

CHAPTER XVIII

THE LAND MONOPOLY, LABOR AND UNEMPLOYMENT

Under the present system the laboring man has to compete in a restricted, and not in a free labor market, under conditions where there are even in good times more men wanting jobs than there are jobs to be filled. This compels the workers to bid against one another, with unemployment as the alternative, and the result of this is a tendency for all wages to sink to the point of a mere subsistence. This is an economic law not denied by any authority on economics. Labor therefore under the present system is handicapped in bargaining with capital for wages, and the law of free competition is thus interfered with. Under the changes here advocated the result would be a permanent condition in which there would always be more jobs than there are men desiring jobs. This would restore a free labor market uninfluenced by privilege where the wages would be settled as between laborers and employers by the free and unhampered process of the law of supply and demand as in the Nome illustration. The importance of this consideration and its immense influence for the improvement of the conditions of the wage earner can not be over-estimated. Under those

conditions capital would be so abundant that the rate of interest would probably become nearly nominal, and would establish conditions in which the normal man would always be sure of a job at wages sufficient to support his family in comfort, with hours of labor so shortened as to leave sufficient leisure for the enjoyment of the finer things of life, and the consuming power would always equal the producing power.

California—A Paradox*

A most powerful indictment of the way holding land out of use for speculation obstructs progress and prevents the production of wealth is contained in a "Report on Large Land Holdings in California" made by the California Commission of Immigration and Housing in its second annual report.¹ The Commission says:

"Few will take issue with the contention that California should comfortably support many, many times her present population. On the other hand it must be conceded that there have been times during the past few years when it seemed as if California was unable to support even her present limited population. That this paradoxical state of affairs does exist is in itself conclusive evidence of a weak spot in our social structure.

"The explanation seems to rest in the facts that on the one hand growth of population depends upon easy access to the land; whereas, on the other hand, the prospective purchaser finds land either obtainable only

*Foot Note—Under the leadership of Jackson H. Ralston, of Palo Alto, California, a constitutional amendment is to be submitted to the voters of California, in November, 1936, to provide for the adoption of land value taxation.

at excessive prices, or withheld altogether from the market by those who refuse to sell in the hope that the future will bring them a much higher price. To this increased value, these latter contribute nothing but mere abstinence. Land withheld from sale is practically non-existent; thus the available supply is limited, and consequently prices of the land offered for sale are artificially and unnaturally forced up.

"Idle and unimproved land seems to constitute one of the safest and most profitable investments. And, unfortunately for the unemployed, the investment in land does not need the assistance of labor or require the payment of wages, nor does it compel owners of wealth to bid against each other for labor. Wealth may thus be invested and large gains realized from it by merely waiting, without its owners paying out one dollar in wages or contributing in the slightest degree to the success of any wealth-producing enterprise, while every improvement in the arts and sciences and in social relations, as well as increase of population, adds to its value. By this means we foster unemployment, yet it is considered legitimate business to purchase land for the avowed purpose of preventing capital and labor from being employed upon it until enormous sums can be extracted for this privilege."

What is the answer to this indictment?

Education the First Essential

At this stage of the problem it ought not to be necessary for the advocates of the abolition of privilege in land to formulate a definite and workable remedy. The first task is to educate public opinion to realize the

injustice of the present system. When Garrison and Phillips and their fellow abolitionists were going up and down this country for nearly thirty years, crying out against the injustice of slavery, they were unable to present any solution of the problem which appeared to be feasible to the average man, nor did they attempt to do so. Their position was that slavery was immoral and unjust, and that it must be abolished. This is always the position of those who first become the agitators against the injustice of an existing institution. Experience shows that the remedy has to be developed after public opinion has been convinced of the injustice of the existing system, and experience also shows that the remedy finally adopted is seldom the one theoretically proposed by students during the agitation against the injustice of the system. Nevertheless as this demand is constantly made, it may be wise to consider the question of the remedy.

Various solutions of the land question are offered from time to time, including the socialist idea that the government should own and operate everything including the land, to the idea of the single taxer to take by taxation the full rental value of the land. Students of political economy seem to be agreed that the site value that attaches to land in civilized communities is created by the community, and if this is so then in morals that which the community creates belongs to the community.

Speculation and Monopoly Against Public Policy

The principle upon which we should work is that it is against public policy to allow any land to be held

out of use for purposes of speculation or monopoly. If we can gradually force into use, or into the hands of the state, the unused land in every part of the country, it will become easier for the average man to obtain a home or own his own farm, and this will result in abolishing tenant farming, increasing home owners, and drawing off upon the land large numbers of city workers, thus relieving the congested labor market.

The simplest remedy as a matter of theory was presented by Henry George in his great book "Progress and Poverty." This is known as the single tax. It proposes to take into the treasury of every municipality in annual taxation the rental value of all land, and to exempt all improvements and personal property from taxation.

This remedy in theory is ideal. It presents very great practical difficulties in this country because of our national and state constitutions. This is a tax remedy, and would require a change in the laws and perhaps in the constitutions of forty-eight states. Under our present national constitution the courts would probably hold that no direct tax could be levied by the national government upon land or the value thereof. To carry out this proposition therefore would require an amendment to the national constitution, or action by forty-eight state legislatures with the possible amendment of the constitution of many of the states. It is possible, however, to make substantial progress in the abolition of the existing system through national legislation.

