

CHAPTER XXI.

Method.

Any method of divesting capitalism of its perversions and applying to it in practice the social service law of equal freedom, must conform at the outset to prevailing customs. If it doesn't do this it won't be practical; for human nature is not revolutionary, but progressive. As it is true of the individual that he is largely a creature of habit, so it is true of society that it is largely a creature of custom. I have here an excellent book on that subject. It is Carter's "Law: Its Origin, Growth and Function," and I will let you take it with you if you wish—James C. Carter, you know; probably the ablest lawyer at the New York bar at the close of the last century. But may we not agree for the present, without turning to any books upon the subject, that in choosing a practical method for so radical a purpose, we must select one that is adaptable in its beginnings to deep rooted custom? Well enough it may be, Doctor, to hitch your wagon to a star; indeed, it is the thing to do if your wagon be an observation vehicle. But your plow you must hitch to something nearer the center of the earth. And practical reforms are more like subsoil plows than sky-sailing wagons. You must hitch practical reforms to prevailing customs.

Now what are the customs to which any method for effecting our ultimate purpose must at the outset conform? Listen. We are dealing with landlordism in its modern guise of land capitalism. That is the prevailing custom of which we

have to take account. And we want to alter its effect from a fostering of special privileges to the establishing of equal opportunities. Isn't that our problem?

Obviously, then, the thing to do is to make land capitalizations common property. This is the star to which we must hitch our wagon.

But in attempting at once to make land capitalizations common, we should come in conflict with the deep-rooted custom of private land tenure, which must be respected if we would succeed. Whether common occupancy be the best tenure of land or not—and let me assure you that I am very far from thinking it so—but whether it be so or not, the practical method of establishing common interests in land in place of special privileges, must conform to the prevailing custom of private tenure. This is the team to which we must hitch our plow.

Not only must our method conform to the universal custom of private tenure, but it must vary in form with place and time as customs of private tenure vary. In some parts of the world, for instance, tenancies under great landlords constitute a custom so common and deep-rooted that a change to tenancy under the state would cause no social shock and might be along the line of least resistance and greatest momentum. But on the other hand there are parts of the world where every one at least hopes to be his own little landlord; and where this ideal is customary, tenancy under the state would be repugnant to all who had not yet given up hope. In such places common ownership would be along a line of high resistance and low momentum; and there a method must be used which, while it involves the principle, will not run counter to the custom.

Our own country, Doctor, is in the latter category. Private ownership of land is our national

ideal. We flatter ourselves that every one can have his home and ground to cultivate if he wants it. We know in our souls that this isn't so, but it is one of our forms of patriotic self-flattery. Even if it were so, opportunity to cultivate a garden plot or a little farm is not enough. The cultivation of the earth consists not alone in growing garden truck and farm produce. Without straining metaphor in the least, cultivation of the earth may be said to consist also in digging ore, in manufacturing, transporting and trading all kinds of goods, in building houses and factories and machines and ships, and in otherwise rendering service for service throughout a vast industrial network. Since our planet is capitalized, the thing needful is not to get a little agricultural land on a social frontier. The thing needful is to secure participation for all in the social advantages of capitalism at its best; and this is to be accomplished by securing equality of interest in land capitalizations.

As I have already indicated, our object could be accomplished by nationalizing the land, thereby making everybody a tenant of the state. But this would conflict in our country with deep-seated customs and habits of thought. What we need here is a method of securing the result without tearing up our customs by the roots. If we get such a method, the evils of the custom will yield to the influences of purification.

What do I suggest? I suggest what Henry George proposed when he advised the abolition of "all taxation save that upon land values." You have "Progress and Poverty" in your library; read the four chapters of book viii over again, and weigh the arguments for and against this proposition, for they are all there. It is enough for me to say now that the essence of the proposition is the taking annually for common use, by

our customary machinery of taxation, of a percentage of the customary value of capitalized land, and the exempting of everything else.

