

## BOOK VIII

### APPLICATION OF THE REMEDY

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Why hesitate? Ye are full-bearded men,  
With God-implanted will, and courage if  
Ye dare but show it. Never yet was will  
But found some way or means to work it out,  
Nor e'er did Fortune frown on him who dared.  
Shall we in presence of this grievous wrong,  
In this supremest moment of all time,  
Stand trembling, cowering, when with one bold stroke  
These groaning millions might be ever free?—  
And that one stroke so just, so greatly good,  
So level with the happiness of man,  
That all the angels will applaud the deed.

—*E. R. Taylor.*

## CHAPTER I

### PRIVATE PROPERTY IN LAND INCONSISTENT WITH THE BEST USE OF LAND

There is a delusion resulting from the tendency to confound the accidental with the essential—a delusion which the law writers have done their best to extend, and political economists generally have acquiesced in, rather than endeavored to expose—that private property in land is necessary to the proper use of land, and that again to make land common property would be to destroy civilization and revert to barbarism.

This delusion may be likened to the idea which, according to Charles Lamb, so long prevailed among the Chinese after the savor of roast pork had been accidentally discovered by the burning down of Ho-ti's hut—that to cook a pig it was necessary to set fire to a house. But, though in Lamb's charming dissertation it was required that a sage should arise to teach people that they might roast pigs without burning down houses, it does not take a sage to see that what is required for the improvement of land is not absolute ownership of the land, but security for the improvements. This will be obvious to whoever will look around him. While there is no more necessity for making a man the absolute and exclusive owner of land, in order to induce him to improve it, than there is of burning down a house in order to cook a pig; while the making of land private property is as rude, wasteful, and uncertain a device for securing improvement, as the burning down of a house

is a rude, wasteful, and uncertain device for roasting a pig, we have not the excuse for persisting in the one that Lamb's Chinamen had for persisting in the other. Until the sage arose who invented the rude gridiron, which, according to Lamb, preceded the spit and oven, no one had known or heard of a pig being roasted, except by a house being burned. But, among us, nothing is more common than for land to be improved by those who do not own it. The greater part of the land of Great Britain is cultivated by tenants, the greater part of the buildings of London are built upon leased ground, and even in the United States the same system prevails everywhere to a greater or less extent. Thus it is a common matter for use to be separated from ownership.

Would not all this land be cultivated and improved just as well if the rent went to the State or municipality, as now, when it goes to private individuals? If no private ownership in land were acknowledged, but all land were held in this way, the occupier or user paying rent to the State, would not land be used and improved as well and as securely as now? There can be but one answer: Of course it would. Then would the resumption of land as common property in nowise interfere with the proper use and improvement of land.

What is necessary for the use of land is not its private ownership, but the security of improvements. It is not necessary to say to a man, "this land is yours," in order to induce him to cultivate or improve it. It is only necessary to say to him, "whatever your labor or capital produces on this land shall be yours." Give a man security that he may reap, and he will sow; assure him of the possession of the house he wants to build, and he will build it. These are the natural rewards of labor. It is for the sake of the reaping that men sow; it is for the sake of possessing houses that men build. The ownership of land has nothing to do with it.

It was for the sake of obtaining this security, that in the beginning of the feudal period so many of the smaller land holders surrendered the ownership of their lands to a military chieftain, receiving back the use of them in fief or trust, and kneeling bareheaded before the lord, with their hands between his hands, swore to serve him with life, and limb, and worldly honor. Similar instances of the giving up of ownership in land for the sake of security in its enjoyment are to be seen in Turkey, where a peculiar exemption from taxation and extortion attaches to *vakouf*, or church lands, and where it is a common thing for a land owner to sell his land to a mosque for a nominal price, with the understanding that he may remain as tenant upon it at a fixed rent.

It is not the magic of property, as Arthur Young said, that has turned Flemish sands into fruitful fields. It is the magic of security to labor. This can be secured in other ways than making land private property, just as the heat necessary to roast a pig can be secured in other ways than by burning down houses. The mere pledge of an Irish landlord that for twenty years he would not claim in rent any share in their cultivation induced Irish peasants to turn a barren mountain into gardens; on the mere security of a fixed ground rent for a term of years the most costly buildings of such cities as London and New York are erected on leased ground. If we give improvers such security, we may safely abolish private property in land.

The complete recognition of common rights to land need in no way interfere with the complete recognition of individual right to improvements or produce. Two men may own a ship without sawing her in half. The ownership of a railway may be divided into a hundred thousand shares, and yet trains be run with as much system and precision as if there were but a single owner.

In London, joint stock companies have been formed to hold and manage real estate. Everything could go on as now, and yet the common right to land be fully recognized by appropriating rent to the common benefit. There is a lot in the center of San Francisco to which the common rights of the people of that city are yet legally recognized. This lot is not cut up into infinitesimal pieces nor yet is it an unused waste. It is covered with fine buildings, the property of private individuals, that stand there in perfect security. The only difference between this lot and those around it, is that the rent of the one goes into the common school fund, the rent of the others into private pockets. What is to prevent the land of a whole country being held by the people of the country in this way?

