

CHAPTER XXII

THE REMEDY CONSIDERED

THIS then is the proposal: That all of the revenues of the government shall be raised from a tax upon the value of the land; that all other forms of taxation shall be abandoned; that trade, industry, and commerce shall be free from any interference by the state, and the products of labor shall exchange with each other without let or hindrance of any kind. Here there shall be but one tax, and that shall be levied upon the value of the land which society itself has created, until all rent shall have been taken by the people for their common use and enjoyment.

Let us examine this proposal. Is it just? This test must be met by any proposal of social readjustment. For injustice can only be corrected by justice. There is, of course, the political sanction of *salus populi suprema est lex*. Taxation has always been used to promote a social policy. The tariff and excise taxes have been imposed in the name of national well-being. During the Civil War state bank-notes were taxed out of existence in the interest of a sounder banking policy. We have no hesita-

tion in destroying millions of dollars of property, innocently invested in the brewery and distilling business, in the name of social well-being. We have discouraged the manufacture and sale of oleomargarine in the interest of a class and at the expense of those who consume. And the taxation of land values may be justified by the same sanction of the welfare of the state. Measured by the standard of conventional political justice it is perfectly just.

There is, however, a higher sanction, the sanction of absolute justice. And absolute justice requires that society shall protect its members in the enjoyment of that which they produce. That is the first obligation of government. But no such protection is offered to those whose labor creates the increased land values. The presence of each one of us upon the earth creates a value which is appropriated by another. Each individual is compelled to pay tribute for that which is really his own.

And there is but one way by which this social value can be retaken. And that is by taxation. For this reason the taxation of land values is the reverse of confiscation. It is exact justice. It returns to society that which society produces, and leaves free from taxation that which the individual by his efforts creates.

This then is the natural source of revenue, as providentially provided as the manna of heaven

was provided for the Hebrew people. It exists in abundance for every social need. It increases with the growing needs of society and the complexity of modern life.

But the taxation of land values is least of all a financial measure. That is but incidental to a larger social ideal. It is not the revenues society would receive, it is the wealth which would spring into existence and its just distribution that is important. We could well afford to throw all of the rent of the land into the sea if that were the only means by which industrial freedom could be secured. For the taxation of land values will insure freedom, it will create a society in which the production of wealth will be greatly increased, while the share of each will be justly determined.

Let us follow the effects of this shifting of the whole burdens of taxation onto land values. Its first effect would be to discourage land speculation. The owner could no longer sit idly on his holdings and wait for society to make them valuable. He would have to put the land to its most productive use or sell it to some one who would. There would be an economic motive urging production rather than idleness. With the tax increased to three, four, or five per cent. this pressure would be increased. And surely society owes nothing to him who merely monopolizes that which all men want and which all men must have to live. As the

present Chancellor of the Exchequer of England, Mr. Lloyd George, said, in defence of the land-tax clause of the British budget introduced in 1909: "If the speculator wants to remain a dog in the manger, he must pay for his manger."

Under such a pressure land would be forced into the market. Owners would seek tenants, occupiers, workers. Houses would be erected on vacant building sites. Mines, quarries, and plantations would be worked to their capacities. The land would invite men instead of repelling them. Opportunity would spring up on every hand.

Land values would fall in consequence. The competition of sellers would bring this about. Instead of men competing for land, the land would compete for men. The present economic interest of the speculator would be reversed. Another influence would accelerate the movement. A tax upon the products of labor increases their cost. The tax enters into the price. It is paid by the consumer. A tax on land values, on the other hand, reduces the cost of land. It is deducted from the rent. As rent falls so does the price of land, for capital value is but the reflection of earning power. Economists are agreed that a tax on land values cannot be shifted. It remains where it falls. It diminishes rent. "A tax on rent," says Ricardo, "would affect rent only; it would fall wholly on landlords, and could not be shifted to any class of consumers.