Run counter to the custom of taxing everything in sight? Yes, it surely would. But that custom is not deep-seated. A custom which everybody tries to elude, offers no serious obstacle to reforms running counter to it. Consequently I should expect little difficulty in getting cordial public approval of so much of George's proposition as involves the *exemption* of artificial capital. As to the part that involves the taxing of capitalizations of land, why that encounters no hostile custom either, for we already tax capitalizations of land. George's method would in practice raise only a question of more or less; and questions of more or less are not vital with reference to habits and customs.

You won't mind coming into the house with me, will you, Doctor, and spinning out a little longer what is to be our last talk on the science of social service? I want to try to show you how this simple change in a detail of taxation would in practice adapt capitalism to the law of equal freedom.

For illustration, now, out of the window there you see Simon D. Sampson's vacant building lots. What do you think would happen to them, if *artificial* capital were exempt from taxation, and *natural* capital made up the difference by a high *ad valorem* tax?

Couldn't keep on holding those lots out of use? Of course he couldn't. They are natural capital, and their capitalization runs up to a pretty figure. To hold them vacant and idle any longer wouldn't pay, if they were taxed a good percentage of their capitalized value. Sampson would have to utilize them himself, or else let somebody else utilize them. Either way their capitalization would fall,

and untaxed buildings would rise upon them, constructed of untaxed materials.

No, Sampson's case wouldn't be isolated. The effect would be as universal as the reform. Sites for buildings, natural deposits for mining, sites for farms, natural sites and sources for all kinds of production and trade, would be available in abundance and far in excess of the demand. Consequently they would have no capitalization. Only the sites of exceptionally high utility, of which there were not enough to supply the demand, would have any capitalization. There would be no "rake-off" profit—don't you see?—in holding out of use any sites below that high grade of utility. Consequently sites below that grade would command neither price nor rent nor be subject to any tax. But as taxes from the superior and scarce sites would be ample, all improvements and all produced goods of every other kind would be exempt, and consequently much cheaper to produce—not cheaper in labor cost, but in taxes and profits on taxes—and therefore much easier to buy. Sampson, for instance, would no longer hold out of use his suburban lots, nor that pasture land just beyond the city limits, any more than he would hold out of use those vacant building lots over yonder.

No doubt the lots over yonder would retain a capitalized value, for they are exceptionally well located. There are not enough such locations to supply the demand. For that reason those lots would furnish public revenue—but for the site and not for the improvements that would come. Quite different, however, would it be with the suburban lots and the pasture. That "pasture" of Sampson's is a fraud. People want homes there, and Sampson puts the place to pasture because this enables him to keep the site out of its best use without paying an urban tax. It is a

cheap way of waiting for higher prices for building lots.

Now, if Sampson had to pay taxes heavily on the capitalization of that "pasture" and those lots, and heavier still as their capitalization rose, what would happen? Wouldn't he utilize them himself by building houses there? or else sell to somebody who would? or else, if he couldn't find a customer, wouldn't he renounce proprietorship and let the land fall into the category of common lands having no market and therefore no capitalization, and open to the first takers? and in that case, wouldn't they hold the lots and use them without tax 'until the lots began to get scarce enough to become tradeable at a valuation and therefore to exhibit a capitalization again? A close approximation to this would certainly be probable with sites like those suburban ones of Sampson's. The market would force it. For when everybody was taxed heavily on his land capitalization, all sites not in use would seek a sale, thereby creating a falling land market, which would lessen the capitalization and so increase the financial accessibility of land generally.