Congress Can Outlaw Holding of Land Out of Use

Under the national Constitution, Congress has power

to pass measures to provide for the general welfare. There has been no judicial definition of the limits of this power. Under that clause a national law could be passed declaring that it is opposed to the general welfare that any owner should hold land out of use, or be permitted to devote it to an inadequate use. Such a law would lay down the principle that the general welfare requires that all the idle land in the country should be devoted by its owners to some use, preferably its most profitable use, or made available to others who would be willing to devote it to such profitable use. This law could be enforced by appropriate penalties and by legislation providing for the leasing by the government for account of the owner of all lands held out of use.

The tax remedy is the simplest and most direct, and when public opinion is finally educated upon the land question, it will insist upon the complete remedy, as it did in the case of slavery, and it might then be necessary to resort to an amendment of the national constitution.

How Supreme Court Usurped Power to Veto Acts of Congress

In the meantime it is well to keep in mind the fact that both the tax and penalty remedies are constitutional in fact as they can be brought under the police power and general welfare clauses, and the Supreme Court has no power to declare these or any other law of Congress unconstitutional. This power is a plain usurpation of authority by the Court, following John Marshall's first decision. In the Constitutional Conven-

tion James Madison twice moved a provision giving this power to the Supreme Court, and it was voted down decisively both times. The usurpation of this power has always been used to support property rights (meaning property in privilege), as against human rights, as in the Income Tax case, which delayed the taxation of incomes of the rich for twenty years.

There is a growing dissatisfaction with this usurpation of power by the court which is accentuated by the fact that all these decisions have been by a five to four vote. Certainly no act of Congress or a State legislature should be declared unconstitutional unless it is so beyond a reasonable doubt, and if a single judge dissented that should be sufficient to prevent action by the court.

Constitutional Amendment for Protecting People from the Courts

If this subject was dealt with by a constitutional amendment giving the court the power which it now usurps, it is certain that the power would be limited to judgments unanimously agreed to.

It is sufficient at the moment in considering this branch of the case to know that the problem is one that can be solved, and if the necessity of this solution is admitted, the difficulty of devising and applying a remedy can not be allowed to stand in the way.

Certainly in the early days of the agitation of slavery no one was able to present a feasible remedy for the abolition of slavery, and no such remedy ever was presented to the American people. It was finally abolished

as a result of a rebellion brought on by the slaveholders.

The importance of the land question also is enhanced by considering the fact that in the end the advantages of nearly every suggestion for improving conditions would be nullified and lost by the tendency of those improvements to increase the value of the land. The great cry at the present moment everywhere is for a reduction of the intolerable burden of taxation. It is assumed by those who demand a reduction in taxes that such a reduction would benefit everybody, but this is not true. A reduction in the taxes upon the real estate in any great city would benefit only the owners of the land in that city, in the last analysis. It is generally assumed by reformers that although the great majority of the people in the average city do not own any land they would receive their share of a benefit of a reduction in taxes on land by decreased rents. It is an economic law that a reduction in taxes on land does not and can not permanently benefit those who do not own land, for the simple reason that a reduction in taxes on land increases the value of the land, and tends to hold up rather than diminish rents. An illustration will show the truth of this law.

Assuming that Rockefeller desired to aid the city in which he was born, or for that matter any city, and to that end established an endowment fund, the interest upon which was sufficient to defray the entire annual budget of the community.

This would relieve all of the owners of taxable property of any tax whatever. Would this saving by every taxpayer be passed on in reduced rents? On the

contrary the Rockefeller endowment would remove from the land the annual tax, which in effect is a mortgage, and the result would be that the value of the land to the owner would be enhanced, and therefore the tendency would be for rents to go up, or at least not to decrease, because temptation to hold land idle for speculation would be increased. The income from the land being increased by the saving in taxes, the land value would consequently be increased. Tom Johnson's establishment of the three cent fare in the City of Cleveland did not ultimately benefit a single passenger upon the cars who was not an owner of real estate, because the three cent fare ultimately increased the value of all lands served by the street cars.

If, as before stated, the cost of the subways in New York City had been assessed upon the value of the benefited land and a three cent fare had been the result, the savings to the million of daily patrons of the subways would all have been offset by increased rents due to the increase of the value of the land in the community. This is an economic law, and because of it the land question is the most important of all social problems.

This consideration of the land question shows what must ultimately be done, if we are to do anything for the "forgotten man." No statesman is equipped to solve our social and industrial problem until he is thoroughly familiar with the land question and the laws of political economy, and the most complete analysis of these problems is that set forth by Henry George.

The ultimate remedy can only be applied after a process of education of the public in the land question,

of which they are now profoundly ignorant. The practical task is to formulate a political program, which is not too far ahead of public opinion, but which brings in a minor phase of the land question in an incidental way, following the early Republican precedent of disclaiming any attempt to abolish slavery, but declaring for its restriction to the slave states. Such a program will appear as a part of the measures later suggested for abolishing the privileges of the trusts.