

PROFESSOR SMART

AND

THE SINGLE TAX.



A REJOINDER.

By WM. R. LESTER, M.A.

“Antiquity cannot sanctify that which is wrong in reason and false in principle.”

—Galileo

“There is in human affairs one order which is the best. That order is not always the one which exists; but it is the order which should exist for the greatest good of humanity. God knows it, and wills it: man’s duty is to discover and establish it.”

—Emile de Laveleye

PRICE TWOPENCE.

SECOND EDITION, 1906.

Published by
“LAND VALUES” PUBLICATION DEPARTMENT,
13 Dundas Street, Glasgow;
376-7 Strand, London, W.C.

PREFATORY NOTE.

THIS Essay was suggested by the re-publication of Professor Smart's stricture on the Single Tax.

That production appears to me so one-sided that I have felt impelled to the best of my ability to make a clear statement of the case for the Single Tax, and to show that the principles on which it is founded are not only just, but that in neglecting to apply them we inflict a double wrong: Firstly, in allowing the private appropriation of a public value; Secondly, in our present taxes on the industry and enterprise. These taxes are only needed because we allow this private appropriation of a public value.

That there might be no possibility of mistake as to the points at issue between Professor Smart and myself, I asked for leave to add his essay *in extenso* as an appendix to mine, so that in any quotations I might make the charge could not be raised of "tearing words from their context." Unfortunately, permission to do this was refused by Dr. Smart, so the interested reader must be referred to the pamphlet itself: "The Single Tax," by William Smart, LL.D. James MacLehose & Sons, Glasgow. Price 6d.

W. R. L.

JUNE, 1905.

In issuing a second edition of this pamphlet, Professor Smart was again asked and again declined to allow his booklet for purposes of comparison to be printed under same cover.

W. R. L.

APRIL, 1906.

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A REJOINDER.

By WM. R. LESTER, M.A.

THE question of Land Reform on sound and practical lines takes in our time so leading a place in the public mind, and figures so prominently on political platforms, that Dr. Smart's contribution to the discussion is to be welcomed, whatever difference of opinion there may be as to the arguments used.

The question, after years of discussion, has emerged into the sphere of practical politics, and is now discussed in the deliberations of all our principal public and rating bodies.

With the demand for radical reform surely and rapidly growing, we may safely hazard the opinion that no counterblast based on a pure negation or *non possumus* such as that now made by Dr. Smart will avail to retard the rising tide. Indeed, opposition in such a form can only be taken as testimony to the growing strength of the movement.

Can we doubt that when our rating authorities, working to better the material condition of our people by expenditure of public monies on public improvements, find the certain and final result of their efforts to be a corresponding rise in rent, that is, a corresponding rise in the charge made on us by private individuals for right to live and to work—can we doubt the common sense of these authorities will tell them something is far wrong and that it is not beyond the wit of man to find a remedy for such an anomaly?

Before dealing with Dr. Smart's arguments, let us clearly realize what the existing condition actually is and what it implies. What is it that gives rise to that value of land which Dr. Smart in his pamphlet so frequently refers to but never once attempts to define? Is that value due to any special effort or activity on the part of those few individuals who in this country claim exclusive right to benefit from it, or is it due to the very existence and work of every man and woman whether they have legal rights in land or not?

Expenditure of rates means higher rent.

The question answers itself. The value of land, or economic rent, is due only to (a) special natural advantages; (b) the existence of an industrious and well-governed population. Imagine a site in or near any centre of population which had been walled round since the days of the Roman conquest so that not one stroke of work had ever been put on it. Such a site if sold by auction in our day would fetch an enormous price; if in the centre of London at least £500 per square yard; if in a city like Glasgow or Manchester perhaps £100 per square yard. There are many such sites in all towns and cities either quite withheld from use or not permitted to be put to their best use. Still they are worth in the market prices which vary with their relative capacity for yielding to labour those things which men require in order to live. This is what is meant by Land Value or Capitalised Economic Rent, and the first thing to be noted in respect of it is, that being a natural consequence of the public presence it is essentially a public value. That it is indeed a necessary accompaniment of the public presence and work can at once be seen if in imagination we remove the population or decrease its numbers, or if we suppose the populace to lose its skill in the arts of production, that is, if we picture a decaying community or civilisation.

Meaning of the term Land Value.

The certain result of such decay is a fall in the value of land, while on the other hand in the case of a population growing in numbers, in skill, or in efficiency of government, the value of land automatically rises. Witness the case of Cuba where the selling price of land has increased since the Americans with their better forms of administration assumed control. Contrast this with labour products or commodities. Precisely the opposite takes place there. Instead of rising as do Land Values they mostly tend to fall in value with increase of population and advance in the arts of production. Those very forces which cause a rise in the value of land—increasing population, better government, labour saving machinery, improved processes of manufacture—cause a fall in the value of goods or labour products.

Land Value essentially different from value of labour products.

Therefore Dr. Smart's complaint that we have no right to "fine land increment, while passing over other forms of increment quite as unearned, such as money, monopolies, &c.,"* is not to the point, because land occupies an altogether unique position owing to the fact that while expenditure of public monies and increasing skill in production always tend to raise its value, they have the very opposite effect on all ordinary articles of commerce.

This is not to deny that others besides landowners do reap unearned incomes from time to time, as, for instance, when the value of money or of stocks appreciates; but the point to be noted is that such appreciation is quite different in kind from growth in the value of land. There is not a natural or *constant* tendency

* "The Single Tax," p. 16.

for the value of money or stocks to rise as population increases, or as progress is made in the arts of production. On the contrary, their value tends to fall under such conditions. But these are the very conditions which are invariably accompanied by a rise in the value of land. Money, for example, is no more valuable in an advanced and well governed country like Great Britain than in any primitive and badly governed country like Patagonia, *but land is*, and the difference in the land value of the two countries varies directly as the efficiency of the respective Governments. The point I wish to make is that with advancing civilisation and improved forms of Government commodities tend to get cheaper, whereas land tends to get dearer.