And coincident with that process—don't forget this, Doctor—coincident with the process, all *uses* of land would be exempt from taxation. While the farmer, if an owning farmer, paid a heavy percentage in taxes on the capitalization of his site, if it was scarce enough to have a capitalization, he would pay nothing on his improvements, his stock or his product. If a tenant-farmer, he would pay nothing except his rent, no tax at all, and new farm sites would be cheap to get, so that he might easily become a farm owner. While the mining interest paid heavily on the capitalization of natural mineral deposits scarce enough to have a capitalization, they would pay nothing on minerals extracted. While real estate interests paid

a heavy annual percentage on the capitalization of building sites scarce enough to have a capitalization, they would pay nothing on buildings. While railroads and other transporting agencies would pay a heavy percentage on the capitalization of terminal sites and of rights of way from terminal to terminal, they would pay nothing on rolling stock and plant.

Don't you realize, then, that *artificial* capital under this stimulus of exemption from taxation and accessibility to *natural* capital, would increase? Don't you see, in other words, that the demand for mutual service would be augmented by exemption from taxes and enhanced accessibility to land? And don't you see that augmented demand for service implies augmented compensation for service?

Don't you see, further, doctor, that those ultimate results would show themselves in degree as the reform was begun—smaller results with mild beginnings and greater ones with advanced application, and the same results in kind from least to greatest? And don't you see, also, that incidentally still other results, tending to socialize the social and individualize the individual, would appear?

Think it over. As the process went on even from the mildest beginnings, the co-operative functions of government would by natural evolution come more and more into play. Public utilities of the natural monopoly order would be operated by the appropriate governments—national, State, municipal. And there would be a tendency toward operating them free, as the fact dawned upon the public mind that the expense could be met out of taxes calculated on the increase they gave to the capitalizations of land in the regions in which they were operated.

In some such way as by the process I have in-

dicated, natural capital would come to be more and more a source of common revenue. We should thereby secure for all, the financial benefits of social progress which now go so largely to capitalistic interests. Land capitalization would decline, but not the common revenue. This would rise with social progress.

The reason that land capitalization would decline would be, not because land revenue did—for it wouldn't—but because land revenue would be so largely, even if not exclusively, public revenue instead of private revenue, that there would be but little of it left to capitalize. And so, *land-capitalization* (hardly more than nominal in the end, although the annual revenue from land had greatly grown), would be completely distinguished from *capital-capitalization*—the *natural* from the *artificial* instruments of production. And this distinction would begin in degree as the reform began, would grow as the reform grew, and would yield its beneficent social and individual results throughout in proportion to the intensity of application of the reform.

Don't you see, Doctor, that the interchange of service for service would be freer and freer as that process went on—the process of transforming natural capital into community capital, and of confirming individual ownership of artificial capital in its producers, according to their earnings?

Think a moment, then, and you will realize that it would all be effected by means of individual bargaining. Contractual freedom, stimulated by the earlier applications of George's method, would progress with the advance of the evolutionary process; and out of it would come, without friction and speedily though gradually, a condition in which exchangers of service for serv-

ice would be upon an equal bargaining basis and free from "rake-off" profits.

Each who needed any form of *artificial capital* would bargain for it freely with those who needed other forms. They would bargain for it on the basis of service for service, and with no undue advantage to either in the negotiations. The benefits of the exchange would go to the bargainers themselves, all of it, without so much as the burden of a tax, and with no profit to privileged interests, for there would be no such interests.

Each who needed *natural capital* would bargain for that also, freely among themselves, on the basis of differential advantages of location; and the outcome of their own bargainings for location would determine the interest or revenue of the community; for upon that pro rata basis each occupant of land would pay taxes—taxes to the public, mind you, and not "rake-off" profits to speculators—no taxes at all for sites of no exchangeable value, a little tax for sites of a little exchangeable value, and higher taxes for sites of higher exchangeable value.

The people would be on the high road toward contractual freedom from the start, however slight the momentum at first. And with their advance along that highway, freedom of contract would be progressively greater as they approached the ideal of the perfect law of equal freedom.

Dogmatic as I may have seemed these last few minutes, Doctor, I have not intended to be. I have only indicated results which are fairly demonstrable in theory. In many places where the process is in operation, in a small way, these results are demonstrating themselves in actual experience. I refer you to New Zealand, some of the States of Australia and some parts of Canada.