It would be difficult to select any portion of the territory of the United States in which the conditions commonly taken to necessitate the reduction of land to private ownership exist in higher degree than on the little islets of St. Peter and St. Paul, in the Aleutian Archipelago, acquired by the Alaska purchase from Russia. These islands are the breeding places of the fur seal, an animal so timid and wary that the slightest fright causes it to abandon its accustomed resort, never to return. To prevent the utter destruction of this fishery, without which the islands are of no use to man, it is not only necessary to avoid killing the females and young cubs, but even such noises as the discharge of a pistol or the barking of a dog. The men who do the killing must be in no hurry, but quietly walk around among the seals who line the rocky beaches, until the timid animals, so clumsy on land but so graceful in water, show no more sign of fear than lazily to waddle out of the way. Then those who can be killed without diminution of future increase are carefully separated and gently driven inland, out of sight and hearing of

the herds, where they are dispatched with clubs. To throw such a fishery as this open to whoever chose to go and kill—which would make it to the interest of each party to kill as many as they could at the time without reference to the future—would be utterly to destroy it in a few seasons, as similar fisheries in other oceans have been destroyed. But it is not necessary, therefore, to make these islands private property. Though for reasons greatly less cogent, the great public domain of the American people has been made over to private ownership as fast as anybody could be got to take it, these islands have been leased at a rent of \$317,500 per year,\* probably not very much less than they could have been sold for at the time of the Alaska purchase. They have already yielded two millions and a half to the national treasury, and they are still, in unimpaired value (for under the careful management of the Alaska Fur Company the seals increase rather than diminish), the common property of the people of the United States.

So far from the recognition of private property in land being necessary to the proper use of land, the contrary is the case. Treating land as private property stands in the way of its proper use. Were land treated as public property it would be used and improved as soon as there was need for its use or improvement, but being treated as private property, the individual owner is permitted to prevent others from using or improving what he cannot or will not use or improve himself. When the title is in dispute, the most valuable land lies unimproved for years; in many parts of England improvement is stopped because, the estates being entailed, no security to improvers can be given; and large tracts

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\* The fixed rent under the lease to the Alaska Fur Company is \$55,000 a year, with a payment of \$2.62½ on each skin, which on 100,000 skins, to which the take is limited, amounts to \$262,500—a total rent of \$317,500.

of ground which, were they treated as public property, would be covered with buildings and crops, are kept idle to gratify the caprice of the owner. In the thickly settled parts of the United States there is enough land to maintain three or four times our present population, lying unused, because its owners are holding it for higher prices, and immigrants are forced past this unused land to seek homes where their labor will be far less productive. In every city valuable lots may be seen lying vacant for the same reason. If the best use of land be the test, then private property in land is condemned, as it is condemned by every other consideration. It is as wasteful and uncertain a mode of securing the proper use of land as the burning down of houses is of roasting pigs.



## CHAPTER II

### HOW EQUAL RIGHTS TO THE LAND MAY BE ASSERTED AND SECURED

We have traced the want and suffering that everywhere prevail among the working classes, the recurring paroxysms of industrial depression, the scarcity of employment, the stagnation of capital, the tendency of wages to the starvation point, that exhibit themselves more and more strongly as material progress goes on, to the fact that the land on which and from which all must live is made the exclusive property of some.

We have seen that there is no possible remedy for these evils but the abolition of their cause; we have seen that private property in land has no warrant in justice, but stands condemned as the denial of natural right—a subversion of the law of nature that as social development goes on must condemn the masses of men to a slavery the hardest and most degrading.

We have weighed every objection, and seen that neither on the ground of equity or expediency is there anything to deter us from making land common property by confiscating rent.

But a question of method remains. How shall we do it?

We should satisfy the law of justice, we should meet all economic requirements, by at one stroke abolishing all private titles, declaring all land public property, and letting it out to the highest bidders in lots to suit, under such conditions as would sacredly guard the private right to improvements.

Thus we should secure, in a more complex state of society, the same equality of rights that in a ruder state were secured by equal partitions of the soil, and by giving the use of the land to whoever could procure the most from it, we should secure the greatest production.

Such a plan, instead of being a wild, impracticable vagary, has (with the exception that he suggests compensation to the present holders of land—undoubtedly a careless concession which he upon reflection would reconsider) been indorsed by no less eminent a thinker than Herbert Spencer, who (“Social Statics,” Chap. IX, Sec. 8) says 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 simply be 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. Instead of leasing his acres from an isolated proprietor, the farmer would lease them from the nation. Instead of paying his rent to the agent of Sir John or his Grace, he would pay it to an agent or deputy agent of the community. Stewards would be public officials instead of private ones, and tenancy the only land tenure. 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 enclosed, occupied and cultivated, in entire subordination to the law of equal freedom.”

But such a plan, though perfectly feasible, does not seem to me the best. Or rather I propose to accomplish the same thing in a simpler, easier, and quieter way, than that of formally confiscating all the land and formally letting it out to the highest bidders.

To do that would involve a needless shock to present customs and habits of thought—which is to be avoided.

To do that would involve a needless extension of governmental machinery—which is to be avoided.

It is an axiom of statesmanship, which the successful founders of tyranny 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. It is the natural method. When nature would make a higher type, she takes a lower one and develops it. This, also, is 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.

