. Taxes on land values, however, do not fall upon all land, but only upon valuable land, and on that in proportion to its value. Hence they do not in any degree check the ability of labor to avail itself of land, and are merely an appropriation, by the taxing power, of a portion of the premium which the owner of valuable land can charge labor for its use. In other words, a tax on land, according to quantity, could ultimately be

transferred by owners of land to users of land and become a tax upon production. But a tax on land values must, as is recognized by all economists, fall on the owner of land and cannot be by him in any way transferred to the user. The landowner can no more compel those to whom he may sell or let his land to pay a tax levied on its value, than he could compel them to pay a mortgage.

A tax on land values is of all taxes that which best fulfils every requirement of a perfect tax. As land cannot be hidden or carried off, a tax on land values can be assessed with more certainty and can be collected with greater ease and less expense than any other tax, while it does not in the slightest degree check production or lessen its incentive. It is, in fact, a tax only in form, being in nature a rent—a taking for the use of the community of a value that arises not from individual exertion but from the growth of the community. For it is not anything that the individual owner or user does that gives value to land. The value that he creates is a value that attaches to improvements. This, being the result of individual exertion, properly belongs to the individual, and cannot be taxed without lessening the incentive to production. But the value that attaches to land itself is a value arising from the growth of the community and increasing with social growth. It, therefore, properly belongs to the community, and can be taken to the last penny without in the slightest degree lessening the incentive to production.

Taxes on land values are thus the only taxes from which, in accordance with the principle of free trade, any considerable amount of revenue can be raised, and it is evident that to carry out the free-trade principle to the point of abolishing all taxes that hamper or lessen production would of itself involve very nearly the same measures which we have seen are required to assert the common right to land and place all citizens upon an equal footing.

To make these measures identically the same, it is only necessary that the taxation of land values, to which true free trade compels us to resort for public revenues, should be carried far enough to take, as near as might practically be, the whole of the income arising from the value given to land by the growth of the community.

But we have only to go one step further to see that free trade does, indeed, require this, and that the two reforms are thus absolutely identical.

Free trade means free production. Now fully to free production it is necessary not only to remove all taxes on production, but also to remove all other restrictions on production. True free trade, in short, requires that the active factor of production, Labor, shall have free access to the passive factor of production, Land. To secure this all monopoly of land must be broken up, and the equal right of all to the use of the natural elements must be secured by the treatment of the land as the common property in usufruct of the whole people.

Thus it is that free trade brings us to the same simple measure as that which we have seen is necessary to emancipate labor from its thralldom and to secure that justice in the distribution of wealth which will make every improvement or reform beneficial to all classes.

The partial reform miscalled free trade, which consists in the mere abolition of protection—the mere substitution of a revenue tariff for a protective tariff—cannot help the laboring-classes, because it does not touch the fundamental cause of that unjust and unequal distribution which, as we see to-day, makes "labor a drug and population a nuisance" in the midst of such a plethora of wealth that we talk of over-production. True free trade, on the contrary, leads not only to the largest production of wealth, but to the fairest distribution. It is the easy and obvious way of bringing about that change by which alone justice in distribution can be secured, and the great inventions and discoveries which the human mind is now grasping can be

converted into agencies for the elevation of society from its very foundations.

This was seen with the utmost clearness by that knot of great Frenchmen who, in the last century, first raised the standard of free trade. What they proposed was not the mere substitution of a revenue tariff for a protective tariff, but the total abolition of all taxes, direct and indirect, save a single tax upon the value of land—the *impôt unique*. They realized that this unification of taxation meant not merely the removal from commerce and industry of the burdens placed upon them, but that it also meant the complete reconstruction of society—the restoration to all men of their natural and equal rights to the use of the earth. It was because they realized this, that they spoke of it in terms that applied to any mere fiscal change, however beneficial, would seem wildly extravagant, likening it, in its importance to mankind, to those primary inventions which made the first advances in civilization possible—the use of money and the adoption of written characters.

And whoever will consider how far-reaching are the benefits that would result to mankind from a measure which, removing all restrictions from the production of wealth, would also secure equitable distribution, will see that these great Frenchmen were not extravagant.

True free trade would emancipate labor.