This "the single tax"? Certainly. And what difference does that make? Is the proposition it-

self either better or worse for the name? All through our talks I have been trying to give you "the single tax" as an economic philosophy ("natural taxation," as Thomas G. Shearman called it in his book of that name, and this is doubtless the better term); and now I have given it to you as a practical method of social readjustment—a method, as I have told you, of subjecting capitalism to the law of equal freedom.

And pray take notice that when I say "method" I don't mean reconstructive contrivance. Social reform must be accomplished not by artificial or conventional reconstruction. The methods of reform must be processes of promoting natural development. Social reform is more like the work of the gardener than of the carpenter or blacksmith. For human society is no mechanical structure to be torn apart and rebuilt; it is a natural organism to be weeded and cultivated. What "the single tax" method aims at, therefore—what this natural system of taxation would produce—is not the wrecking of capitalistic society and the building of something else upon its ruins. Its function is to promote right growth instead of wrong growth. Its method is free play for the natural laws of social development, through adaptation to society as we find it of the greatest and best of all the natural laws of social progress—the social service law of equal freedom.

The purpose of this natural taxation which is commonly known as "the single tax," would be effected in two correlative ways. One, socialization of the value of *natural* capital; and, two, individualization of the value of *artificial* capital; by taxing the capitalization of the former fully and exempting the latter altogether. Exempting altogether the *artificial* capital, including all the competitive processes of production and trade, we should re-

lieve social service of public burdens, obstructions, exactions, inequalities, and disturbances. Taxing fully the differential capitalized values of *natural* capital, we should at once supply the public income necessary for social needs, and relieve social service of private obstructions, exactions, inequalities and interferences. By action and reaction, those two correlative ways of natural taxation—full taxation of *natural* capital and complete exemption of *artificial* capital—would produce an approximately stable equilibrium of social service, with service for service as the basis of exchange.

In as few words as possible, Doctor, now that we are parting, let me summarize the effect of this natural taxation which has acquired the name of "the single tax." It would socialize what is social. It would individualize what is individual. It would correlate those two principles of human society into co-operative unity, while conserving their essential differences. It would thereby naturally evolve a social service world in which each would fairly serve and each be fairly served, all in the freedom of individual initiative and direction, yet with the power of social co-operation and solidarity.

Our friend Oliver R. Trowbridge puts the matter very clearly and forcibly as well as briefly in his little pamphlet on "Social Solidarity." Here is a copy. Put it into your vest pocket to read at your leisure. And don't fail to reflect upon a clause on page 17, which—let me turn to it—which is in these words:

Freedom for the individual and equality of opportunity for all. This is the law which harmonizes the problem of individual life, with the problems of social life; this is the law in which lies the solution of all political, civil, social and economic questions.

And if you take your "Progress and Poverty" with you on your journey, Doctor, as I understand

you intend to, read again with thoughtful care the chapter on "The Law of Human Progress," the chapter, you know, in which Henry George wrote something like this: "Civilization is co-operation, and union and liberty are its factors."

The more you reflect upon the subject, the more certain you will be that Henry George was right when he wrote that aphorism. You will be sure of it if you read the whole chapter of "Progress and Poverty" in which that characterization of civilization occurs. And if you will permit me to read an extract from George's "Land Question" before we part, you will realize the importance of concentrating your attention upon this point. I shall not read at great length. Here we have it, beginning at the fourth paragraph of chapter xiv., entitled "The Civilization That Is Possible":

I doubt not that whichever way a man may turn to inquire of Nature, he will come upon adjustments which will arouse not merely his wonder, but his gratitude. Yet what has most impressed me with the feeling that the laws of Nature are the laws of beneficent intelligence is what I see of the social possibilities involved in the law of rent. Rent—

One moment. It isn't necessary, is it, Doctor, for me to more than suggest that George doesn't mean house rent? His allusion is not to the value of *artificial* commodities, such as houses, or machinery, or anything of that kind. It is to the value of the *natural* commodity—land, the earth, the sites and sources of things artificial, the planet. He says as much in a footnote here:

I, of course, use the word "rent" in its economic, not in its common sense, meaning by it what is commonly called ground-rent.