The very force which increases Land Value cause other values to fall.

Dr. Smart's objection notwithstanding, there is therefore valid reason why unearned increment in Land Values should be treated as a thing apart from other increments. In fact, it is only confusing thought to class them together. There are, without doubt, also secondary monopolies such as those granted public houses, which in their nature much resemble land monopoly, and which do tend to grow in value with increasing population. But secondary monopolies such as these ought to be treated in the same way as land would under the Single Tax, and would be so treated. In any case they would tend to disappear with the disappearance of the primary monopoly—the monopoly in natural resources. Once our industrial system is established on a sound basis, the superstructure will tend to become more and more perfect.

Dr. Smart is only confusing the issue when on page 18 of his pamphlet he groups indiscriminately under one heading these two incongruous things—Land (the free gift of nature, the source of every labour product), and labour products themselves, and describes them both as “Capital.” If land is capital, then must we also describe the air, the sunshine, and the ocean as “Capital.” One cannot help feeling that economics such as these resemble Coleridge's metaphysics, which Lamb said were “only his fun.”

Dr. Smart confuses capital with land.

The value of land is a thing apart and distinct from all other values. Being due to the public presence, it should be devoted to uses from which all members of the public derive equal advantage; in other words, it is the natural source from which the costs of Government should be met. That is to say, all taxes ought to be levied on Land Values.

Were this done, consider how things would work out. Without taxing any industry or discouraging any enterprise, as our present system of taxation does, we would have a natural and practically inexhaustible reservoir to draw on for our public expenses. Natural, because it invariably accompanies the coming into

existence of a community, and inexhaustible because it automatically grows as public wants and expenses of Government grow.

Why it is better
to tax Land
Values than
labour products.

So long as population is very small or primitive, land has very small value. But this fact would not lessen its suitability as a source of revenue, because public wants in such communities are also very small and the Government primitive. But as population, civilisation, public expenditure and social wants grow, so also invariably does the value of land. It is eminently a case of cause and effect. With every increase in public expenditure, the value of land increases proportionately, without any effort on the owner's part. It is, indeed, a very "purse of Fortunatus." Just as the natural wage of the individual is the full product of individual labour, no part of which the State should be allowed to touch, so the natural wage of the State is the value which its own activity and the community's presence confer on land, no part of which any individual should be allowed to touch. The State should feed on its own. What I make belongs to me. What the State makes is the State's.

We have, therefore, a *prima facie* case in our favour when we say that the value which the common presence gives to land, and which grows with the common wants and expenditure, is the natural and adequate source from which to derive the public revenues, and not once does Dr. Smart make any serious attempt to question the justice of this bed rock principle though here is the rationale of the Single Tax which he has set out to attack.

The price of land
varies directly as
the ratepayers
expenditure on
improvements.

Dr. Smart says "it is impossible to assess even in the roughest way the benefit of much of our taxation to the individual benefited."* This is a statement which consideration will show to be the very contrary to fact. As a matter of fact the value of land varies directly with the expenditure of the ratepayers and the present owners actually do to-day assess it and charge for its use accordingly. They at least find no difficulty in making this assessment which we are told by Dr. Smart is impossible. The ratepayers of London spend two and a half millions on turning the mud banks of the Thames into the present stately Thames embankment and forthwith higher rents flow into the coffers of all the neighbouring landlords. When the London County Council at a cost to the ratepayers of half a million bought up the halfpenny toll which formerly stood on Waterloo Bridge, rents rose round the whole neighbourhood, the reason being that the workmen who use the bridge in going to and coming from their daily work are enabled by the abolition of the toll to save sixpence per week. But the saving could not remain in their pockets, for owing to the increased competition set up for houses through the abolition of the toll, rents in the neighbourhood went up exactly sixpence per week. So all the saving was swallowed up, at first,

* "The Single Tax," p. 7.

in increased house rent ; by and by in increased ground rent as leases fell in. The ground landlord in these, and all like cases, is the residuary legatee of all public improvements. The ratepayers of Glasgow spend £29,000 in making a public park at Tollcross or in improving the water supply of the city, and once again the value of all the surrounding land is proportionately enhanced.

An improved educational system, better policing, a more efficient fire brigade, prevention of smoke by more stringent inspection, improved sanitary arrangements, and a thousand other things done at the ratepayers' expense, one and all are the immediate causes of enhanced land values and indeed express themselves in these very values so that those individuals who have legal claim on land find themselves in possession of rent rolls which vary directly as public expenditure varies. Everything which makes a place more desirable to live in increases (a) the cost of government, and (b) the price which the ground landlord can demand for granting leave to live there. There is no more accurate measure of what Adam Smith calls "the good government of the State" than land value. Here then we have actually in operation to-day a system of taxation (private taxation unluckily we allow it to be) which assesses accurately the benefit conferred on individuals by public expenditure—the very thing which Dr. Smart unaccountably asserts to be an impossibility.

Ground landlords now charge the ratepayers for their own improvements but under the Single Tax individuals would contribute to governmental expenses in proportion as they benefited from them.

There is not a member of the community who does not now pay ground rent in one form or another—be it as part of his house rent, farm rent, office rent, factory rent, or garret rent. This payment is strictly commensurate with the value of the governmental or municipal services rendered. That is, it varies with the efficiency of the governing body. Rent, or the price paid for leave to use ground is therefore the natural and scientific basis of taxation notwithstanding the fact that at present we allow a class to collect this tax *and keep the proceeds*. Remarkable as it appears when plainly stated, we to-day actually tolerate a private tax, paid by the general public to a class for services performed not by that class but by the State.

