

CHAPTER IX

OBJECTIONS TO OUR PROPOSITIONS

Some Mere Declamation

Those opposing us deny the validity of our first proposition—that payment of taxes should be in proportion to benefits received. The benefits, we contend, may only be determined by the value of the land we use under the protection of government. The State, writes Professor Seligman, is “as necessary to the individual as the air he breathes.” “It is interwoven with the very fibres of his [the taxpayer’s] being.” “The State is an integral part of us.” Our view is denounced as “a narrow and selfish doctrine.”

These statements seem to us mere declamation. The State, though useful, and in civilized countries very necessary, is not as necessary as the air we breathe. Mankind existed before States were dreamed of. It is not interwoven into the “very fibre of our being,” since we may escape connection with it by passing from one state to another or to an unorganized territory with a certain independence and with our being intact. Therefore it is not “an integral part of us.”

Our denial is not a minimizing of the importance of government in civilized society. Its true character and office, on the other hand, need no exaggeration. The State is society’s means of obtaining certain useful ends. Mankind, originally existing without government, created the State for definite though expanding purposes. Originally its purpose was limited to protection, but now its ends have infinitely multiplied. Nevertheless, the inherent character of the State remains unchanged. An instrument it always remains, however important it becomes. For all it does for us it should be paid exactly as we pay for the use of any other machinery we employ. It

differs from all material agencies in that its value is reflected in the more or less desirability of the land which segregated portions of mankind occupy. Declamation, however poetical and figurative, cannot alter the facts of the situation. Let us never forget that the State is a mere human creation, and no more a part of the air we breathe than a house—useful as the house also is.

To make these assertions is not to take a narrow view. It is to plant ourselves upon the firm ground of reality, and not to indulge in poetic license.

Confiscation

Next we are told that our proposition involves confiscation of land values, the ownership of which through long generations has been vested in land owners. The word “confiscation” has an ugly and repellant connotation, and when used opprobriously is often intended as a profound argument.

If confiscation were involved—and we deny it—we would ask when the State has hesitated to confiscate if it consider the process necessary. In war the lives of citizens are taken without question for what the rulers of the State—not necessarily individuals—consider its well being. Again, as a result of the war between the States, property in slaves was denied and real confiscation on a large scale resulted. Recently, hundreds of millions of property has been destroyed in breweries, distilleries, etc., for the alleged good of the whole people. In neither instance was compensation attempted. Confiscation for the public good is therefore a practice of our government, as well as of all others. Though the word is not usual, we inevitably confiscate whenever we increase an old or create a new tariff. We may ruthlessly destroy old businesses by rendering ac-

cess to raw material impossible or too expensive for practical uses.

At the present time, confiscation under other names is the established practice of our government through its various agents. We treat the builder of a house as a criminal, tax him without any corresponding return, and in this manner take away, though in piecemeal, precisely as in formal confiscation, and the process continues as long as the house may last. If it is true that to confiscate is "to appropriate [private property] as forfeited to the public use or treasury, especially because of the wrongdoing of the owner," (Standard Dictionary) this is our present day course. If no other consideration entered into the matter, if both stood in the same economic class, a transfer of tax requirements simply from improvements to land values could be denounced as confiscation of a new article (to the extent to which it newly applied) in place of the existing style of confiscation, but only if they stood in the same economic class.

But land values and improvements are not in the same economic class. That which is really confiscation when applied to improvements, is not confiscation when land values are taken. In taking the first, we deprive a man of his production, of a part of his life. In taking a larger part of the land values, the State gathers to itself something which the whole community has created, for which community the State stands. In fact, therefore, instead of increased taxes upon land values with removal of taxes upon improvements being a new confiscation, taxes so levied would be a cessation of the taking of private property.

No person can obtain a firm right to continue something which involves a wrong to another.

Neither in the book of nature nor in the statutes of man is it written that the owner of land has a sacred right which compels the owners of other material objects to contribute eternally taxes whose disbursement is to result in the maintenance or enhancement of the value of the landholder's property. Until such right can be established in favor of the owner of land values, let us hear no more of confiscation except as describing our present system of taxation.

Hardship to Present Owners

We are told that while it might have been just to have started with a system of taxation exclusively upon land values, it is now too late to make the change, and, furthermore, that today it would be grossly unfair to present owners to change the system of taxation any further, since they came into possession relying upon continuance of the status quo. The two propositions may well be discussed together.

