

CHAPTER XIII.

OF THE INDIVIDUALIZATION OF VALUES.

To own the source of labor products is to own the labor of others; to own what you produce from that source is to own only your own labor. Nature furnishes gold mines, but men fashion gold rings; the right of ownership is radically different.

Louis F. Post.

The most fundamental step in the program of bisocialism is the socialization in taxation of all ground values. As has been shown in former chapters, this step will make it possible to adopt the economic standard of value, and to maintain a system of currency issued in payment for labor, services and labor-forms furnished to the State, and redeemable in payment of taxes. It will solve the money question. It will also eliminate from our economic life the basic form of monopoly—the monopoly of natural opportunities. It has also been shown that the socialization of all ground values will furnish the only true basis for the solution of the question of the ownership, operation and control of public utilities; that it will solve the great question of transportation, and, above all, that it is the only economic policy that will raise the economic margin to its normal position and make it possible for all men, with equal opportunities, to satisfy their desires with the least exertion. In raising the economic margin this policy will give to the marginal laborer the full fruits of his labor-power and thus solve the wages question.

But however important may be the socialization of all ground values and all public utilities, when this has been accomplished it will be no less important that all labor values and capital values shall be individualized to the highest degree.

So important is this phase of the program of bisocialism that, at the present time, nearly all persons who favor the appropriation of ground values for revenue and the municipalization of all public utilities class themselves as individualists rather than socialists. But any movement which seeks to overcome the evils of the established order must emphasize in every possible way the affirmative steps in its program. A negative doctrine does not move people to action. Neither does laying the greatest stress upon the negative phases of a reform movement induce people to enlist under its banner. The two most fundamental, the all-inclusive steps in the forward movement in the realm of Economics, are distinctively socialistic. It is the socialization of ground values and of public utilities that gives character to the entire movement as a governmental policy, and that aptly gives to the movement as a whole the distinctive name of *Bisocialism*.

It must at all times be recognized, however, that the final purpose of these socialistic steps, as of the whole movement, is to secure economic freedom for the individual. Any form or phase of socialism which does not tend directly and persistently toward the immediate freedom of the individual has no place in the program of bisocialism. True socialism and true individualism are not in any wise

antagonistic or incompatible. They are the two halves of a consistent whole.

The doctrine that every man is entitled to all the values distinctively created, directly or indirectly, by his labor-power necessarily follows, if all men are entitled to personal freedom. To say that a man is free is to say that he is sole owner of himself. But if any man owns himself, he is entitled as of right to his own labor-power, and to have exclusive control of its exertion. If this is true, then it also follows that he owns and is entitled to control all the distinctive results of his own labor-power. He can not own and control his labor-power, if another man, without his consent, can own or control the distinctive results of his labor; and he can not own himself, if another man, without his consent, can own or control his labor-power; nor can he own himself, if another man, either by force or by law, can own or arbitrarily control the land-forms upon which his labor-power must be exerted, or upon which he must stand in order to exert his labor-power at all.

Property in labor-forms (including capital-forms) has its economic basis in the ownership by man of himself—in the inalienable economic freedom of the individual. If any other man or any number of men under the guise of government, or under the sanction of the law, can despoil him of any of his labor values or capital values, then to that extent is any man, so despoiled, a slave. In whatever form economic slavery may appear, its essence is simply unrequited toil.

The taxation of labor values and capital values is usu-

ally defended upon the ground that the State protects man in the acquisition, use and enjoyment of labor-forms. But in a former chapter it was shown that in the case of a labor-form there is no increment of its value to which the State may point and lay claim as having created it or caused it to accrue. It has also been shown that all the value of any labor-form directly accrues from the exertion of some particular person or persons who give to such labor-form its distinctive utility. So far as any favorable action or protection of the State is concerned, the value of the labor-form is lessened by the extension and improvement of the market. On the other hand, all the measurable benefits derived from the protection of the State are directly and fully reflected in ground values. In this view it appears that the entire value of a labor-form should be left to the person or persons whose labor has given to it that distinctive utility which results in value; and that the State should resort to ground values for its sole source of revenue.

