

Chapter 36

The Effect on The Distribution of Wealth

THE ADVANTAGES of a tax on land values—great as they already appear—cannot be fully appreciated until we consider the effect on the distribution of wealth.

All civilized countries have an unequal distribution of wealth that grows steadily worse. The cause, we have found, is that ownership of land provides greater and greater power to appropriate the wealth produced by labor and capital as material progress goes on. We can counteract this tendency by removing all taxes on labor and capital—and putting them on rent. If we went so far as to take all the rent in taxes, the cause of inequality would be totally destroyed.

Wealth produced in every community would be divided into two parts. One part would be distributed to individual producers—as wages and interest—according to what each had contributed to production. The other part—land rent collected as taxes—would go to the community as a whole. It would be distributed as public benefits to all members of that community. And justly so. Wages and interest represent the result of individual effort. Land rent represents the increased power that the community, as a whole, provides to the individual.

Rent, under this system, would promote equality, instead of causing inequality as it does now. To fully understand this effect, let's review some principles we have

already determined.

Wages and interest are set by the margin of production—what can be made on land with no rent. Labor and capital keep only what is left *after* rent and taxes. Collecting rent through taxes would virtually abolish private ownership in land, because it would destroy speculative monopolization and reduce the price of land. This would increase wages and interest, by opening opportunities that are now monopolized. A new equilibrium would be established, with wages and interest much higher.

Productivity increases with population, with laborsaving invention, with improved methods of exchange. These benefits could no longer be monopolized. Any increase in rent arising from these advances would benefit the whole community. All would be richer, not just one class.

Further, if it were possible to calculate the full cost of poverty, it would be appalling. New York City alone spends over seven million dollars a year on charity. Yet spending by government, private charities, and individuals combined is merely the smallest item in the account. Consider the following items: the lost earnings of wasted labor; the social cost of reckless and idle habits; the appalling statistics on mortality, especially infant mortality, among the poor; the proliferation of liquor stores and bars as poverty deepens; the thieves, prostitutes, beggars, and tramps bred by poverty; and the cost of guarding society against them.

These are just part of the full burden that unjust distribution of wealth places on the aggregate society. The ignorance and vice produced by inequality show themselves in the stupidity and corruption of government, and the waste of public funds.

Appropriating rent for public purposes would not merely stop waste and relieve society of these enormous losses. Wages would rise and new avenues of employment would appear. Furthermore, it is well-known that labor is most productive where wages are highest. Higher wages increase self-respect, hope, and energy. This is true the world over. Mind, not muscle, is the greatest agent of production. The physical power evolved in the human frame is one of the weakest forces of nature. With human intelligence, matter becomes plastic to human will.

Who can say what level the wealth-producing capacity of labor might reach, if producers receive their fair share of its advantages? American invention and the American aptitude for laborsaving processes are the result of higher wages. Had our producers been condemned to the low reward of the Egyptian fellah or Chinese coolie, we would be drawing water by hand and transporting goods on our shoulders.

Increasing the reward of labor and capital would stimulate invention even further. The harmful effects of labor-saving machinery on workers would disappear. Currently, many people regard automation as a curse, not a blessing. By removing these defects, every new power would improve the condition of all.

The simple plan of taxation I propose would equalize the distribution of wealth, preventing waste and increasing productivity.

I shall not deny this may lessen the intensity with which wealth is pursued. It seems to me that in a society where no one fears poverty, no one would struggle and strain for great wealth, as people do now. Certainly the spectacle of people slaving away for the sake of dying rich is unnatural

and absurd. In a society where fear of want had been removed, we would view those who acquire more than they can use as we now look on someone who wears a dozen hats.

Though we may lose this incentive, we can surely spare it. Whatever its function may have been in an earlier stage of development, it is not needed now. The dangers threatening our civilization do not come from weakness in production. They come from the unequal distribution of wealth.