

A Reply to Mr. Woodlock

By HARRY GUNNISON BROWN

It was a pleasure to read Thomas F. Woodlock's June 17th "Thinking It Over" column in the Wall Street Journal. For the spirit of reasonableness and open-mindedness displayed are admirable. And so is the clear and systematic way Mr. Woodlock approaches the problem of land values and their taxation. Such an approach was, of course, to be expected from the distinguished author of "The Catholic Pattern," and other notable works.

But the truth is that a peculiar perversity seems to afflict most persons who, being on "the outside" of the ranks of those already convinced that land rent should be socialized, attempt to discuss the matter in print. They seem to think it incumbent on them to find something wrong with the proposition even though their discussions usually indicate that they have never carefully studied the grounds on which it is to be advocated and even though they show, in their writing, that they do not really understand it. They appear to feel that opposition is expected of them, that the land-value-tax is not favorably entertained "in the best circles" and that they'd best make sure no one will accuse them of supporting it! Mr. Woodlock, on the other hand, writes as a sincere inquirer who has, already, an understanding of some of the most important relevant basic principles. He is one who, far from merely seeking inconsequential arguments to buttress a pre-determined opposition to the land-value-tax program, desires the fullest possible theoretical and practical knowledge of it.

As to a method by which the change to the public appropriation of land rent might be brought about—one of Mr. Woodlock's questions—we might proceed somewhat as in the case of the Pittsburgh (and Scranton), Pa., graded tax plan. In 1914, the city tax rate on improvements in these two cities was made 90 per

cent of the rate on the lots. In 1916 it became 80 per cent. In 1919 it was 70 per cent; in 1922, 60 per cent, and in 1925, 50 per cent. No further change has been made; and a request of officials of (the League of) third class cities in Pennsylvania that the legislature extend the system to them has been ignored. Furthermore, the law does not apply to state and county taxes but only to city taxes (in these two "second class" cities). But it would be simple—were there a will to do it—to extend the system both in the cities where it is in force and throughout the state. And in increasing and extending territorially the tax on rent, it would be possible to abolish or greatly reduce also other taxes than those on capital, e.g., sales taxes.

Such a change could be made at a more rapid rate than was done in the Pittsburgh case or at a slower rate. Those who realize most clearly the advantages of the public appropriation of rent will probably prefer, most of them, a more rapid introduction of this reform. But any significant reform, in a democracy, must wait on a favorable popular sentiment and can proceed no faster than such popular sentiment will allow. Just because the economic and social advantages of this reform are so great, it is desirable that we take some steps towards its realization as soon as politically possible, even if to gain the necessary political support these steps must be slow.

Mr. Woodlock's contention that the land-value-tax reform would not "of itself abolish poverty" is, of course, reasonable. Abolition of tariffs which interfere with profitable specialization, control of the monetary and banking system so as to avoid alternate inflation and deflation, effective prohibition of unfair methods of competition, and other policies calculated to make the free competitive system of industry operate to promote the common welfare.—all these

are important. And, of course, poverty can come from sickness, laziness or other causes not connected with public policy.

And yet I cannot avoid the conclusion—and I believe Mr. Woodlock will agree—that the most fundamental of all economic reforms is this one of public appropriation of the rental value of land. For surely, a system under which the many must pay to a comparatively few, billions of dollars a year merely for PERMISSION to work and to live on the earth in those locations which geological forces and community development have made relatively productive and livable,—surely such a system is inconsistent with the principles on which we should properly expect to build a fairly decent economic order.

But let us examine specifically how the social appropriation of rent would operate, if not to abolish poverty, at any rate to decrease it appreciably. First, it would make unprofitable the holding of good land out of use. This would mean competition of landowners to get their land used and, therefore, it would mean lower rents charged for the use of land. The consequent availability on the basis of these lower rents, of increased amounts of land, would mean greater productivity of labor than when it has either not enough land to use or must use inferior land because of the holding out of use of vacant land. Studies on this subject have shown, in various American cities, from a fourth to more than a half of lots held vacant. No longer available for agriculture, they remain, for years, unused in the cities. A tax system which would abate this evil would, by diminishing waste and adding to the productivity of labor, definitely tend to raise the level of wages.

Again, the taking by the community of the rent of land as its first source of revenue, would certainly

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make possible reduction of other taxes and, presumably, would make possible the abolition of some of them. In so far as the taxes thus abolished are taxes levied on commodities that wage earners have to buy, their abolition—or even their reduction—means that of their now higher wages, less is taken from them by such commodity taxation.

Still again, if land is taxed more in a given country or state, the tax on capital (buildings, machinery, steamships, planted trees in an orchard, etc.) can be reduced and perhaps entirely abolished. This reduction or abolition of taxes on capital would leave larger returns to those whose savings make possible the construction of capital. It would mean that persons who save would thereafter prefer to invest their savings in the country or state which taxes geologically and community produced land values and so is able to untax the capital that is made possible by the work and thrift of individuals. It would mean, therefore, that capital would tend to increase there at the expense of juris-

dictions following a less intelligent policy. But with more capital, labor is better equipped, and better equipped labor can produce more and, therefore, can earn more.

Thus, real wages can be higher for three reasons:

(1) More good land is available to use.

(2) More capital equipment is available where capital is taxed less or not at all.

(3) Wages are themselves less taxed—or not taxed at all—since taxes on the incomes of wage earners and on the goods wage earners buy can be abolished or, at least, substantially reduced.

But this is not all. For the sale price of land would be brought down more and more as the land-value tax took more and more of the community produced annual rent. The reason is that the sale price of land is found by capitalizing at the prevailing interest rate the net anticipated rent to the owner. Thus, with a low sale price of land it becomes relatively easy for a person who is willing to work and save, to acquire title to land for a home or farm.

Such a reform would really facilitate the transition from tenancy to ownership. The worker in such a country could earn more; if, from these larger earnings, he saved more, he could enjoy a larger return on his savings (with capital no longer taxed); he could buy land for a home, a farm or a business more cheaply; and after buying it, though the annual land rent, as such, would go mostly to the public, he would have to pay (presumably) no taxes at all on any buildings or other improvements that he might construct on the land.

Some economists seemingly have been unable to see the advantage of the land-value-tax system thus accruing to a person trying to save enough to buy a home, but this is from the failure to perform—surely not from inability to perform!—the simple arithmetical calculations which would conclusively demonstrate it.

Certainly it is altogether inconsistent with an economic philosophy which would base incomes on service, which would reward industry,

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enterprise, thrift and inventive genius, to maintain such an incongruous element in the system of free and competitive enterprise as the present arrangement by which the rent of land goes chiefly into private pockets. For this means, as has been already indicated, that a part of us are allowed to collect from the rest of us merely for giving the latter permission to work on and to live on the earth in those locations having geologically produced and community produced advantages. The free enterprise system, reformed as it might be reformed, is greatly to be preferred, or so many of us believe, to a socialistic or communistic system. But what if men cannot be made to understand why it works as badly as it does, and cannot understand—or will not understand—why and how it needs reforming! And what if the end result is a completely regimented economics system under the direction of a highly centralized and all-controlling state!