It may be said, also, in opposition to the taking of labor values and capital values in taxation that the citizen owes the State no more than the State owes the citizen. From a civic point of view a good citizen is of as much benefit to society as society is to him. From an economic point of view the same thing is true of a producer either in industry or in exchange. Every man who enters the market either as buyer or seller tends to make the market more general, and to increase those gains to society as a whole which result from the socialization of utility. Thus we see that both the benefits of the State to man as an in-

dividual and of man as an individual to the State are immeasurable. There is no more reason why the State should attempt to collect compensation for an immeasurable utility conferred by it upon a citizen, than that he should demand a bonus from the State for the immeasurable utility which he confers upon it by his participation in industry and exchange.

Economic Science is the science of measurable utilities, and its decrees limit the State in the latter's attempt to put a price upon the benefits which it confers, to the only values which reflect such benefits in measurable form, viz., ground values. The attempt of the State to measure in an arbitrary manner its immeasurable benefits, and to reap where it has not sown by taxing labor values and capital values, is so contrary to the laws and principles of Economic Science that it has always resulted in failure and always must so result. No State has ever yet succeeded in taxing labor values and capital values with any degree of fairness, fullness, or success in any way. Such attempts have always been disappointing to the State and disastrous to large numbers of its citizens. No one who has ever honestly given this matter even a casual investigation has failed to realize that the taxation of personal property, so-called, is utterly unfair and ineffectual; and no one who has even a passing knowledge of the true canon of taxation has failed to realize that to attempt such taxation is an egregious economic blunder.

One of the most comprehensive, thorough and trustworthy exposures of the inequalities and iniquities of taxation under the present system may be found in the Eighth

Biennial Report of the Bureau of Labor Statistics of Illinois (1894). This official report discusses not only facts, but also principles concerning the question of taxation, and closes with a recommendation that, as soon as practicable, site, or ground values be substituted in taxation for state purposes, the value of public utility franchises being treated as a form of site value.

Among many other things, this report shows that for the year 1894 Cook county, containing the City of Chicago, reported for taxation but 397 fire and burglar-proof safes, while Kane county, containing no large city, and but one-eighteenth as many people, reported 483 such safes for taxation. The average values, by counties, of fire and burglar-proof safes as reported in sixteen counties for that year ranged from \$19.54 to \$93.30, Cook county being next to the lowest in its valuations. In Cook county a watch or clock was reported for every 157 persons; while in Macon county a watch or clock was reported for every 12 persons, the average values also being higher in the latter county than in the former. The pianos listed in the state ranged in average value from \$28.39 in Cook county to \$84.61 in Hardin, a county without a railroad, in the extreme southern part of the State. For the same year the value of all the diamonds listed for taxation in Cook county, with its population of 1,250,000, was but little more than \$17,000, the law then requiring all property to be listed at its fair cash value. And yet it is sometimes argued that the present system must be maintained in order to prevent persons who wear diamonds from escaping taxation!

Between the years 1872 and 1897 the laws of Illinois required all personal property to be listed for taxation at its fair cash value, and all real estate (not specially exempt) at its fair cash value, estimated at the price it would bring at a fair, voluntary sale. From 1873 to 1893 the population of the State increased over 50 per cent. Yet the personal property of Illinois as listed for taxation in 1873 amounted to \$287,292,809, as against \$145,318,406 in 1893, a decrease in twenty years of \$141,974,403. The valuation in 1873 was \$113.11 per capita, against only \$37.98 in 1893.

It may be said in reply to this that by common acquiescence the assessors of the State gradually changed from valuations based upon full fair cash values in 1873 to about one-third of such values in 1893 as the basis of their assessments. In a general way this is true, although such action was contrary to law, the statute during all that time remaining unchanged. But a further examination of the facts shows that upon this hypothesis the matter of undervaluation is in no wise improved, inasmuch as the reductions in value were far from uniform throughout the state. In Hardin and Calhoun counties (both without railroads but with people of a high grade of honesty—for which they were duly punished with high taxes) there was an actual increase of valuations of 3.56 per cent in the former and 13.06 per cent in the latter. In all other counties there was a decrease in valuations ranging from 8.18 per cent in Massac, to 70.84 per cent in Mason county, making an extreme variation in valuations of nearly 84 per cent among all the various counties of the

State. As a rule the rate of decrease of valuation was greatest where the increase of actual value was greatest and *vice versa*; and as a rule the strictly agricultural counties paid more taxes according to population and to the actual value of their property than the counties reporting other kinds of property.