I do not propose either to purchase or to confiscate private property in land. The first would be unjust; the second, needless. Let the individuals who now hold it still retain, if they want to, possession of what they are pleased to call *their* land. Let them continue to call it *their* land. Let them buy and sell, and bequeath and devise it. We may safely leave them the shell, if we take the kernel. *It is not necessary to confiscate land; it is only necessary to confiscate rent.*

Nor to take rent for public uses is it necessary that the State should bother with the letting of lands, and assume the chances of the favoritism, collusion, and corruption this might involve. It is not necessary that any new machinery should be created. The machinery already exists. Instead of extending it, all we have to do is to simplify and reduce it. By leaving to land owners a percentage of rent which would probably be much less than the cost and loss involved in attempting to rent lands through State agency, and by making use of this existing machinery, we may, without jar or shock, assert the common right to land by taking rent for public uses.

We already take some rent in taxation. We have only to make some changes in our modes of taxation to take it all.

What I, therefore, propose, as the simple yet sovereign remedy, which will raise wages, increase the earnings of capital, extirpate pauperism, abolish poverty,

give remunerative employment to whoever wishes it, afford free scope to human powers, lessen crime, elevate morals, and taste, and intelligence, purify government and carry civilization to yet nobler heights, is—to *appropriate rent by taxation.*

In this way the State may become the universal landlord without calling herself so, and without assuming a single new function. In form, the ownership of land would remain just as now. No owner of land need be dispossessed, and no restriction need be placed upon the amount of land any one could hold. For, rent being taken by the State in taxes, land, no matter in whose name it stood, or in what parcels it was held, would be really common property, and every member of the community would participate in the advantages of its ownership.

Now, insomuch as the taxation of rent, or land values, must necessarily be increased just as we abolish other taxes, we may put the proposition into practical form by proposing—

*To abolish all taxation save that upon land values.*

As we have seen, the value of land is at the beginning of society nothing, but as society develops by the increase of population and the advance of the arts, it becomes greater and greater. In every civilized country, even the newest, the value of the land taken as a whole is sufficient to bear the entire expenses of government. In the better developed countries it is much more than sufficient. Hence it will not be enough merely to place all taxes upon the value of land. It will be necessary, where rent exceeds the present governmental revenues, commensurately to increase the amount demanded in taxation, and to continue this increase as society progresses and rent advances. But this is so natural and easy a matter, that it may be considered as involved, or at least understood, in the proposition to put all taxes

on the value of land. That is the first step, upon which the practical struggle must be made. When the hare is once caught and killed, cooking him will follow as a matter of course. When the common right to land is so far appreciated that all taxes are abolished save those which fall upon rent, there is no danger of much more than is necessary to induce them to collect the public revenues being left to individual land holders.

Experience has taught me (for I have been for some years endeavoring to popularize this proposition) that wherever the idea of concentrating all taxation upon land values finds lodgment sufficient to induce consideration, it invariably makes way, but there are few of the classes most to be benefited by it, who at first, or even for a long time afterward, see its full significance and power. It is difficult for workingmen to get over the idea that there is a real antagonism between capital and labor. It is difficult for small farmers and homestead owners to get over the idea that to put all taxes on the value of land would be unduly to tax them. It is difficult for both classes to get over the idea that to exempt capital from taxation would be to make the rich richer, and the poor poorer. These ideas spring from confused thought. But behind ignorance and prejudice there is a powerful interest, which has hitherto dominated literature, education, and opinion. A great wrong always dies hard, and the great wrong which in every civilized country condemns the masses of men to poverty and want, will not die without a bitter struggle.

I do not think the ideas of which I speak can be entertained by the reader who has followed me thus far; but inasmuch as any popular discussion must deal with the concrete, rather than the abstract, let me ask him to follow me somewhat further, that we may try the remedy I have proposed by the accepted canons of taxation. In doing so, many incidental bearings may be seen that otherwise might escape notice.

## CHAPTER III

### THE PROPOSITION TRIED BY THE CANONS OF TAXATION

The best tax by which public revenues can be raised is evidently that which will closest conform to the following conditions:

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 or put any at a disadvantage, as compared with others.

Let us consider what form of taxation best accords with these conditions. Whatever it be, that evidently will be the best mode in which the public revenues can be raised.

#### *I.—The Effect of Taxes upon Production*

All taxes must evidently come from the produce of land and labor, since there is no other source of wealth than the union of human exertion with the material and

forces of nature. But the manner in which equal amounts of taxation may be imposed may very differently affect the production of wealth. Taxation which lessens the reward of the producer necessarily lessens the incentive to production; taxation which is conditioned upon the act of production, or the use of any of the three factors of production, necessarily discourages production. Thus taxation which diminishes the earnings of the laborer or the returns of the capitalist tends to render the one less industrious and intelligent, the other less disposed to save and invest. Taxation which falls upon the processes of production interposes an artificial obstacle to the creation of wealth. Taxation which falls upon labor as it is exerted, wealth as it is used as capital, land as it is cultivated, will manifestly tend to discourage production much more powerfully than taxation to the same amount levied upon laborers, whether they work or play, upon wealth whether used productively or unproductively, or upon land whether cultivated or left waste.

The mode of taxation is, in fact, quite as important as the amount. As a small burden badly placed may distress a horse that could carry with ease a much larger one properly adjusted, so a people may be impoverished and their power of producing wealth destroyed by taxation, which, if levied in another way, could be borne with ease. A tax on date-trees, imposed by Mohammed Ali, caused the Egyptian fellahs to cut down their trees; but a tax of twice the amount imposed on the land produced no such result. The tax of ten per cent. on all sales, imposed by the Duke of Alva in the Netherlands, would, had it been maintained, have all but stopped exchange while yielding but little revenue.