The landlord could not raise rent.”¹ John Stuart Mill testifies to the same thing. He says: “A tax on rent falls wholly on the landlord. There are no means by which he can shift the burden upon any one else. . . . A tax on rent, therefore, has no effect other than its obvious one. It merely takes so much from the landlord and transfers it to the state.”² A tax on land values is thus unlike any other tax save those imposed on incomes and inheritances. It remains where it is originally placed. It must be paid by the owner. The state becomes a rent collector. To the extent of the tax, society shares with the landlord in the ownership of the land.

And as the tax increases, rent diminishes. If a piece of land is worth \$1,000 free from taxation it is because it produces \$50 rent. If a tax of two per cent. is imposed on the capital value, the state then receives \$20 and the landlord \$30. The value of the land would be reduced to \$600 and the socialized capital value appropriated by the state would amount to \$400. That is what is meant by the saying that “the selling price of land is its untaxed value.” Were the present land taxes of New York city, amounting to \$60,000,000, removed, land values would rise by \$1,200,000,000 immediately.

Ultimately, with the tax increased to the amount of the rental, land values would vanish. There

¹ *Principles of Political Economy*, chap. 10.

² *Political Economy*, book 5, chap. 3.

would be no rent left. The state would have appropriated it all. A piece of land on Broadway would theoretically have no more selling value than a piece of land in Kansas. It would pay more taxes. That is all. People would have to pay a higher annual tax for the privilege of using it.

With this achieved, the landlord would cease to be a factor in distribution. His share would then go to the state. Under such conditions the man who wanted a building site would pay a tax of \$50 a year to the community instead of \$1,000 capital value to the owner. This would end his relation to the state as well as to the landlord. There would be no other taxes of any kind. Farm tenants would become proprietors by the same process. Capitalists would be relieved of the prohibitive cost of building sites. Great estates would be broken up, and land monopoly would come to an end. Then men would own land merely to use it; and they would use it in its most productive way.

The single tax is not land nationalization. The ownership of the land by the state is not contemplated. Nor is it suggested that we should return to the village community, with its common ownership of the land and its periodic distribution among the members. Nor does the single tax involve peasant proprietorship, such as prevails in France, Denmark, Switzerland, and parts of Germany. It does not involve common ownership or an agricult-

ural state at all. Neither does it propose to limit the amount of land which an individual may hold or to promote small holdings, such as have been provided for by recent legislation in England and Ireland.

Any such solution as these is a compromise with the evil. Peasant proprietorship does not strike at the root of the problem. It does not meet the real evil, which is the private ownership of the earth. Such a programme only increases the number of landlords. It makes no provision for the generations which are to follow. Small holdings and peasant proprietorship fail to recognize the right of the whole people to the land. It is not the great estate, it is the right of one man or of ten million men to the private and exclusive ownership of the land, which is wrong.

The state would not own the land. It would, however, be the universal rent collector. Neither the title, the owner, nor the present methods of transfer would be disturbed. True, it would make but little difference to the present owner whether the land itself or only its annual income is taken. In either event the land would have no value for the purpose of sale. It would be valuable only for use.

The single tax is an automatic reform. Its motive is to insure economic opportunities for all time. It opens up the earth to all. It endows mankind to-day and to-morrow with its common

heritage. Under it residence sections could no longer be used as cow pastures; they would be used for human habitation. Suburban building lands would be developed and cities would spread out over a wide area in the country districts. The land would be opened up for cultivation. It would be allotted by the natural demands of agriculture. If it were profitable to use it for market gardens, it would be used for market gardens. If it were more profitable to farm it in large estates, it would be divided into large estates. The law of demand and supply would automatically determine the size of holdings. But as the country increased in population and the pressure of humanity increased the demand, its subdivision would naturally follow.