The landowner is simply a tax collector who retains the proceeds of the tax for his private use. The present private tax levied by landowners for leave to use land is in itself a perfectly scientific and just tax because exactly measured by benefits received. Our system of public taxation will become equally scientific and just when the landowners are called on to hand over to the State the monies they have collected. This, along with the abolition of all the present taxes on production will give us the Single Tax, which has the following recommendations :—

- 1st.—It is paid by every member of the community and not by a particular class only.

2nd.—Payment to the State under the Single Tax is exactly proportioned to benefits received from the State.

3rd.—Where our present taxes stifle production the Single Tax would stimulate it.

Here and there the essayist shows strange misapprehension of the Single Tax theory when he assumes that at best it could only apply under conditions where land is rising in value, and in pursuance of this notion he states that though urban land is "probably" (!) rising, rural land has depreciated about 50 per cent. in the course of the last twenty or thirty years. Now, whether land is a rising or a falling market does not affect our argument in the slightest. Nevertheless it may pertinently be asked why we are to limit our investigation in this connection to a period of less than one generation when later on in attempting to make out a case for the landowners the essayist takes us back over a period of 800 years? * To start from a scientific basis we must extend our enquiry *in every case* over a long period, and not even Dr. Smart will deny that taking land of all kinds, both urban and rural together, there has indeed been an enormous appreciation in its value in the course of our history as a nation. However, even were this not so, the case for the single tax would not in the least be weakened, simply because it is quite independent of any consideration as to whether land values are rising or falling.

The case for the Single Tax is not based on "Unearned Increment."

The case for the single tax is more solidly founded. It is that here we have a value which is public property *because* it arises from the very presence of the community, and we do wrong in allowing it to be confiscated by individuals. Whether this public value is a rising or a falling one has nothing whatever to do with the basic argument. As well might a man who had taken the rightful property of another attempt to satisfy the injured one by telling him that the stolen property was not now so valuable as it was when he took it. But that is precisely Dr. Smart's argument. How would it stand in any court of law or reason? No! If he is to meet the argument of Single Taxers he will have to prove it either right or expedient that a public value should be treated as private property, *be it rising or be it falling*. What we have to determine is—what calls this value into existence here and now? If on investigation we find its existence to be due to our common presence (and Dr. Smart does not deny it) then do we fail in our duty if we tolerate its confiscation by individuals.

Our present system of taxation does not discriminate between the earnings of labour and the power of monopoly.

Look at our present system of taxation, for which Dr. Smart is so bold as to claim that it is "an honest attempt to charge us individually an equal sacrifice for the services rendered to us collectively." † What is it? It is so planned that the members of a community are taxed more or less in proportion to their earnings, without any attempt to dis-

* "The Single Tax," p. 23.

† *Ibid.* p. 12.

criminate between the sources from which incomes are derived, so that a man may be a hard-worked tradesman, business man or professional man, whose income from day to day is dependent on his continuing the performance of the useful services for which he is paid, and he is taxed to exactly the same extent as if he were the favoured controller of a monopoly from which he draws an income, not in payment for any service rendered, but solely because he has acquired the power to command services from others without rendering them to others in exchange. The man who derives an income through performance of service is now taxed in exactly the same way as he who gives no value for what he gets, but whose control of a monopoly enables him to command services without rendering them, that is to levy tribute on the produce of others.

How can a tax be based on equality of sacrifice which falls alike on the income of ground landlords who, as John Stuart Mill says, "grow richer, as it were, in their sleep, without working, risking, or economising," and on the earnings of the working, professional, and trading community who give value for every penny they earn? The tradesman or professional man gives value for his money. The ground landlord gives no value for his. All he does is to exact payment for granting leave to use natural resources which would still be there had he never existed. He has no place in the economy of nature.

And surely it is needless to say that the bottom monopoly of all is absolute property in natural resources. In virtue of such property the man who owns land acquires the power to exact payment from others, not for performance of any service, but simply for granting them the opportunity of exercising their energies. For, without access to land, they cannot exercise their energies. He, a non-producer, yet has the power to command the produce of others in precisely the same way as if he could assert legal ownership over their persons. For this reason we *are* justified (*pace* Dr. Smart) in describing unlicensed ownership in land as the bed rock monopoly which should in any well-schemed system of taxation be differentiated from all other sources of taxation.

Does Dr. Smart deny that all have equal right to exercise their faculties? If he does not deny it, then he must perforce admit that those whom we allow to the exclusion of others to use superior natural opportunities, must, if justice is to be done to all (though Dr. Smart declines to discuss any such consideration), compensate those of their fellows who in consequence of the monopoly are driven to exercise their energies on opportunities which can only yield less to their exertion. In this way alone can we secure equal reward to equal exertion.

The rationale of the Single Tax.

The compensation thus paid by users of superior natural opportunities to users of inferior natural opportunities would be proportional to the advantage which some men had acquired at others expense, and if enforced would constitute the Single Tax. Under such a system all the taxes which we now impose on individual enterprise and production could forthwith be repealed. This compensation (or the proceeds of the tax) would under the reformed system form a common fund to be devoted to uses from which all members of the community would derive equal benefit, and as each user of land would contribute to this common fund in proportion as he had by exclusive use of a superior opportunity acquired special advantage over his fellows, it follows that all workers would be placed on a level. All would start with equal chance of success; there would be "fair field and no favour," because no individual could start with any advantage over any other. The return to labour, enterprise, and skill would then be directly proportioned to the amount of these qualities exercised by each individual worker. In other words, under the Single Tax the wage of individuals would be directly proportioned to what they had produced. What each sowed that would he reap. Men could then amass wealth only in measure as their services to others were valuable. *Now* they can do so through the power to exact tribute which our present land laws confer.