In the same term of years the process of changing (contrary to law) from the actual fair cash value to some fractional part of it as a basis of taxation was applied to real estate, and every county in the State showed a decreased valuation for the twenty years, ranging from a decrease of 1.33 per cent in Winnebago to 60 per cent in Clay county. Under a system in which the entire ground value of every piece of real estate was taken in taxation every year no inequalities in the assessment of real estate would be possible. All buildings and other improvements would then be exempt from taxation instead of, as now, being assessed with all the inequalities of personal property.

It is objected by many that the abolition of personal property taxation would permit bankers and others who have investments in stocks, bonds, and mortgages entirely to escape taxation. They practically escape taxation now. In 1894 all the bankers and brokers in the county of Cook (including Chicago), other than national banks, listed for taxation under the head of "moneys of banks (other than national), bankers, brokers, and stock jobbers" the small sum of \$43,925. This included money on hand and in transit, together with the amount of funds in the hands

of other banks, bankers, brokers or others, subject to check, and other cash items not included in the above.

Less than one year before the date for the assessment of 1894, in order to allay the fears of the public concerning the financial condition of the country on account of the panic then developing, the state auditor of Illinois published a statement of the condition of 27 leading banks of Chicago (other than national) as shown by their sworn reports made pursuant to law. From this statement it appears that these 27 banks alone had on hand on June 5, 1893, cash to the amount of \$7,877,637.97; due from other banks, \$9,347,333.13; and checks and other cash items, \$1,766,800.67, or a total of taxable moneys under these heads of \$19,001,771.67. The amount listed by all banks in Cook county, other than national, eleven months later was only \$43,925. What, in the meantime, became of the difference, \$18,947,846.67? And yet we pretend to tax bankers and brokers to the same extent and in the same way as other people.

We also pretend to tax the credits owned by the rich, but the illusion is just as great as in the case of the taxing of moneys. For the year 1894 all bankers, brokers, etc., in Cook county listed for taxation credits to the amount of \$10,000 as reported by the state board of equalization. On June 5, 1893, the 27 banks of the City of Chicago above referred to reported to the state auditor the possession of taxable credits, after making all lawful deductions, of \$1,058,105.25. Between that date and May 1, 1894, these taxable credits had shrunk to \$10,000, the shrinkage in eleven months being \$1,048,105.25.

As in the case of other forms of personal property, the evasion of taxation of moneys and credits is not uniform throughout the State. The evasions are greatest where there are the most moneys and credits subject to taxation under the law. At the time when the bankers, brokers, etc., of Cook County (including Chicago) reported for taxation only \$43,925, the same classes in Peoria county reported \$279,684. In Cook county the amount per capita was less than four cents; in Peoria county it was nearly four dollars. In the case of credits the classes in question in Cook county reported \$10,000, while in Winnebago county the amount was \$253,514. The amount per capita in Cook was less than one cent; in Winnebago, more than six dollars and a quarter.

The conditions described in great detail in the official report, from which we have quoted facts and figures concerning only a few of the most flagrant abuses, are not confined to the assessments of 1893 and 1894, nor to the State of Illinois. In every State in the Union similar conditions now prevail. The tax evasions are greater in Chicago than in Peoria because the opportunities are greater, and because the pressure of artificial competition for the use of land-forms drives men to such expedients as evading taxes at the risk of the penitentiary in order to excel, and often in order to survive. In New York the evasions are greater and the inequalities more glaring than in Chicago; but local conditions considered, the inequalities of personal property taxation everywhere are about as bad as they can be. The rich everywhere conceal their property and evade their taxes to a vastly greater

extent than the poor. The poor have so little that it can not well be hidden; it must be openly used all the while. In a similar way, the property of a farmer is open to the inspection of every one and its extent and value are known to all around him; but in the city it is usually impossible to ascertain what any man is worth in personal property, if he chooses not to have it known. But in either city or country, the more a man is worth the easier it is for him to conceal a relatively large part of his personal property and effects from the assessor. In neither city nor country, however, can he conceal his land-forms.

