

Chapter 34

Endorsements And Objections

EVER SINCE the nature of rent and law of rent were first determined, every credible economist has acknowledged, expressly or tacitly, the grounds by which we have concluded that a tax on land values is the best method of raising public revenues.*

David Ricardo says a tax on rent would fall wholly on landlords, and could not be shifted to consumers. Rent would not be altered by such a tax, and it would not discourage the cultivation of land at the margin.

John McCulloch objects to a land tax. However, he bases this solely on the assumption that we cannot distinguish the value of land from improvements. But supposing we could? He agrees we could then tax the entire amount paid to landlords for permission to use the natural powers of the soil. He also agrees they could not pass this on to anyone else, and that it would not affect prices.

John Stuart Mill not only admits all this, but expressly declares the expediency and justice of a tax on rent. He asks what right landlords have to accept riches that come

* We have paraphrased quotations found in the original text. These writers, all British, include: David Ricardo (1772-1823). John Ramsey McCulloch (1789-1864). John Stuart Mill (1806-1873). Millicent Garrett Fawcett (1847-1929).

to them from the general progress of society—without any work, risk, or thrift on their part? He proposes to take all future increase, since they belong to society by natural right.

Millicent Fawcett says that land tax is in the nature of a rent paid by the landowner to the state. The “economic perfection” of this system is obvious, she notes.

In fact, the accepted doctrine of rent involves the idea that rent should be the particular subject of taxation, both on grounds of practicality and justice. It may be found, in embryonic form, in the works of all economists who have accepted Ricardo’s law of rent.

Why didn’t they take these principles to their inevitable conclusion, as we have done? Apparently, there was an unwillingness to offend the enormous interests involved in private ownership of land. In addition, false theories about the causes of poverty have dominated economic thought.

But there has been one school of economists who perceived what is clear to man’s natural perception when not influenced by habit. Revenues from common property—land—should be appropriated for common purposes. The French *Economistes* or Physiocrats* of the eighteenth century proposed what I have—to abolish all taxes except those on the value of land. Regrettably, the French Revolution overwhelmed their ideas just as they were gaining strength among the thinking classes.

Without knowing anything of their doctrines, I have reached the same conclusion, on grounds that cannot be questioned. The only objection found in standard econom-

*The Physiocrats were led by Francois Quesnay (1694-1774), and his student, Robert Jacques Turgot (1727-1781).

ics texts actually concedes its advantages. That is, the difficulty of separating land from improvements might cause us to tax something else besides rent.

Macaulay* once remarked that if the law of gravity were unfavorable to any substantial financial interest, there would soon be no lack of arguments against it. Here is an illustration of this truth!

Assume that it is impossible to perfectly separate the value of land from improvements. Is the fear of accidentally taxing *some* improvements any reason to continue taxing *all* improvements? To tax values that labor and capital have intimately combined with land might discourage production. How much greater discouragement must come from taxing not only these, but *all* values that 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 much valuable land has never been improved. In many states, assessors regularly estimate the value of land and the value of improvements separately. Only afterward are they reunited under the term "real estate."

Where land has been occupied from time immemorial, there is still no difficulty determining the value of bare land. Frequently, land is owned by one person and buildings by another. When a fire destroys improvements, a clear and definite value remains in the land. In the oldest country in the world, no difficulty whatever can attend the separation. We need only separate the value of clearly distinguishable improvements, made within a reasonable

* Thomas Macaulay (1800-1859), English historian.

period of time, from the value of the land, should the improvements be destroyed. This, manifestly, is all that justice or policy requires.

Absolute accuracy is impossible under any system. Attempting to separate everything the human race has done from what nature originally provided would be both absurd and impractical. In ancient times, the Romans may have drained a swamp or terraced a hill. These are now as much a part of the natural advantage of the British Isles as though the work had been done by an earthquake or a glacier. After a certain lapse of time, the value of such permanent improvements would be considered as having lapsed into that of the land. Accordingly, they would be taxed as land.

But this could have no deterrent effect on such improvements. Such works are frequently undertaken on land leased for a certain number of years. The fact is, each generation builds and improves for itself, not for the remote future. Furthermore, each generation is heir not only to the natural powers of the earth, but to all that remains of the work of past generations.

Another objection may be that taxation and representation cannot safely be divorced. It may be desirable to combine political power with the consciousness of public burdens, but the present system certainly does not secure it. Indirect taxes are mostly raised from those who pay little or nothing consciously. In our large cities, elections are decided by things similar to what influenced the Roman masses, who cared about nothing but bread and circuses.

Substituting a single land tax for numerous others would hardly lessen the number of conscious taxpayers.

Instead, the division of land now held on speculation would greatly increase the number. It would equalize the distribution of wealth. Even the poorest would be raised above abject poverty, while overgrown fortunes would be cut down.

The dangerous classes politically are the very rich and very poor. A person gains interest in government from feeling part of the community and its prosperity.

But if the tax on land values is so beneficial, why does government resort to so many different ones? The answer is obvious! A tax on land values is the only tax that does not distribute itself—that is, it cannot be passed on to others. It falls only on landowners. There is no way they can shift the burden to anyone else. Hence, a large and powerful interest is opposed to taxing land values.

Businesses do not oppose taxes they can easily shift from their own shoulders. In fact, they frequently try to maintain them. So do other powerful interests who might profit from the higher prices such taxes bring about. A multitude of taxes have been imposed with a view toward private advantage, rather than raising revenue.

The ingenuity of politicians has been applied to devising taxes that drain the wages of labor and the earnings of capital like a vampire sucking the blood of its victim. Nearly all of these taxes are ultimately paid by that indefinable being, "the consumer." They come in such small amounts, and in such insidious ways, that we do not notice them.

The Civil War was the golden opportunity of these special interests. Taxes were piled 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.

For this reason, those taxes costing people the least have been easier to abolish than those costing the most. License taxes are generally favored by those on whom they are imposed. They tend to keep others from entering the business. Large manufacturers are frequently grateful for taxes on goods for similar reasons. This was seen in the opposition of distillers to the reduction of the whisky tax. Duties on imports tend to give certain producers special advantages.

In all such cases, special interests capable of concerted action favor those taxes. But a solid and powerful interest bitterly opposes taxing land values. Nonetheless, once the truth I am trying to make clear is understood by the masses, a union of political forces strong enough to carry it into practice will become possible.