Years can never convert a wrong of persistent existence into a right. Other claims of originally wrong origin may become modified, changed, subdued or extinguished. The conquest of Rome, for instance, over other Italian cities could in the end bring about an increased area inhabited by good Italians owing common allegiance to one government. The original wrong disappeared from sight, and there was good reason after the lapse of time for never striving to rectify it.

Our present system of taxation is of no such nature. Its injuries recur every year, or oftener. Each new tax levy on improvements is a new offense which cannot become sanctified because of the fact of antecedent offenses. The question is not one of historical

justification, but whether or not the offense shall again be perpetrated.

The right of the land-holder to enjoy continued disbursement of public moneys is never something to be sanctified by what the lawyers call prescription or an invocation of the statute of limitation. Each wrong to the advantage of one class as against the other is annual in nature. The landholder may plead the statute of limitations against proceedings to compel repayment of amounts he has heretofore received, but has no right to compel the continuation of the practice.

It is urged again that it would be unjust to change a system already established, under which investments have been made and social conditions established; to wipe out so much of what the possessors have regarded as their wealth; that many innocent people would suffer. We do not forget that exactly the same argument was made in support of slavery. The horrible injustice to a poor woman who had invested her all in slaves was much dwelt upon, to the utter neglect of the position of the slave. The argument did not prevail in the end.

The position of the holder of land, however, would be by no means so desperate as was that of the slaveholder. Let us examine it.

For long years the march of humanity has been bound up with its progress toward the goal to which we look. The Barons of old looked askance upon any measures which tended to loosen their hold upon the land, and yet with each later step the land became more valuable for use, because life was better worth living. The tax on doors and windows was abolished, bringing about a like result. The abolition of the octroi tax on food entering a city has the same tendency. Abolition of taxes on personal property

works in the same way. Says the Report of the Maryland Tax Commission (1928), page 38:

“The argument is sometimes made that the elimination of some oppressive taxes on business ‘would increase the burden on real estate.’ For example, when in former years Maryland surety companies were seeking some small measure of relief against the discriminatory taxes levied upon them, it was urged against them that to grant their request would ‘increase the burden on real estate.’ We think this argument wholly fallacious. All business must be carried on upon real estate, and is therefore dependent upon real estate. It is from real estate that we derive our daily bread and the raiment wherewith we are clothed. Conversely, it is from business that real estate derives its value. Why is it that an acre of land at the corner of Baltimore and Charles Streets is worth more than one hundred thousand times as much as the same area in some parts of this State? Is it not solely because of the vast business concentrated in Baltimore City? Therefore, the true ‘friend of real estate’ is he who would most foster business. It is a pennywise policy for a landowner to object to the repeal of a tax which interferes with business for fear lest the repeal should increase taxes on his land. No tax upon real estate could possibly be so injurious to the landowner as a tax which hampers commercial activity and enterprise.”

We have already commented upon the inexact use of the term “real estate” for land values into which it appears this Report, as well as other authorities, have fallen.

Wherever industry enjoys the greatest freedom from taxation, there is also found the greatest *use value* as well as the greatest *selling value* in land. Improvement in taxation is like any other form of improvement, in that it tends to add to the value of land.

We must admit cheerfully, however, that achieving land value taxation as we advocate it will destroy speculation in land. That this would be a benefit, we think has been shown. Carried to its ultimate, it will probably reduce the selling value in land, but that ul-

time is far off. We are laboring for a change which may be long delayed. Nevertheless, it is practical to take immediate steps. Every exemption of improvements from taxation, every step in understanding underlying principles, will bring the goal nearer. Meanwhile, the landowner must not forget that in the progress of the community he will share in other respects than as landholder. He has large interests in relations other than those pertaining to this particular privilege. He is interested as a producer and as a consumer. All have a concern in making the world safer for their neighbors—for humanity. The temporary desires of the day should not blind one to the larger things of life.

We referred above to changing from the present method of taxation to one which rests primarily upon land values as a long one, especially in this country. We have to address ourselves to the governments of our counties, our cities, our State and our federal government. Sudden change is not to be expected. How far the special struggle in which we are engaged has progressed, we will separately consider. It is sufficient to know that no sudden upturn of any social institution is or should be contemplated. Only an absolute refusal of all relief could under any circumstances be dangerous. We must regard our institutions as, like England's, those of—

“A land of settled government,
A land of old and just renown
Where freedom slowly broadens down
From precedent to precedent.”