The Single Tax is a means of securing equal opportunity to all through the abolition of monopoly. Equality of opportunity and difference of reward. Never once in the whole course of Dr. Smart's essay is this vital principle squarely faced—much less traversed. It is an essay of "pinpricks" dealing with secondary issues and not with fundamental principles. It is a darkening of counsel.

The true principle of taxation.

The true principle of taxation, therefore, is contribution by individuals to the common fund in proportion as they are allowed to enjoy exclusive privilege, and all the philippics directed against the Single Tax in the essay under discussion carefully avoid this fundamental proposition. "To whom much is given, of them much shall be required." That is the ideal of the Single Tax, and that is what it would surely realise. "Taxation is," declares the essayist, "an equal sacrifice payment by every citizen for general services rendered him." The statement is false as regards our present system, but true as regards the Single Tax.

Unfortunately Dr. Smart appears to be unable to see this scientific basis of taxation, being blinded to it because he starts his investigations with the assumption that a comparatively few people ought to have the power to charge the rest of the inhabitants of these islands rent for permission to use, live, and work upon their native land. It is this false start which vitiates all his

conclusions, and once seen, makes his attack on the Single Tax ideal so easy of refutation. *The scientific basis of the Single Tax is that the contribution of individuals to public needs should be proportionate to the value of the privilege or monopoly granted them by the community.* The right to charge for use of the earth, being the bottom privilege of all, contribution should be made in proportion to the unimproved value of the land held—not in proportion to individual earnings as we now make it.

A man's earnings are his own against the world. Justice and expediency both demand that taxation should not fall on the exercise of labour, because that involves taking from the individual the results of, and therefore the inducement to effort, which is at once unjust and inexpedient. When we remember that the unimproved value of land, that is, the value which attaches to land in virtue of the community's existence and work, is amply sufficient to meet all public wants, we have an additional and very powerful argument for the Single Tax on Land Values.

Values economically fall into two categories. (1) The value which attaches to land. (2) The value of labour products. The former is, as has been shown, a communal value, the latter is an individual value because it arises from individual exertion. Now we have perforce to make our choice between them, for our revenue must be derived from taxing one or the other of these two things. Which of them in equity and expediency ought it to be? Under the Single Tax on Land Values, individual exertion would be stimulated, because it would be exempt from taxation. Under our present system of taxing the exercise of labour, individual exertion is penalised. The answer, therefore, cannot remain in doubt, much as Dr. Smart may dislike it.

A word of explanation to bring out this point. Take two plots of land, A and B as shown by diagram, the unimproved value (Land Value) of each being £500, and suppose that while the owner of plot A keeps his plot idle in expectation of a rise in value, due to improvements at the ratepayers' expense, the owner of plot B erects on it a building which will rent at £1000.

	Land Value, £500.	Land Value, £500.	
OWNER A. Pays no Rates.	Site A., Held idle.	Site B., Building Rented at £1000.	OWNER B. Pays £333 6s. 8d. in Rates. (6/8 in the £ on £1000).

Our present system is to take the rent which the building will command—this being rent of site and structure combined—and to make the value thus ascertained the basis for taxation. The result is that A, holding his land idle (and so making other land artificially scarce and artificially dear), contributes nothing to the rates; while B, having been energetic and useful enough

to erect a building which rents at £1000, has to pay £333 6s. 8d. (assuming the rates to be 6s. 8d. in the £). This is both unjust and inexpedient, but it is part of our present system, which Dr. Smart alleges to be "an equal sacrifice payment by every citizen for general services rendered him"!

See by contrast how things would work out if all rates and taxes were levied on Land Values as they would be under the Single Tax.

	Land Value, £500.	Land Value, £500.			
The Single Tax Illustrated.	OWNER A. Pays £166 13s. 4d. in Rates (6/8 in the £ on £500).	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; padding: 5px;">Site A, Held idle.</td> <td style="width: 50%; padding: 5px;">Site B, Building Rented at £1000.</td> </tr> </table>	Site A, Held idle.	Site B, Building Rented at £1000.	OWNER B. Pays £166 13s. 4d. in Rates (6/8 in the £ on £500).
Site A, Held idle.	Site B, Building Rented at £1000.				

As shown in the second diagram A would now have to pay 6/8 in the £ on his Land Value, or £166 13s. 4d. B would now have all the rates removed from his building, but would also have to pay 6/8 in the £ on his Land Value, or £166 13s. 4d. This is the Single Tax and is both just and expedient.

The two men entrusted by society with exclusive use of equal natural means of making a living are, under the Single Tax, called on by society to contribute equally to social wants, but neither of them is taxed one penny in consequence of any improvements he has made on his holding.

Compare also the social effects of the two systems. In taxing B on his improvements as we do under our present system we put a penalty on improvements, while in refraining from taxing A so long as he holds his land idle, or in making his taxes directly proportional to the improvements he makes on his land, we directly put a premium on that worst of all forms of speculation, speculation in the free gift of Nature. Our present system involves taxing people as soon as they engage in production, *i.e.*, as soon as they offer to give employment, and then we wonder at the persistence of the unemployed problem!

Under the Single Tax we would stop taxing B on his improvements and only tax him on the special privilege he has acquired through exclusive ownership of this Land Value of £500. A also, seeing he has acquired an equal privilege with B in virtue of his exclusive ownership of an equal land value, would have to contribute to social needs equally with B whether he put his land to good use or not. Effect, powerful stimulus both to A and B to make the best use of their opportunities. In other words, encouragement to industry and increased demand for labour.