But we need not go abroad for illustrations. The production of wealth in the United States is largely les-

sened by taxation which bears upon its processes. Ship-building, in which we excelled, has been all but destroyed, so far as the foreign trade is concerned, and many branches of production and exchange seriously crippled, by taxes which divert industry from more to less productive forms.

This checking of production is in greater or less degree characteristic of most of the taxes by which the revenues of modern governments are raised. All taxes upon manufactures, all taxes upon commerce, all taxes upon capital, all taxes upon improvements, are of this kind. Their tendency is the same as that of Mohammed Ali's tax on date-trees, though their effect may not be so clearly seen.

All such taxes have a tendency to reduce the production of wealth, and should, therefore, never be resorted to when it is possible to raise money by taxes which do not check production. This becomes possible as society develops and wealth accumulates. Taxes which fall upon ostentation would simply turn into the public treasury what otherwise would be wasted in vain show for the sake of show; and taxes upon wills and devises of the rich would probably have little effect in checking the desire for accumulation, which, after it has fairly got hold of a man, becomes a blind passion. But the great class of taxes from which revenue may be derived without interference with production are taxes upon monopolies—for the profit of monopoly is in itself a tax levied upon production, and to tax it is simply to divert into the public coffers what production must in any event pay.

There are among us various sorts of monopolies. For instance, there are the temporary monopolies created by the patent and copyright laws. These it would be extremely unjust and unwise to tax, inasmuch as they are but recognitions of the right of labor to its intangible



productions, and constitute a reward held out to invention and authorship.\* There are also the onerous monopolies alluded to in Chapter IV of Book III, which result from the aggregation of capital in businesses which are of the nature of monopolies. But while it would be extremely difficult, if not altogether impossible,

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\* Following the habit of confounding the exclusive right granted by a patent and that granted by a copyright as recognitions of the right of labor to its intangible productions, I in this fell into error which I subsequently acknowledged and corrected in the *Standard* of June 23, 1888. The two things are not alike, but essentially different. The copyright is not a right to the exclusive use of a fact, an idea, or a combination, which by the natural law of property all are free to use; but only to the labor expended in the thing itself. It does not prevent any one from using for himself the facts, the knowledge, the laws or combinations for a similar production, but only from using the identical form of the particular book or other production—the actual labor which has in short been expended in producing it. It rests therefore upon the natural, moral right of each one to enjoy the products of his own exertion, and involves no interference with the similar right of any one else to do likewise.

The patent, on the other hand, prohibits any one from doing a similar thing, and involves, usually for a specified time, an interference with the equal liberty on which the right of ownership rests. The copyright is therefore in accordance with the moral law—it gives to the man who has expended the intangible labor required to write a particular book or paint a picture security against the copying of that identical thing. The patent is in defiance of this natural right. It prohibits others from doing what has been already attempted. Every one has a moral right to think what I think, or to perceive what I perceive, or to do what I do—no matter whether he gets the hint from me or independently of me. Discovery can give no right of ownership, for whatever is discovered must have been already here to be discovered. If a man make a wheelbarrow, or a book, or a picture, he has a moral right to that particular wheelbarrow, or book, or picture, but no right to ask that others be prevented from making similar things. Such a prohibition, though given for the purpose of stimulating discovery and invention, really in the long run operates as a check upon them.

to levy taxes by general law so that they would fall exclusively on the returns of such monopoly and not become taxes on production or exchange, it is much better that these monopolies should be abolished. In large part they spring from legislative commission or omission, as, for instance, the ultimate reason that San Francisco merchants are compelled to pay more for goods sent direct from New York to San Francisco by the Isthmus route than it costs to ship them from New York to Liverpool or Southampton and thence to San Francisco, is to be found in the "protective" laws which make it so costly to build American steamers and which forbid foreign steamers to carry goods between American ports. The reason that residents of Nevada are compelled to pay as much freight from the East as though their goods were carried to San Francisco and back again, is that the authority which prevents extortion on the part of a hack driver is not exercised in respect to a railroad company. And it may be said generally that businesses which are in their nature monopolies are properly part of the functions of the State, and should be assumed by the State. There is the same reason why Government should carry telegraphic messages as that it should carry letters; that railroads should belong to the public as that common roads should.

But all other monopolies are trivial in extent as compared with the monopoly of land. And the value of land expressing a monopoly, pure and simple, is in every respect fitted for taxation. That is to say, while the value of a railroad or telegraph line, the price of gas or of a patent medicine, may express the price of monopoly, it also expresses the exertion of labor and capital; but the value of land, or economic rent, as we have seen, is in no part made up from these factors, and expresses nothing but the advantage of appropria-

tion. Taxes levied upon the value of land cannot check production in the slightest degree, until they exceed rent, or the value of land taken annually, for unlike taxes upon commodities, or exchange, or capital, or any of the tools or processes of production, they do not bear upon production. The value of land does not express the reward of production, as does the value of crops, of cattle, of buildings, or any of the things which are styled personal property and improvements. It expresses the exchange value of monopoly. It is not in any case the creation of the individual who owns the land; it is created by the growth of the community. Hence the community can take it all without in any way lessening the incentive to improvement or in the slightest degree lessening the production of wealth. Taxes may be imposed upon the value of land until all rent is taken by the State, without reducing the wages of labor or the reward of capital one iota; without increasing the price of a single commodity, or making production in any way more difficult.