To proceed with the reading from George's text. Referring to his belief in the beneficence of the natural law of rent, he continues:

Rent springs from natural causes. It arises as

society develops, from the differences in natural opportunities and the differences in the distribution of population. It increases with the division of labor, with the advance of the arts, with the progress of invention. And thus, by virtue of a law impressed upon the very nature of things, has the Creator provided that the natural advance of mankind shall be an advance toward equality, an advance toward cooperation, an advance toward a social state in which not even the weakest need be crowded to the wall, in which even for the unfortunate and the cripple there may be ample provision. For this revenue, which arises from the common property, which represents not the creation of value by the individual, but the creation by the community as a whole, which increases just as society develops, affords a common fund, which, properly used, tends constantly to equalize conditions, to open the largest opportunities for all, and utterly to banish want or the fear of want.

How can any thoughtful man fail to see that? But let me read on a little into the ethics of the matter:

The squalid poverty that festers in the heart of our civilization, the vice and crime and degradation and ravening greed that flow from it, are the results of a treatment of land that ignores the simple law of justice, a law so clear and plain that it is universally recognized by the veriest savages. What is by nature the common birthright of all, we have made the exclusive property of individuals; what is by natural law the common fund, from which common wants should be met, we give to a few that they may lord it over their fellows. And so some are gorged while some go hungry, and more is wasted than would suffice to keep all in luxury.

Destructive criticism? Certainly. How can you have the constructive before the destructive, in remedying social conditions. You can't construct gardens where weeds are, until you destroy the weeds. But George is constructive of good as well as destructive of evil. Hear him, as I read further from the same chapter:

Appropriate rent in the way I propose, and specu-

lative rent would be at once destroyed. The dogs in the manger who are now holding so much land they have no use for, in order to extract a high price from those who do want to use it, would be at once choked off, and land from which labor and capital—

This means artificial capital, of course. "Land from which labor and" *artificial* capital—

are now debarred under penalty of a heavy fine would be thrown open to improvement and use. The incentive to land monopoly would be gone. Population would spread where it is now too dense, and become denser where it is now too sparse.

Appropriate rent in this way, and not only would natural opportunities be thus opened to labor and capital—

Artificial capital again, Doctor. "Not only would natural opportunities be thus opened to labor and" *artificial* capital—

but all the taxes which now weigh upon production and rest upon the consumer could be abolished. The demand for labor would increase, wages would rise, every wheel of production would be set in motion.

Appropriate rent in this way, and the present expenses of government would be at once very much reduced—reduce directly by the saving in the present cumbrous and expensive schemes of taxation, reduced indirectly by the diminution in pauperism and in crime. This simplification in governmental machinery, this elevation of moral tone which would result, would make it possible for government to assume the running of railroads, telegraphs, and other businesses which, being in their nature monopolies, cannot, as experience is showing, be safely left in the hands of private individuals and corporations. In short, losing its character as a repressive agency, government could thus gradually pass into an administrative agency of the great co-operative association—society.

Note that, Doctor, and reflect upon it. If rent—ground rent, mind you; the differential values of mere location—if this fund were appropriated to common instead of private uses, "*government would lose its character as a repressive agency.*"

because the need for repression would die out; and could "*gradually pass into an administrative agency of the great co-operative association—society.*"

When you see this clearly you will also see that natural taxation, "the single tax" as this method of social adjustment proposed by Henry George is called, is the simple and normal way in our civilization for realizing the natural and beneficent social climax which those words of George suggest.

Good night, Doctor. Good night, and good-bye.