Under the Single Tax each individual would be taxed according to the value of the source of all production which he holds, and if he holds more than he can use to the best advantage

he would be impelled to give up some of it to others who are able to take better advantage of it. The Single Tax would thus actually relieve those owners who made good use of their opportunities. Those whom it would strike hard and effectively are those who hold land not for use but for the power it gives them to profit by the exertion of others. So it should carefully be noted that the good and competent landlord would, under the Single Tax, be in a much better position than at present, because he would not as now be fined for his improvements. The selfish or incompetent landlord, unwilling or unable to make proper use of his opportunities, alone would suffer.

In general terms, it cannot be too clearly realised, our present system makes no attempt to discriminate between the reward to labour (in the broadest sense of the word) and the mere power to levy tribute which arises from exclusive control of a monopoly. It therefore falls into error which is more far reaching and harmful than is commonly realised. In failing to avail ourselves for common purposes of this common fund—this economic rent of land—and in allowing it instead to flow into private coffers we inflict a wrong on the community, and in our endeavour to adjust the balance we are driven to inflict a wrong on the individual. We must get our public revenue from somewhere, and having declined to satisfy public wants by drawing on this public value we are now driven to take from the products of labour, and therefore remove the incentive to individual enterprise and labour. Our present system of taxation doubly violates the “sacred rights of property” which Dr. Smart professes to uphold—(1st) It allows individuals to take a value which owes its existence to the State, and should therefore be used for the support of the State. That is, it robs the State. (2nd) It takes the earnings of individuals (taxes them) and uses them for the support of the State. That is, it robs the individual. The first false step drives us to the second. We are suffering from the fact that cause leads to effect. We reap as we have sown.

Our present system a fine on industry.

Thus, if a man, by dint of hard work and thrift, is able to add a wing to his house or to better equip his factory, or if some poor slum-dweller flits to a more decent abode, we at once tax or fine him by increased taxation, as if he had done us some grievous injury. Or if Smith owes Brown £1, and pays him by cheque, instead of leaving him in peace to pay the 20s. and have done with it, we oblige Smith, by means of a stamp duty, to pay one pound and a penny more. Or if Brown desires to purchase one pound of tea, which in the open market would be worth 6d., we, by imposing a tax on imported tea, oblige him to pay 1s. 2d. Or if the British coalmaster tries to export coal on the best terms, so as to secure the maximum of foreign custom, we restrict his market (and, therefore, the employment he can offer), by impos-

ing an export duty of 1s. per ton and obliging him to ask 8s. for coal he could otherwise have been able to sell at 7s.

Moreover, the fault of burdening production which inheres in our present system is aggravated by the tendency which taxes now have to fall more heavily on the poor than on the rich. It is stated that the cost of producing common teas varies from $5\frac{1}{2}$ d. to $2/5\frac{1}{2}$, with an average of 10d. per lb. With the present tax of 8d., the taxation varies from 146 per cent. to 27 per cent. But since the poorest people drink the cheapest teas, the burden of taxation presses most heavily on them. It has also been pointed out that owing to the difficulty of dividing out the amount of the tax on small purchases, the very poor pay more than even the ordinary working man. There are many people so poor that they can only buy their tea by the pennyworth at a time. When the tea duty was 6d. they got an ounce of $1/4$ tea for a 1d., but when the duty was increased to 8d. the grocer was only able to give them $\frac{3}{4}$ d. worth of $1/4$ tea for 1d. Now, the difference between 6d. and 8d. is 2d., but these poor people pay 16 farthings, that is 4d., so that for the extra 2d. that the Government receives they have had to pay 4d. This shows how our present system robs the poor without their knowing it.

Another way in which the incidence of our present taxes on food leads to grave inequality is that they fall more heavily on the man with a family than on the bachelor. Have we not been told that the man who rears a healthy family is rendering service to the State? But if Dr. Smart is right this is quite a mistake, for our present system of taxing many articles of daily consumption acts as a direct discouragement to the raising of a family, because the same income which supports a bachelor in comfort is inadequate in the case of a married man. This is the system under which we are told by Dr. Smart "we all pay an equal price in sacrifice" (!)

Our present
Income Tax.

Under the Single Tax all these duties would be abolished, and we would get our money without burdening any industry whatever.

As to our partially graduated Income Tax, though it is better than most of our taxes, it is open to the objection of operating as a fine on energy. If John Smith earns less than £160 he is free of Income Tax, but if by working harder he earns a larger income the State now steps in and takes 5 per cent. from him on all he earns above that amount.

Our present system of taxation often gives rise to the greatest hardship. Many men through want of employment have to let their payment of rates fall into arrear, but no sooner do they find work than notices of arrestment of their wages are sent to their places of employment. Cases have even been known in which women whose sole means of support was their sewing machine or their mangle, have had these things pointed to

meet the tax collectors' demands, and they themselves turned on the street. In such ways as these does our present system burden work and enterprise and give rise to great hardship. What irony, therefore, to claim for it the merit of being "an honest attempt to secure equality of sacrifice" in face of the glaring inequalities which it daily brings about.

Labour products do not acquire their value through expenditure of the taxpayers' money. We have therefore no right to call on the producer for contribution to such expenditure.

Such a course might be defended were no other source of revenue ready to hand, but so long as there exists another fund which owes its very being to public administration and public expenditure, it is sheer confiscation to take from the producer any part of his earnings. Such a fund does not exist in the value of land.

The corollary is that this public fund should be called on to support the public service. It is the natural food of the State. The product of his labour is the natural food of the individual.

Just as natural food means to individuals the healthy growth of their material bodies, while unnatural food entails indigestion and stunted growth, so it is with the State. Feed it on its own food, it will grow and flourish—feed it on what was never intended for its use, it will sicken and die.