But more than this. Taxes on the value of land not only do not check production as do most other taxes, but they tend to increase production, by destroying speculative rent. How speculative rent checks production may be seen not only in the valuable land withheld from use, but in the paroxysms of industrial depression which, originating in the speculative advance in land values, propagate themselves over the whole civilized world, everywhere paralyzing industry, and causing more waste and probably more suffering than would a general war. Taxation which would take rent for public uses would prevent all this; while if land were taxed to anything near its rental value, no one could afford to hold land that he was not using, and, consequently, land not in use would be thrown open to those who would use it. Settlement would be closer, and,

consequently, labor and capital would be enabled to produce much more with the same exertion. The dog in the manger who, in this country especially, so wastes productive power, would be choked off.

There is yet an even more important way by which, through its effect upon distribution, the taking of rent to public uses by taxation would stimulate the production of wealth. But reference to that may be reserved. It is sufficiently evident that with regard to production, the tax upon the value of land is the best tax that can be imposed. Tax manufactures, and the effect is to check manufacturing; tax improvements, and the effect is to lessen improvement; tax commerce, and the effect is to prevent exchange; tax capital, and the effect is to drive it away. But the whole value of land may be taken in taxation, and the only effect will be to stimulate industry, to open new opportunities to capital, and to increase the production of wealth.

## *II.—As to Ease and Cheapness of Collection*

With, perhaps, the exception of certain licenses and stamp duties, which may be made almost to collect themselves, but which can be relied on for only a trivial amount of revenue, a tax upon land values can, of all taxes, be most easily and cheaply collected. For land cannot be hidden or carried off; its value can be readily ascertained, and the assessment once made, nothing but a receiver is required for collection.

And as under all fiscal systems some part of the public revenues is collected from taxes on land, and the machinery for that purpose already exists and could as well be made to collect all as a part, the cost of collecting the revenue now obtained by other taxes might be entirely saved by substituting the tax on land values for all other taxes. What an enormous saving might

thus be made can be inferred from the horde of officials now engaged in collecting these taxes.

This saving would largely reduce the difference between what taxation now costs the people and what it yields, but the substitution of a tax on land values for all other taxes would operate to reduce this difference in an even more important way.

A tax on land values does not add to prices, and is thus paid directly by the persons on whom it falls; whereas, all taxes upon things of unfixed quantity increase prices, and in the course of exchange are shifted from seller to buyer, increasing as they go. If we impose a tax upon money loaned, as has been often attempted, the lender will charge the tax to the borrower, and the borrower must pay it or not obtain the loan. If the borrower uses it in his business, he in his turn must get back the tax from his customers, or his business becomes unprofitable. If we impose a tax upon buildings, the users of buildings must finally pay it, for the erection of buildings will cease until building rents become high enough to pay the regular profit and the tax besides. If we impose a tax upon manufactures or imported goods, the manufacturer or importer will charge it in a higher price to the jobber, the jobber to the retailer, and the retailer to the consumer. Now, the consumer, on whom the tax thus ultimately falls, must not only pay the amount of the tax, but also a profit on this amount to every one who has thus advanced it—for profit on the capital he has advanced in paying taxes is as much required by each dealer as profit on the capital he has advanced in paying for goods. Manila cigars cost, when bought of the importer in San Francisco, \$70 a thousand, of which \$14 is the cost of the cigars laid down in this port and \$56 is the customs duty. But the dealer who purchases these cigars to sell again must charge a profit, not on \$14, the

real cost of the cigars, but on \$70, the cost of the cigars plus the duty. In this way all taxes which add to prices are shifted from hand to hand, increasing as they go, until they ultimately rest upon consumers, who thus pay much more than is received by the government. Now, the way taxes raise prices is by increasing the cost of production, and checking supply. But land is not a thing of human production, and taxes upon rent cannot check supply. Therefore, though a tax on rent compels the land owners to pay more, it gives them no power to obtain more for the use of their land, as it in no way tends to reduce the supply of land. On the contrary, by compelling those who hold land on speculation to sell or let for what they can get, a tax on land values tends to increase the competition between owners, and thus to reduce the price of land.

Thus in all respects a tax upon land values is the cheapest tax by which a large revenue can be raised—giving to the government the largest net revenue in proportion to the amount taken from the people.

### *III.—As to Certainty*

Certainty is an important element in taxation, for just as the collection of a tax depends upon the diligence and faithfulness of the collectors and the public spirit and honesty of those who are to pay it, will opportunities for tyranny and corruption be opened on the one side, and for evasions and frauds on the other.

The methods by which the bulk of our revenues are collected are condemned on this ground, if on no other. The gross corruptions and fraud occasioned in the United States by the whisky and tobacco taxes are well known; the constant undervaluations of the Custom House, the ridiculous untruthfulness of income tax returns, and the absolute impossibility of getting anything

like a just valuation of personal property, are matters of notoriety. The material loss which such taxes inflict—the item of cost which this uncertainty adds to the amount paid by the people but not received by the government—is very great. When, in the days of the protective system of England, her coasts were lined with an army of men endeavoring to prevent smuggling, and another army of men were engaged in evading them, it is evident that the maintenance of both armies had to come from the produce of labor and capital; that the expenses and profits of the smugglers, as well as the pay and bribes of the Custom House officers, constituted a tax upon the industry of the nation, in addition to what was received by the government. And so, all *douceurs* to assessors; all bribes to customs officials; all moneys expended in electing pliable officers or in procuring acts or decisions which avoid taxation; all the costly modes of bringing in goods so as to evade duties, and of manufacturing so as to evade imposts; all *moieties*, and expenses of detectives and spies; all expenses of legal proceedings and punishments, not only to the government, but to those prosecuted, are so much which these taxes take from the general fund of wealth, without adding to the revenue.