Mineral resources would be opened up by the same pressure. Their owners would be compelled to use them or permit others to do so. Million-acre estates in the West could no longer be used for grazing purposes. The burden of taxation would render it impossible. Monopoly would be destroyed at its root. It would be destroyed by the simplest of methods and the only method possible short of ownership by the state. The pressure of self-interest would lead to the opening up of the land and the resources of nature to use, and to use in their most productive way.

As we have seen, nearly all of the menacing monopolies are either identified with the land or are

connected with the railways or are made possible by the protective tariff. The land monopolies are the most complete and the most perfect. It is the ownership of three-fourths of the iron ore in the United States and the bulk of the coking coal that makes the Steel Trust invincible. It cannot be reached by competition, and regulation is impossible. The same is true of the anthracite-coal monopoly, of the bituminous-coal, the oil, copper, lead, and natural-gas monopolies. It is the ownership of limited sites of land that makes these monopolies so easily consolidated and immune from every form of attack. They, too, have been and are still aided by the railways, and are safeguarded from foreign competition by the tariff.

Railway discriminations and the tariff have made possible the sugar, wool, leather, paper, lumber, and other monopolies. They are the products of class legislation. They are not the outcome of the natural evolution of industry. Nor are they the final flowering of the industrial process which began with the steam-engine. They are not due to any great skill on the part of their creators. They enjoy no sanctity of superior ability. They are the products of class-made privileges.

These monopolies can be destroyed by the same tools which created them. They can be destroyed by the abolition of the tariff, the public ownership of the railways, and the taxation of the natural

resources with which they are identified. The owners of these limited mineral sites could no longer sit idly on the preserves which they have acquired and limit the output. The resources would have to be developed in order to meet the tax. A great increase in production would take place. Competition would be re-established and prices would fall in consequence. The domestic producer could not prevent this by combination with the foreign manufacturer. The pressure in the rear would prevent it. Raw materials would sell at their labor rather than their scarcity cost, while the independent producer would be placed on a footing of equality with those who own the raw materials of production.

There are only two ways by which the economic well-being of humanity can be improved. One is by an increase in the amount of wealth. The other through its more just distribution. Poverty can be abolished in no other way. It is often assumed that there is not enough wealth to go around. As we have seen, however, the annual wealth produced in America amounts to \$1,170.20 for every family of five, which is just about two and a half times the average wage as ascertained by the census. There is, therefore, wealth in abundance were it justly distributed.

But the taxation of land values would increase this production. It would also equitably distribute it. Of this there can be no possible doubt. The

taxation of land values would affect not agriculture alone, not mining alone, but all industry would sympathetically respond to the stimulus which the opening of the land would involve. Houses, factories, and improvements would be encouraged in the cities and the country, while the stimulus of self-interest would lead those who own more than they can profitably use, to dispose of their holdings to those who would develop them.

This movement would be still further stimulated by the exemption of all improvements, all machinery, all factories, and the products of labor from taxation. Capital and labor would be encouraged, not penalized. Capital now locked up in land speculation would be forced into active business enterprise, while the removal of the taxes upon all sorts of consumable wealth would add a further stimulus to industry and production. Persons of small capital could engage in industry. They could organize companies and acquire sites at little or no cost. A revival of small industry would follow. It would not require any aid from the state. It would come from the voluntary action of the men themselves. The increase in wages, the cheapening in the cost of land, the diminished cost of tools and machinery would lead to the organization of co-operative industries on a small scale.

But the great gain would come from the new light of hope, of freedom, of industrial independence that

would brighten the eye of all. Then each man could more readily choose his calling; he would not be driven to accept the job that was nearest at hand. A new country with new vistas would always beckon to him just as it did to his forefathers; but it would be a country in which all the gains of civilization would serve him and his children. The human mind can no more picture the society which would result from the forcing of all land into use, and its most productive use, than the imagination of Watt could have foreseen the changes which were to follow the discovery of steam, or of Franklin the discovery of electricity. In comparison with the effects of this revolution, all other reforms for which we are now agitating would be inconsequential.