A very curious part of Dr. Smart's essay is that in which he makes it a count against the advocates of the Single Tax that they claim for it many advantages beside that of being a just basis of taxation.* One would have thought that if these claims can be made good, each would add to the strength of the case in favour of the reform, but Dr. Smart apparently thinks otherwise. Single Taxers claim that with their system fully in operation the economic basis of society would be profoundly altered for the better and that the structure built on it would consequently have every chance of being sound. It would take effect in the following ways, viz. :

(1) All the present taxes on labour, enterprise, and improvement would be abolished. No one at present can engage in production or trade without having to submit to the exactions of the tax collector. Why we call ourselves a Free Trade country is one of those mysteries as yet unexplained. What we have in fact done is to remove taxes from bread and impose them on houses. With the Single Tax in force we would for the first time have earned the title of Free Traders, for not till then can the load of taxation which now cripples industry be removed.

(2) Rent, which is payment for leave to produce, now enriches only a comparatively few but would under the Single Tax enrich society as a whole.

(3) This would mean a largely increased return to labour and enterprise, for so long as rent remains in private hands the return

* "The Single Tax," p. 13.

to labour and enterprise can only be what remains of their product after this deduction is made. Wages over the whole field of industry are reduced to what can be earned on the poorest opportunity open to labour without the payment of rent. And as the payment made varies with the value of the opportunity, the return to labour over the whole field can now be no more than what is yielded to it under the most adverse conditions. But with rent flowing into the common purse, as it would under the Single Tax, the return to labour would be neither what could be earned on the best sites nor what could be earned on the worst, but the average return midway between. Instead of being a drain on the commonwealth, impoverishing all but those few who absorb the increased wealth due to an advancing civilisation, rent would then be a life-giving stream ensuring to each individual payment in proportion to his usefulness, and his due share in the growing wealth of a progressive society.

(4) Trade being quickened by removal of the present burdens on it, and speculation in natural resources, which now so persistently checks production at its source, being no longer possible, it is obvious that there could be no limit to the demand for labour so long as desire for the products of labour remained unsatisfied. And as man's desire always will remain unsatisfied (he being the unsatisfied animal) the demand for labour would under such conditions be permanently in excess of the supply. Wages would tend to a maximum instead of tending to a minimum as they now do, and the corollary is, that such a thing as the unemployment of able and willing workers which at present disgraces our civilisation would cease to exist.

(5) Land being desired for use only and not for the power of exacting tribute which its ownership now confers, the chief cause of the housing problem would be removed, because every owner would have to put land to its best use.

These are some of the benefits which would result from the Single Tax on Land Values. Dr. Smart is right when he says it is regarded by its supporters more as a means to an end than as a mere system of taxation, though why he should quarrel with them on that account is difficult to say. They at least gladly admit the impeachment, for they believe they have found the master key to the solution of most of the social problems which agitate the minds of thoughtful men. No mere change in our method of raising revenue, were its effect to stop there, could evoke enthusiasm among its advocates such as is felt among Single Taxers on much wider grounds.

Another remarkable part of the essay is that where the writer refuses to admit any appeal to the bar of justice on the ground that "ever since the world began has justice been found the last and most disputed question of all philosophies."* And yet his most violent blows at the Single Tax are dealt because he says it is

Dr. Smart rejects
the Appeal to
Justice.

* "The Single Tax," p. 20.

“unjust,” “immoral,” and “confiscatory.” He declares that “if this idea (the Single Tax idea) spreads much further among the masses we shall have to expound the first principles of public morals on public platforms.”* In other words, we shall have to tell the people what is just and what is unjust. But why, pray, should we do anything of the sort if, as he says, we never can be sure what justice is, “it having been ever since the world began the last and most disputed question of philosophies.” In one breath he declines to discuss questions of justice, and in the next brands the Single Tax as “unjust.” Dr. Smart, time and again, in the course of his essay tells us what he considers “ought” to be, and what “ought not” to be; that is, what is in his opinion just, and what in his opinion is unjust, and passes judgment on the Single Tax accordingly. Why then does he sneer at “home-made theology,” † as he calls it, when those whom he criticises point out that all being born into this world with equal *need* to use land all have, therefore, equal *right* to use it, so that if some are allowed to use it to the exclusion of others they ought to be called on to pay compensation to those others proportioned to the value of the monopoly of which they have become possessed? In the absence of such compensation, that is, in the absence of the Single Tax, say its supporters, a grave and far-reaching injustice is done, and forthwith Dr. Smart brands them as dealers in “home-made theology,” though he himself has only just come from attacking them on grounds of equity.

These philippics, in which the new scheme is described as “violent confiscation,” “undisguised confiscation,” “flying in the face of the first principles of public morals,” “a bribe offered to debase public opinion,” and in which property in land is referred to as a “peculiarly sacred” form of private property, state with excellent frankness the line of opposition which is all that remains to the friends of landlordism. As a leading journal has said—“That is the fine old doctrine of the sanctity of property which is refreshing to hear in these days. It was familiar once, and still represents the view of the country squire. Such ideas belong to the category of the flat earth and lost tribe theories. The pressure of vital questions—the depopulation of the country, the ruin which threatens the race from the conjection of the cities, the lack of houses, the burden of taxation—has swept aside the audacious pretensions of landlordism. It has become a question whether the people are to be wholly sacrificed to the land or whether the land was not made for the people, and when brought face to face with that bed rock issue there is no doubt as to the answer.”

Dr. Smart pictures the untoward results which would attend a disturbance of the whole organic industrial life of the community such as would be brought about by the introduction of the Single Tax. But he forgets that its introduction at one stroke is not

Disturbance following the Single Tax will be small, because its introduction will be gradual.