Yet this is the least part of the cost. Taxes which lack the element of certainty tell most fearfully upon morals. Our revenue laws as a body might well be entitled, "Acts to promote the corruption of public officials, to suppress honesty and encourage fraud, to set a premium upon perjury and the subornation of perjury, and to divorce the idea of law from the idea of justice." This is their true character, and they succeed admirably. A Custom House oath is a by-word; our assessors regularly swear to assess all property at its full, true, cash value, and habitually do nothing of the kind; men who pride themselves on their personal and

commercial honor bribe officials and make false returns; and the demoralizing spectacle is constantly presented of the same court trying a murderer one day and a vendor of unstamped matches the next!

So uncertain and so demoralizing are these modes of taxation that the New York Commission, composed of David A. Wells, Edwin Dodge and George W. Cuyler, who investigated the subject of taxation in that State, proposed to substitute for most of the taxes now levied, other than that on real estate, an arbitrary tax on each individual, estimated on the rental value of the premises he occupied.

But there is no necessity of resorting to any arbitrary assessment. The tax on land values, which is the least arbitrary of taxes, possesses in the highest degree the element of certainty. It may be assessed and collected with a definiteness that partakes of the immovable and unconcealable character of the land itself. Taxes levied on land may be collected to the last cent, and though the assessment of land is now often unequal, yet the assessment of personal property is far more unequal, and these inequalities in the assessment of land largely arise from the taxation of improvements with land, and from the demoralization that, springing from the causes to which I have referred, affects the whole scheme of taxation. Were all taxes placed upon land values, irrespective of improvements, the scheme of taxation would be so simple and clear, and public attention would be so directed to it, that the valuation of taxation could and would be made with the same certainty that a real estate agent can determine the price a seller can get for a lot.

#### *IV.—As to Equality*

Adam Smith's canon is, that "The subjects of every state ought to contribute toward the support of the gov-



ernment as nearly as possible in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state." Every tax, he goes on to say, which falls only upon rent, or only upon wages, or only upon interest, is necessarily unequal. In accordance with this is the common idea which our systems of taxing everything vainly attempt to carry out—that every one should pay taxes in proportion to his means, or in proportion to his income.

But, waiving all the insuperable practical difficulties in the way of taxing every one according to his means, it is evident that justice cannot be thus attained.

Here, for instance, are two men of equal means, or equal incomes, one having a large family, the other having no one to support but himself. Upon these two men indirect taxes fall very unequally, as the one cannot avoid the taxes on the food, clothing, etc., consumed by his family, while the other need pay only upon the necessaries consumed by himself. But, supposing taxes levied directly, so that each pays the same amount. Still there is injustice. The income of the one is charged with the support of six, eight, or ten persons; the income of the other with that of but a single person. And unless the Malthusian doctrine be carried to the extent of regarding the rearing of a new citizen as an injury to the state, here is a gross injustice.

But it may be said that this is a difficulty which cannot be got over; that it is Nature herself that brings human beings helpless into the world and devolves their support upon the parents, providing in compensation therefor her own sweet and great rewards. Very well, then, let us turn to Nature, and read the mandates of justice in her law.

Nature gives to labor; and to labor alone. In a very Garden of Eden a man would starve but for human

exertion. Now, here are two men of equal incomes—that of the one derived from the exertion of his labor, that of the other from the rent of land. Is it just that they should equally contribute to the expenses of the state? Evidently not. The income of the one represents wealth he creates and adds to the general wealth of the state; the income of the other represents merely wealth that he takes from the general stock, returning nothing. The right of the one to the enjoyment of his income rests on the warrant of nature, which returns wealth to labor; the right of the other to the enjoyment of his income is a mere fictitious right, the creation of municipal regulation, which is unknown and unrecognized by nature. The father who is told that from his labor he must support his children must acquiesce, for such is the natural decree; but he may justly demand that from the income gained by his labor not one penny shall be taken, so long as a penny remains of incomes which are gained by a monopoly of the natural opportunities which Nature offers impartially to all, and in which his children have as their birthright an equal share.

Adam Smith speaks of incomes as “enjoyed under the protection of the state;” and this is the ground upon which the equal taxation of all species of property is commonly insisted upon—that it is equally protected by the state. The basis of this idea is evidently that the enjoyment of property is made possible by the state—that there is a value created and maintained by the community, which is justly called upon to meet community expenses. Now, of what values is this true? Only of the value of land. This is a value that does not arise until a community is formed, and that, unlike other values, grows with the growth of the community. It exists only as the community exists. Scatter again the largest community, and land, now so valuable, would

have no value at all. With every increase of population the value of land rises; with every decrease it falls. This is true of nothing else save of things which, like the ownership of land, are in their nature monopolies.

The tax upon land values is, therefore, the most just and equal of all taxes. It falls only upon those who receive from society a peculiar and valuable benefit, and upon them in proportion to the benefit they receive. It is the taking by the community, for the use of the community, of that value which is the creation of the community. It is the application of the common property to common uses. When all rent is taken by taxation for the needs of the community, then will the equality ordained by nature be attained. No citizen will have an advantage over any other citizen save as is given by his industry, skill, and intelligence; and each will obtain what he fairly earns. Then, but not till then, will labor get its full reward, and capital its natural return.