The primary fault is not in the people who evade their taxes; it is in the system of taxation.

"This system is in its nature so easily evaded by actively conniving with assessors or passively accepting their fraudulent favors that it offers premiums for fraud and perjury, which must be paid by the honest and truthful. Such a system tends to suppress all honesty and good faith in connection with taxation; it demoralizes the whole community. Even the respectable rich seem to be no more proof against lawlessness when the law pinches them at the pocket, than the poor when it pinches them at the stomach.

"And why should personal property be taxed? Is the supply of personal property a thing to be kept in check, like the liquor traffic in some places by high license, or dogs in others by a high dog tax? Or is it something that the community needs? something that the more of it there is in the community, the better off the people of that community may be? Is it a friend to be invited in, or an enemy to be driven out? No man would experience any difficulty in answering for himself. He wants personal property. The more he gets, the better he is satisfied. Neither he nor his family regard it as a nuisance to be suppressed. Yet every personal property tax increases his difficulty in getting and keeping personal

property. Every such tax assists in driving that kind of property out of his household and keeping it out. Every such tax tends to lower the quality of the personal property he can afford to own. And every such tax, by thus diminishing demand for personal property, tends to diminish opportunities for employment in making and selling it.

"This species of taxation should be abolished."*

Leaving now the question of the taxation of personal property—labor values and capital values—let us examine, briefly, certain property values, complex in their nature, with reference to the question of their individualization or socialization. These are the values of mining properties, oil fields and similar land-forms. Although held under ordinary land tenure, these properties partake of the nature of monopolies since the territories which they collectively occupy are limited in extent; yet they are not monopolies under the definition we have formulated, since their smallness territorially is not a limitation placed upon them by law but by nature. Neither are they public utilities, since they require neither the private use of public property nor the special exercise of any public power to make them effective in private hands; no franchise is necessary for their use or operation. Subject only to the limitation of supply, the values of these land-forms do not differ from those of land-forms put to ordinary uses, and the application of the full program of bisocialism will completely socialize them through the socialization of their ground values, without making it essential for the State to enter upon their ownership, operation and control, as is necessary in the case of public utilities.

* Report Illinois Bureau Labor Statistics, 1894, pp. 353, 354.

Let those to whom it may seem that the full program of bisocialism will not be sufficient to eradicate all the evils which now attend the mining, the oil and similar industries consider the following:

If all the coal lands in the United States were open to use and operation, in normal conditions, there would be no scarcity of coal at reasonable prices. As it is, the coal fields have been bought up by great corporations, and more good mining opportunities are held out of use than are used. The corporations owning these coal lands are closely affiliated with railroad companies, so that the owners of the mines control the transportation of coal and can secure discriminations in freight rates favorable to themselves and highly unfavorable to "independent" competing mine owners and to the public. Monopoly of the natural opportunities for mining coal and of transportation facilities forms the basis of all that is evil in the coal situation to-day. The same thing is true of the situation in all other mining industries and in the oil fields.*

The full program of bisocialism will permanently correct both of these evils. If the entire selling value of all natural opportunities were taken annually by the State in taxation, the price of mining lands and oil fields would fall to the present worth of one year's ground rent in each case. This would bring the price of mining properties within the reach of many more investors, but no man could afford, even for one year, to hold any valuable mining opportunity out of use. In every year he would lose

* For a full demonstration of this fact see Henry D. Lloyd's *Wealth against Commonwealth*.

the entire income from the value of the mine unless he put it to use, and this loss could never be recouped, as now, in increased future selling value. The tax would increase each year along with the value and absorb it substantially all.

Again, under bisocialism, all transportation facilities would be owned, operated and controlled by the State, and all freight charges would either be uniform at a flat rate regardless of distance or entirely free. This would practically eliminate all differences of location in mining properties and put all mining enterprises upon an equal footing as to all markets in the United States. In such circumstances, and in the absence of any discriminating duties, it is impossible for mining enterprises of any character to be monopolized, or for the prices of coal or other minerals, or of mineral oils, to be maintained above the prices arising in a normal market.