* “The Single Tax,” p. 14.

† *Ibid.*, p. 21.

contemplated, and ample warning of the coming change has for some time been given by the trend of public opinion and by the legislatures of many countries, so that he who runs may read and make his arrangements accordingly. Those who contemplate buying land have only themselves to blame if they make the purchase without discounting the risk they run of being called on in the not distant future to make a special contribution to the Exchequer. If they do, then it is a mere speculation on their part and they must take the accompanying risk. As a matter of fact, coming events are already casting shadows before them, *vide* the statement of a leading firm of bankers. "We expect too that the Exchequer will take an early opportunity of imposing an extra and heavy tax on Land Values and ground rents—and we prefer to buy after rather than before this act of spoliation which will fall entirely on the present owner of ground rents"

The harrowing picture which is painted for us of the sad plight of the man who only yesterday invested his savings in land, when looked at in the full light of day, is seen to be rather a fanciful picture after all. No violent and sudden change, such as Dr. Smart pictures, is within the bounds of practical politics. On the other hand here, indeed, is proof positive of the beneficial working of the new system when it is made law, for even the mere talk of the future tax is already breaking down the barrier which now stands between industry and the possibility of its exercise.

A measure for the Taxation of Land Values will come before there is any question of the Single Tax itself, and how things are shaping is seen in our own House of Commons. Ample warning is being given which purchasers of land disregard at their peril.

The steps which have already been taken towards its introduction.

On March, 27th, 1903, the second reading of a Bill for the Taxation of Land Values was lost by 13 votes, 183 against and 170 for.

On March 11th, 1904, the second reading was carried by 67 votes, 225 for, 158 against.

On 14th April, 1905, the numbers were 202 for the second reading against 112 for a direct amendment, or a majority in favour of the second reading of 90.

The Bill was then read a second time, and this, be it noted, in a Conservative House.

On February 26th, 1906, the Chancellor of the Exchequer and the President of the Local Government Board in answer to a deputation representing 518 rating bodies stated that the Government soon hoped to bring in a measure for taxing land values.

On March 23rd, 1906, a Private Bill dealing with Scottish Burghs passed its second reading by 319 votes against 61.

Great Britain and the Taxation of Land Values.

The number of rating bodies which support the measure has steadily grown of late years till in 1906 it reaches over 500, including nearly all the leading Corporations, such as the London County Council, Glasgow, Liverpool, Manchester, Bradford,

Aberdeen, Dundee, Sheffield, Greenock, &c. In our own Colonies of New Zealand, New South Wales, Queensland and Western Australia, the value of land is now separately assessed from the value of the erections on it and a special tax put on the former, small it is true to begin with, but with a constant tendency to grow, and though localities are empowered under the various Acts to withdraw the tax if after trial it is found to work unfairly, in no single instance have they done so. In Germany about 200 urban bodies and rural districts, including Berlin, Frankfort, Breslau, and Dantzic, have adopted or decided to adopt the plan of specially taxing Land Values, and their number is steadily growing.

Germany and
the Taxation of
Land Values.

With the advantages found to flow from a tax on the value of land, it is not unreasonable to look forward to the day when all taxes will come from that source. The following is from the annual report submitted by Mr. John R. Palmer, Town Clerk of Wellington, New Zealand, to the Mayor and Councillors of the city, dated 1902-3:—"The result of the first year's trial of this system of rating must be considered a gratifying one, and leaves no room for regret at its adoption. That which was claimed by its exponents has been amply fulfilled; it encourages improvement, stimulates the use of land, secures the unearned increment to those who have added the value, mulcts all lands in their fair share of taxation, and paralyzes the old system under which rental values on lands could by simple manipulation reduce local taxation to a farce. It is to be hoped that in the near future legislation will enable the unimproved system to be adopted for all those purposes for which it is now necessary to also undertake an assessment on the annual value basis. It is only stating a fact to say that much, if not all, of the activity in the building operations of the city and surroundings during the past year is due to the influence of this healthy measure."

New Zealand
and the Taxation
of Land Values.

Mr. Palmer has since then submitted another report, dated 1903-4, in which he says "there really seems to be no tangible ground for combined serious objection," and further, he continues—"It is worthy of note that there are now more than 20 boroughs in New Zealand which have adopted the Land Values taxation system, a fact which at least shows that the principle is finding favour among our own people."

The City of New York last year separated its land value from the value of the erections of all kinds, with a view to putting into practice the principle of taxing Land Values. The Land Value was ascertained to be 59% of the total and the value of the improvements 41% of the total. This is the first step towards the imposition of a Land Value tax, and is instructive in view of the statement so frequently hazarded that it is not possible to separate the two values. New York and Wellington have for ever silenced the contention that the two values cannot be separated for assessment purposes.

New York and
the separation of
Land Value from
the value of
buildings.

Facts such as these do something to show how different is the state of public opinion on this question to-day compared with twenty years ago, when Henry George, amid a storm of abuse and opprobrium (which one regrets to see still surviving with Dr. Smart) so ably advocated the proposal. Whereas then any man who openly supported it was regarded as a hopeless crank if not a dangerous member of society, now men of all opinions on other matters are tumbling over each other that they may share the credit for having supported the cause before it is translated into law.

The Question of
Compensation.