## CHAPTER IV

### INDORSEMENTS AND OBJECTIONS

The grounds from which we have drawn the conclusion that the tax on land values or rent is the best method of raising public revenues have been admitted expressly or tacitly by all economists of standing, since the determination of the nature and law of rent.

Ricardo says (Chap. X), "a tax on rent would fall wholly on landlords, and could not be shifted to any class of consumers," for it "would leave unaltered the difference between the produce obtained from the least productive land in cultivation and that obtained from land of every other quality. \* \* \* A tax on rent would not discourage the cultivation of fresh land, for such land pays no rent and would be untaxed."

McCulloch (Note XXIV to "Wealth of Nations") declares that "in a practical point of view taxes on the rent of land are among the most unjust and impolitic that can be imagined," but he makes this assertion solely on the ground of his assumption that it is practically impossible to distinguish in taxation between the sum paid for the use of the soil and that paid on account of the capital expended upon it. But, supposing that this separation could be effected, he admits that the sum paid to landlords for the use of the natural powers of the soil might be entirely swept away by a tax without their having it in their power to throw any portion of the burden upon any one else, and without affecting the price of produce.

John Stuart Mill not only admits all this, but expressly declares the expediency and justice of a peculiar tax on rent, asking what right the landlords have to the accession of riches that comes to them from the general progress of society without work, risk, or economizing on their part, and although he expressly disapproves of interfering with their claim to the present value of land, he proposes to take the whole future increase as belonging to society by natural right.

Mrs. Fawcett, in the little compendium of the writings of her husband, entitled "Political Economy for Beginners," says: "The land tax, whether small or great in amount, partakes of the nature of a rent paid by the owner of land to the state. In a great part of India the land is owned by the government and therefore the land tax is rent paid direct to the state. The economic perfection of this system of tenure may be readily perceived."

In fact, that rent should, both on grounds of expediency and justice, be the peculiar subject of taxation, is involved in the accepted doctrine of rent, and may be found in embryo in the works of all economists who have accepted the law of Ricardo. That these principles have not been pushed to their necessary conclusions, as I have pushed them, evidently arises from the indisposition to endanger or offend the enormous interest involved in private ownership in land, and from the false theories in regard to wages and the cause of poverty which have dominated economic thought.

But there has been a school of economists who plainly perceived, what is clear to the natural perceptions of men when uninfluenced by habit—that the revenues of the common property, land, ought to be appropriated to the common service. The French Economists of the last century, headed by Quesnay and Turgot, proposed just what I have proposed, that all taxation should be

abolished save a tax upon the value of land. As I am acquainted with the doctrines of Quesnay and his disciples only at second hand through the medium of the English writers, I am unable to say how far his peculiar ideas as to agriculture being the only productive avocation, etc., are erroneous apprehensions, or mere peculiarities of terminology. But of this I am certain from the proposition in which his theory culminated—that he saw the fundamental relation between land and labor which has since been lost sight of, and that he arrived at practical truth, though, it may be, through a course of defectively expressed reasoning. The causes which leave in the hands of the landlord a “produce net” were by the Physiocrats no better explained than the suction of a pump was explained by the assumption that nature abhors a vacuum, but the fact in its practical relations to social economy was recognized, and the benefit which would result from the perfect freedom given to industry and trade by a substitution of a tax on rent for all the impositions which hamper and distort the application of labor was doubtless as clearly seen by them as it is by me. One of the things most to be regretted about the French Revolution is that it overwhelmed the ideas of the Economists, just as they were gaining strength among the thinking classes, and were apparently about to influence fiscal legislation.

Without knowing anything of Quesnay or his doctrines, I have reached the same practical conclusion by a route which cannot be disputed, and have based it on grounds which cannot be questioned by the accepted political economy.

The only objection to the tax on rent or land values which is to be met with in standard politico-economic works is one which concedes its advantages—for it is, that from the difficulty of separation, we might, in taxing the rent of land, tax something else. McCulloch,

for instance, declares taxes on the rent of land to be impolitic and unjust because the return received for the natural and inherent powers of the soil cannot be clearly distinguished from the return received from improvements and meliorations, which might thus be discouraged. Macaulay somewhere says that if the admission of the attraction of gravitation were inimical to any considerable pecuniary interest, there would not be wanting arguments against gravitation—a truth of which this objection is an illustration. For admitting that it is impossible invariably to separate the value of land from the value of improvements, is this necessity of continuing to tax *some* improvements any reason why we should continue to tax *all* improvements? If it discourage production to tax values which labor and capital have intimately combined with that of land, how much greater discouragement is involved in taxing not only these, but all the clearly distinguishable values which labor and capital create?