The trust monopolies which exist to-day, and which have already reached their culmination for this decade, are doomed to almost immediate dissolution unless based upon one of the five primary sources of monopoly, viz.: Patents; tariffs; transportation rebates and discriminations; the private ownership, operation and control of public utilities, including railroads; and the private ownership, under present tenures, of natural resources and opportunities.

Trust monopolies based wholly upon patents are relatively transient, being limited by the life of the patent or patents involved. Those based upon tariffs are more or less insecure because of tariff revisions, and of the fact

that so many may compete for the differential privileges involved as to reduce the advantages to a nominal basis. In order permanently and surely to profit by tariff discriminations, the trust monopoly must become compound and include differential advantages in transportation, or, better than all, the control of the home supply of the articles covered by the tariff discriminations. A trust monopoly based solely upon transportation franchises, rebates, or discriminations is relatively transient, as franchises are nearly all limited in duration and rebates are more or less uncertain, as they may be disturbed by law or discontinued from many causes. But a trust monopoly based upon a monopoly of the natural sources of supply is built upon a rock and will endure as long as the established order is maintained. Such a trust monopoly, as the Standard Oil Company, naturally draws to itself railroad rebates and discriminations (the Standard Oil Company possessed these at the beginning), the ownership of franchises, the advantages of protective tariffs, and the differential benefits of patents in the processes and contrivances of production. The trust monopoly in the anthracite coal regions is of the same nature, and the bituminous coal fields are fast falling into the hands of a similar all-inclusive trust monopoly.

If the people really want to destroy these so-called "trusts," they must abandon the fiction of taxing the capital stock, the bonds, and the working plants of these great corporations, and apply the whole power of taxation to the monopolistic feature that is the basis of them all. With the full program of bisocialism in force, with its

absorption into the public treasury of the differential values of the natural opportunities owned and controlled by them, not one of these trust monopolies could survive a single year. The exemption of the working plants and the products of such enterprises, together with the cheapened price of the natural opportunities, would create such an impetus in these fields of industry as the world has never seen. Labor-power would be in great demand, and coal and oil would be both plentiful and cheap.

There is an economic reason for the complete socialization of railroads and all other transportation facilities by means of governmental ownership, operation and control. It is in this way only that the disutility of distance may be overcome as between different communities, and that all producers, with regard to this disutility, may be put upon a plane of substantial equality. This is also the only means of progressively raising the normal economic margin after it has been restored through the socialization of all ground values.

But there is no economic reason for the complete socialization of mining and oil-producing enterprises in a manner involving governmental ownership, operation and control. All of the equality of opportunity possible in these enterprises will be brought about when ground values and transportation facilities have been fully socialized. But if it be conceded for the sake of argument that after such socialization of ground values and of the means of transportation, conditions may still arise which justify or demand governmental ownership, operation and control of mining and oil-bearing land-forms on the ground of ex-

pediency, yet the complete socialization of their ground values must first be accomplished.

It is idle to talk of the government taking over either mining properties or private land-forms furnishing transportation facilities, until the prices of all land-forms have been reduced to their values for present use and occupation. It would be economically unwarranted for society as a whole to pay to present beneficiaries of its special privileges the present values of land-forms. The present values of all land-forms are based, not upon their utilities for the present productive purposes alone, but also upon their utilities for future monopoly and speculative purposes. Society as a whole by its institutions, laws and customs has given to land-forms all the values which they possess in excess of one year's ground rent in each case. By a change of its institutions, laws and customs to the extent of adopting the program of bisocialism, society can not acquire and retain the differential values of its land-forms; these values under bisocialism will simply disappear. When they have disappeared, and not till then, society can acquire land-forms for the purpose of direct socialization without buying from its beneficiaries that which it has distinctively created and given them without any consideration whatsoever. So that if public ownership of mines and oil fields is eventually to be adopted, the full socialization of their ground values is necessarily the first step; it can not be dispensed with in any event. But Economic Science clearly points to the individualization of all such productive enterprises, subject only to the socialization of all ground values every year.