The words, therefore, of the wild enthusiast as well as those of the violent reactionary are to be equally disregarded.

What shall we say of the position of the man who today purchases—“invests,” the term often is—in a

town or city lot of ground. He buys for one of two purposes—to speculate or to improve. If he purchases for speculation, he hopes to gain through the advancement of the community, rather than through his own effort. Such speculative purchases, if they occur in sufficient number, too often result in severe injury to a whole community, himself included. (A recent example is the Florida land boom in 1924.) He has no claim upon our sympathies.

If, on the other hand, he buys to improve the land, then indeed are we his friends, for we would lessen the tax load upon everything he needs for his construction. Under the present system, he is likely to have to pay too much for the privilege of working upon the land. He has much to gain from our proposal.

Government Revenues Will Be Too Great—Or Too Small

Some argue that if all taxes were levied on land values, and if all economic rent values were taken, the government would receive revenues so great that waste and extravagance would ensue. Others contend that the revenues would be insufficient. Neither argument is based upon present considerations. Each argument is addressed to conditions which may or may not prevail in a far distant future. Our contention is for the gradual transfer of taxes to such an extent as may be necessary to meet expenditures. Thus we need not consider the possibility of any government more wasteful or extravagant than at present.

We do not agree with those who maintain the governmental revenues would be insufficient. When we look at our enormous national resources, when we consider the vast land values of our cities, even excluding the speculative element, when we consider

the yearly advancement in wealth, despite occasional setbacks, we doubt if government would take even half of the yearly rental value of land in taxation, however extravagant it might be. More than is needed for proper uses should not be exacted. Be it remembered that we are limiting ourselves to a solution of the problem of taxation and are not more ambitious or more imaginative.

Considering the probability of a deficiency in revenues, we may remind these prophets that it is difficult to name any peaceful action of government which does not add to land values more than its cost. If a street is paved and sewer constructed, the justice of assessing the cost against adjacent properties is found in the fact that their value has been increased by more than an equivalent amount. If schools, fire and police protection are added, a value largely in excess of each is created. If the Agricultural Department teaches us to eradicate Texas fever in cattle, subdue hog cholera, ticks in sheep, boll weevil in cotton, agricultural lands are maintained or increased in their wealth. At this moment a gain of six billions is expected by private landholders from the construction of Boulder Dam. Every operation of government, save the deliberate waste of war and occasional errors of judgment, leaves a large surplus over the expense to the landholder. Is it to be supposed that this condition will be changed by an improvement in taxation which will abolish some of our present mistakes in government? In fact, will not improved methods of taxation enhance the use and the use value of land?

But if those who anticipate a deficiency of revenue are right, the soundness of our argument is in no wise affected. We could still have recourse to the less injurious methods of taxation which we have

indicated—an inheritance tax and an income tax—both with certain limitations. Taxation upon improvements and personal property, together with all poll and occupation taxes, should be forever proscribed.

Minor Objections

Some opponents claim that were improvements and personal property removed from the tax rolls, many communities, particularly rural districts, would be unable to meet the charges of government, even if all rental values were taken. On the other hand, most cities would need to take only a small part of such values. However, many rural counties contain great stores of mineral wealth, which provide practically the entire cost of local government. We remind the reader that certain localities in Minnesota, through taxes upon ore there located, are led into extravagances in government, while other counties elsewhere fail to collect proper charges from like valuable property.

This problem exists today under the present system. It necessitates a constant readjustment of the burdens of government. We have placed greater loads upon sparsely inhabited areas than belong to them. To remedy this condition, our roads are gradually being placed under State control and even are receiving national aid. Often the State contributes as much as half the cost of maintaining schools. Sometimes the State pays part of the salaries of local judges. In California it pays half the old-age pension.

The corollary to the foregoing is that both as an administrative and taxing unit the powers and duties of each State must be extended. Purely local governments are necessary only for minor purposes, which are more apparent in the cities. The function

of providing and maintaining roads and bridges, education and justice, must be imposed upon the State. But the State must have the power to tap its sources of natural wealth for the benefit of all its citizens. The problem, therefore, is one of government as an entirety. Because of our ignorance in the matter, many rural counties groan under the weight of taxation, which today, besides being detrimental to industry, is unbalanced in the distribution of the proceeds of taxation.