But, as a matter of fact, the value of land can always be readily distinguished from the value of improvements. In countries like the United States there is much valuable land that has never been improved; and in many of the States the value of the land and the value of improvements are habitually estimated separately by the assessors, though afterward reunited under the term real estate. Nor where ground has been occupied from immemorial times, is there any difficulty in getting at the value of the bare land, for frequently the land is owned by one person and the buildings by another, and when a fire occurs and improvements are destroyed, a clear and definite value remains in the land. In the oldest country in the world no difficulty whatever can attend the separation, if all that be attempted is to separate the value of the clearly distinguishable improvements, made within a moderate period, from the

value of the land, should they be destroyed. This, manifestly, is all that justice or policy requires. Absolute accuracy is impossible in any system, and to attempt to separate all that the human race has done from what nature originally provided would be as absurd as impracticable. A swamp drained or a hill terraced by the Romans constitutes now as much a part of the natural advantages of the British Isles as though the work had been done by earthquake or glacier. The fact that after a certain lapse of time the value of such permanent improvements would be considered as having lapsed into that of the land, and would be taxed accordingly, could have no deterrent effect on such improvements, for such works are frequently undertaken upon leases for years. The fact is, that each generation builds and improves for itself, and not for the remote future. And the further fact is, that each generation is heir, not only to the natural powers of the earth, but to all that remains of the work of past generations.

An objection of a different kind may however be made. It may be said that where political power is diffused, it is highly desirable that taxation should fall not on one class, such as land owners, but on all; in order that all who exercise political power may feel a proper interest in economical government. Taxation and representation, it will be said, cannot safely be divorced.

But however desirable it may be to combine with political power the consciousness of public burdens, the present system certainly does not secure it. Indirect taxes are largely raised from those who pay little or nothing consciously. In the United States the class is rapidly growing who not only feel no interest in taxation, but who have no concern in good government. In our large cities elections are in great measure deter-



mined not by considerations of public interest, but by such influences as determined elections in Rome when the masses had ceased to care for anything but bread and the circus.

The effect of substituting for the manifold taxes now imposed a single tax on the value of land would hardly lessen the number of conscious taxpayers, for the division of land now held on speculation would much increase the number of land holders. But it would so equalize the distribution of wealth as to raise even the poorest above that condition of abject poverty in which public considerations have no weight; while it would at the same time cut down those overgrown fortunes which raise their possessors above concern in government. The dangerous classes politically are the very rich and very poor. It is not the taxes that he is conscious of paying that gives a man a stake in the country, an interest in its government; it is the consciousness of feeling that he is an integral part of the community; that its prosperity is his prosperity, and its disgrace his shame. Let but the citizen feel this; let him be surrounded by all the influences that spring from and cluster round a comfortable home, and the community may rely upon him, even to limb or to life. Men do not vote patriotically, any more than they fight patriotically, because of their payment of taxes. Whatever conduces to the comfortable and independent material condition of the masses will best foster public spirit, will make the ultimate governing power more intelligent and more virtuous.

But it may be asked: If the tax on land values is so advantageous a mode of raising revenue, how is it that so many other taxes are resorted to in preference by all governments?

The answer is obvious: The tax on land values is the only tax of any importance that does not distribute itself. It falls upon the owners of land, and there is

no way in which they can shift the burden upon any one else. Hence, a large and powerful class are directly interested in keeping down the tax on land values and substituting, as a means for raising the required revenue, taxes on other things, just as the land owners of England, two hundred years ago, succeeded in establishing an excise, which fell on all consumers, for the dues under the feudal tenures, which fell only on them.

There is, thus, a definite and powerful interest opposed to the taxation of land values; but to the other taxes upon which modern governments so largely rely there is no special opposition. The ingenuity of statesmen has been exercised in devising schemes of taxation which drain the wages of labor and the earnings of capital as the vampire bat is said to suck the lifeblood of its victim. Nearly all of these taxes are ultimately paid by that indefinable being, the consumer; and he pays them in a way which does not call his attention to the fact that he is paying a tax—pays them in such small amounts and in such insidious modes that he does not notice it, and is not likely to take the trouble to remonstrate effectually. Those who pay the money directly to the tax collector are not only not interested in opposing a tax which they so easily shift from their own shoulders, but are very frequently interested in its imposition and maintenance, as are other powerful interests which profit, or expect to profit, by the increase of prices which such taxes bring about.

Nearly all of the manifold taxes by which the people of the United States are now burdened have been imposed rather with a view to private advantage than to the raising of revenue, and the great obstacle to the simplification of taxation is these private interests, whose representatives cluster in the lobby whenever a reduction of taxation is proposed, to see that the taxes by which they profit are not reduced. The fastening of

a protective tariff upon the United States has been due to these influences, and not to the acceptance of absurd theories of protection upon their own merits. The large revenue which the civil war rendered necessary was the golden opportunity of these special interests, and taxes were piled up on every possible thing, not so much to raise revenue as to enable particular classes to participate in the advantages of tax-gathering and tax-pocketing. And, since the war, these interested parties have constituted the great obstacle to the reduction of taxation; those taxes which cost the people least having, for this reason, been found easier to abolish than those taxes which cost the people most. And, thus, even popular governments, which have for their avowed principle the securing of the greatest good to the greatest number, are, in a most important function, used to secure a questionable good to a small number, at the expense of a great evil to the many.

License taxes are generally favored by those on whom they are imposed, as they tend to keep others from entering the business; imposts upon manufactures are frequently grateful to large manufacturers for similar reasons, as was seen in the opposition of the distillers to the reduction of the whisky tax; duties on imports not only tend to give certain producers special advantages, but accrue to the benefit of importers or dealers who have large stocks on hand; and so, in the case of all such taxes, there are particular interests, capable of ready organization and concerted action, which favor the imposition of the tax, while, in the case of a tax upon the value of land, there is a solid and sensitive interest steadily and bitterly to oppose it.

But if once the truth which I am trying to make clear is understood by the masses, it is easy to see how a union of political forces strong enough to carry it into practice becomes possible.