

Ninth Part:
Effects of the Remedy

Chapter 35

The Effect on Production

THE ADVANTAGES OF A SINGLE TAX on land become increasingly clear the more they are considered. Abolishing other taxes would be like removing an immense weight from a powerful spring. These taxes now hamper every type of exchange and every form of industry. Remove these burdens and production would proceed at an unimaginable pace. This, in its turn, would further increase land values, and create an even bigger surplus for common purposes.

The present method of taxation acts like artificial mountains and deserts. It costs more to get goods through a custom house than it does to carry them around the world. It penalizes industry and skill.

Suppose I work hard to build a good house, while you are content to live in a hovel. The taxman makes me pay a penalty every year for my effort by taxing me more. If I save while you squander, I am taxed while you are exempt. If I build something useful, I must pay for my industry as if I had done an injury to the state. If I offer a service to the public, I am taxed as though it were a public nuisance.

We say we want capital, but if I accumulate it I am charged as though it were a privilege.

The full burden of these taxes on production is realized only by those who have attempted to follow our system of taxation through its ramifications. As I noted, the heaviest part of taxation falls in increased prices. Abolishing these taxes would lift the whole enormous weight of taxation from productive industry. All would be free to make or save, to buy or sell, without being fined by taxes.

The state currently tells producers: "The more you add to the general wealth, the more you will be taxed." Instead, the state should say: "Be as industrious, thrifty, and enterprising as you choose. Keep your full reward. You won't be fined for adding to the community's wealth."

The whole community will gain by this—for there is a natural reward to the community as well. We cannot keep the good we do, any more than the harm. Every productive enterprise yields collateral advantages, in addition to what it returns to those who undertake it. Building a house, factory, ship, or railroad benefits others besides those who get the direct profits.

Let the individual producer keep all the direct benefits of exertion. Let the worker have the full reward of labor. Give the capitalist the full return on capital. The more labor and capital produce, the larger the common wealth in which all share.

This general gain is expressed in a definite and concrete form through the value of land, or its rent. The state may take from this fund, while leaving labor and capital their full reward. And with increased production, this fund would increase commensurately.

Shifting the burden of taxation, from production and

exchange to land value (or rent), would not merely give new stimulus to the production of wealth—it would open new opportunities. Under this system, no one would hold land without using it. So land now withheld from use would be thrown open to improvement.

The selling price of land would fall, and land speculation would receive its death blow. Land monopolization would no longer pay. Millions of acres, where others are now shut out by high prices, would be abandoned or sold at trivial prices.

This is true not only on the frontier, but in cities as well. The simple device of placing all taxes on the value of land would, in effect, put land up for auction to whoever would pay the highest rent to the state. The demand for land determines its value. If taxes took almost all that value, anyone holding land without using it would have to pay nearly what it would be worth to anyone else who wanted to use it.

This would apply not just to agricultural land, but to all land. Mineral land would be thrown open, too. In the heart of the city, no one could afford to keep land from its most profitable use. On the outskirts, no one could demand more for land than what its current potential use would warrant.

Everywhere land had attained a value, taxation would drive improvement. It would not act as a fine upon improvement, as it does now. Whoever planted an orchard, sowed a field, built a house, or erected a factory—no matter how costly—would pay no more in taxes than if the land were kept idle. The owner of a vacant city lot would pay for the privilege of keeping other people off. It would cost as much to keep a row of tumble-down shanties as a

grand hotel or great warehouse.

Currently, everywhere labor is most productive, a bonus must be paid before labor can be exerted. This would be eliminated. Farmers would not have to mortgage their labor for years to obtain land to cultivate. City homeowners would not have to lay out as much for small lots as for the houses built on them. A company building a factory would not have to spend a great part of its capital for a site. Plus, all the other taxes now levied on machinery and improvements would be removed.

Consider the effect of such a change on the labor market. Competition would no longer be one-sided. Workers now compete with each other, cutting wages down to bare subsistence. Instead, employers would have to compete for labor. Wages would rise to the fair earnings of labor.

The greatest of all competitors would have entered into the labor market—one whose demand cannot be satisfied until all desire is satisfied: the demand of labor itself. Employers would have to bid not only against other employers—all feeling the stimulus of greater trade and increased profits—but against the ability of laborers to become their own employers. For natural opportunities would now be opened to them by a tax preventing monopolization.

Natural opportunities would be free to labor. Capital and improvements would be exempt from tax. Exchange would be unhampered. Recurring depressions would cease. Every wheel of production would be set in motion. Demand would keep pace with supply, and supply with demand. Trade would grow in every direction, and wealth increase on every hand.