Others claim that we over-emphasize the effects of land speculation—that the same results may occur to speculation in products of labor or to stock certificate evidences of ownership. We do not ignore the existence of other forms of speculation, but the evil results of the several forms are not comparable. We have considered the effects of land speculation. Let us briefly consider other forms of speculation.

In a short time, speculation in farm products or commodities defeats itself. Attempts to corner grain on the Chicago market bring speedy shipments to break it. Endeavors to control the sale of coffee in Brazil encourage its growth in Salvador, Nicaragua and other countries until the price of coffee falls. Corners in rubber in British possessions result in new growth in other jurisdictions. But always and everywhere speculation in land continues with direful effects.

Large speculations in stocks, we believe, depend in great measure upon excessive valuation followed by unwarranted depreciation of values placed upon land, and thus they often are a form of land speculation. When the burden becomes too great for the community to bear, the break comes with disastrous effects.

Opponents of levying further taxes upon land values say such action means abolition of private ownership of land, lying at the foundation of our civilization and responsible for such progress as civilized man has made. We deny that our proposal—to exempt personal property and improvements from taxation and tax land values only—is a blow at private ownership of land, and deny that it means abolition of such ownership. Very early in the history of mankind it became evident that land should be owned individually to obtain the best economic results. Original holdings in common by savage tribes of the largest tracts of land, and as practiced in a measure under the Russian Czars, did not bring such results as to invite further trial. If it appear to some that private ownership is dangerous today, it is because they confuse such ownership with private appropriation of economic rent untempered by a proper return to the State. Taxation of publicly created land values to pay public expenses would not interfere with private ownership of land.

We favor, and our proposal looks to, the utmost use and development of the land by the owner. To this end we oppose taxes upon personal property and improvements; such taxes check industry upon land. To encourage—even compel—every owner to put his land to the best use, we favor land-value taxation.

We strive, in our proposal, for a high level of satisfaction in life for the whole community, believing that a social condition marked by great extremes of wealth and poverty is a continuing and growing menace to our government and our country. Russia may again serve us as a warning. There, in the days of the Czars, were enormous accumulations of wealth accompanied by excessive poverty and general deg-

radation of the common people—a situation the effects of which are now shown in the character of the masses. Industry and the poor were taxed to the limit, great landed estates went untaxed, with the disastrous result that private property of every kind has been virtually abolished, and the government has become, it is said, even more oppressive than it was under the Romanoffs.

Our proposal, we repeat, would disturb no one in his ownership of land. Each would pay to the community his just return for his special advantages, as far as the government might need it.

There may be two adjacent lots of like value, one highly improved, while the owner of the adjoining one is unable to improve; and the question is raised if both should be equally taxed. This question has already been answered in the course of the discussion; but we will repeat that, inasmuch as the community does the same for each, the two should pay the same tax, irrespective of the use made by the owner. It is not a question of the accidental relative poverty or wealth of the owners—it is a question of the true course of justice. But we need not forget that poor people do not, at least ordinarily, own lots alongside the wealthy. This situation is too rare to affect our discussion, which depends upon broad principles.

Some claim that this plan of taxation is anarchistic, or socialistic, or communistic. Usually these objections are made in one breath, as if all represented the same thing. While it is always difficult to answer an adjective, particularly when not supported by any fact, let us see what these terms mean.

The anarchist denies the need of government, save possibly to meet some bare social necessities. Our plan fully recognizes the imperative character

of government and its usual beneficence, as shown by advancing land values.

The socialist, though he exists in many varieties of thought, may be said usually to believe in common ownership of land—for instance, as represented in land nationalization—and also of the means of production, as factories. (Of course the demands of the English Socialist party are much milder.) We would leave present private ownership of land undisturbed, requiring the owner to pay in taxes as much of the annual rental value of the land as the government needs, and leaving his personal property—including buildings and other improvements—exempt.

The communist demands the equal division of all property, and equality in the distribution of the products of labor, things apparently impossible to attain, or to preserve if momentarily attained. We propose no division or redivision among individuals, but the mere taking by taxation, for joint community use, of as much as needed of our strictly community product.

It is said that the landlord would add his new taxes to the rent of the tenant, and thus increase his burden. When one reflects that if a landlord could today exact more, he would do so, this objection is amply answered. Besides, an additional tax on land values tends to increase the available supply of land, as it then becomes unprofitable to hold valuable land out of use or to permit its ineffective use. The new competition among landlords will thus reduce rent and prevent any transfer of the tax to the tenant.