In the face of such accomplished facts we may well ask if Dr. Smart is not overstepping the line of reasonable debate in describing as sacrilege any attempt to alter the system which he says has now attained the venerable age of 800 years with all the sanctions and safeguards legislation can give. Not a word does he tell us of the historical fact that land was only acquired by individuals subject to very definite and substantial obligations in the form of duties which had to be performed in return for the privilege of exclusive right of occupancy, and that every landlord still holds his land subject to such taxes as the State may see fit to levy on it. These obligations have by these individuals or their successors been almost completely rolled off on to the shoulders of the general public *without compensation* in any form having been given. Nor does he tell us that the common lands and the church lands which at one time formed nearly one half of all the lands of this country have forcibly been confiscated in so thorough-going a fashion that they have practically disappeared altogether, and this again *without compensation* having been granted to the rightful owners, the community. It is authoritatively stated that between the years 1760 and 1844 nearly four thousand special Enclosure Acts confiscating the common lands of this country *without compensation* to the public were passed into law by parliaments almost entirely controlled by the landed interests. What may we ask is there peculiarly sacred about such transactions? If obligations have been repudiated and lands appropriated *without compensation being given to those who suffered by the change* what is there to prevent us reassuming original rights and reimposing original burdens equally without compensation?

Cobden and
Land Law
Reform.

Dr. Smart tells us existing arrangements are so peculiarly sacred that they must on no account be interfered with. Hear what Richard Cobden has to say in this connection: "Great as I consider the grievance of the Protective system, mighty as I consider the fraud and injustice of the Corn Laws, I verily believe if you were to bring forward the history of taxation in this country for the last 150 years you will find as black a record against the landowners as even the corn law itself. I warn them (the ruling classes) against ripping up the subject of taxation. If they want another league at the death of this one—for you cannot have

these organisations without a motive and a principle—then let them force the middle and industrial classes of England to understand how they have been cheated, robbed, and bamboozled upon the subject of taxation.” Strong words these, but are they stronger than the occasion demands?

The subject of taxation *has* again been ripped up—this time by the advocates of Protection—with the result which Cobden foretold. A growing body of public opinion is coming to see that the antidote to the plausible arguments of Protection is not mere support of the *status quo* such as is advocated by Dr. Smart, but an active, constructive, alternative policy which consists in un-taxing trade, removing the present burdens on industry, and deriving what revenue the public needs from that fund which the public itself calls into existence. We might at present be described as a “Free Trade, Limited” community, and shall never attain complete Free Trade till all taxes are removed from industry. What kind of “Free Trade” is that under which no sooner does a man engage in production than he is *pro tanto* taxed both for imperial and local purposes? Under the Single Tax alone is it possible for trade to be free.

Complete Free Trade impossible under existing Land Laws.

Privilege has ever sought to entrench itself behind the victims of its own creation, and Dr. Smart has not hesitated to press into his service the oft-quoted poor widow threatened with ruin through loss of her ground rents. We, on the other hand, insist that existing land laws are the chief producers of poor widows.

The case of the Widow who depends on Ground Rents.

The investment of Dr. Smart's poor widow in ground rents means no more than that she has acquired the legalised power of living on the earnings of others—poor widows in the number. But in dealing with this point, it may fairly be asked, how many poor widows there are whose incomes are *exclusively* derived from ground rents? Is it not true that every landowner has also interests in legitimate trade over and above his interest as a drawer of ground rents? But one of the advantages which would surely result from the Single Tax is the immense impetus which would be given to all legitimate trade through development of natural resources at present locked up and removal of the deadweight of taxation and monopoly which our present system imposes on it. If that be true, then all those whose incomes are in part derived from ground rents and in part from trade, would gain as traders what they lost as mere rent collectors; and further, though the institution of the Single Tax means the abolition of monopoly, it does not mean the abolition of common sense. It would provide a fund to meet the wants of every widow in the land. Another point which must not be overlooked is that widows live in houses, and that these houses, under our present system of taxing labour products, are usually taxed to one-third of their value. This impost would be

wiped out under the Single Tax. And not only would our present house tax be wiped out, but also all the taxes which widows now pay on what they eat and drink. Under the Single Tax our poor widow would also be freed from care as to her children's future, for she would know they were destined to become members of a community truly prosperous, because delivered from the incubus of monopoly, a community in which no man could command services of them without rendering full equivalent in exchange, a community in which the wages of labour would be labour's full product. But a more important matter is the case of those poor women who depend for bread not on their ground rents but on their daily labour. Want now stares them in the face because our present system of fostering monopoly and taxing labour makes the demand for their services unnaturally precarious. They are deeply wronged each day of their lives. For such as these Dr. Smart has no word of pity, no word of hope. His sympathies are exclusively reserved for those privileged persons whom the Single Tax would deprive of their power to live on the exertions of others. And, in truth, there is no hope for them so long as we allow trade and production to be stifled at their very source by a vicious system. Surely, in citing the poor widow, Dr. Smart has forgotten these things. Taken in the mass, poor widows would largely gain under the Single Tax.

We gladly agree with Dr. Smart in his peroration that there is in the ultimate resort an appeal from the will of the majority to the General Will (should he not say the Moral Law?). And it is for this very reason that some amongst us, in season and out, are agitating to awaken the public conscience to the fact that the law of the land is wrong in that it has allowed some things to be treated as property which by the General Will was never intended to be property. Such infraction of the Moral Law inevitably brings its own punishment. Having refused to recognise what truly is public property, and to use it in satisfaction of public wants, society is driven to infringe on the rights of what truly is private property, that is the earnings of individual service. The truth is that private property in land is incompatible with private property in improvements.

Dr. Smart attacks the "Sacred right of property."

If the value of land is acknowledged to exist because of the presence and industry of the community and the expenditure of their earnings, then we who propose to appropriate this value here and now for the uses of the public are standing for the sacred rights of property. And, conversely, the present system upheld by Dr. Smart, which takes from individuals their earnings and permits the private appropriation of this public value, is a deliberate attack on the sacred rights of property, existing arrangements, laws and customs notwithstanding.



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