

On Rent, Land Values, Speculation and Taxes

By C. VILLALOBOS DOMINGUEZ

In a letter to the editor in the April issue of *The Freeman*, Mr. John Z. White takes exception to my thesis that every tax must eventually come to rest upon the landowner, as set forth in my article, "A Reply to Critics," in the March *Freeman*. In voicing his dissent, however, Mr. White is guilty of misconstruing certain of my statements. He writes, "He argues that of total production an indefinite amount must go to wages." What I did say—and though I wrote in Spanish the passage was correctly translated—was this: "It must be admitted that in some indeterminate proportion the wages of specially remunerated workers can be indirectly reduced, temporarily or permanently, by the pressure of taxation." I maintain that the statements are by no means the same, and this misinterpretation of my views leads me to remark that, whatever the amount of production and its value, the part apportioned to wages is sufficiently definite. It is, in short, the indispensable minimum which workers, with the exception of those of special skills who are specially remunerated, must have in order to live.

Mr. White says further, "George argued that speculation in land is the great practical evil." I have seen no such assertion in any of George's writings. Instead he repeatedly stated that the great evil in modern society is the private ownership by some men of the land upon which all must live and work.

If the thought of George was as Mr. White states, it would have been a very narrow view. Speculation is a phenomenon secondary, adjective, occasional and local. It is not a fact general or constant, although to Americans and inhabitants of other "new" countries the rapid growth in rent and the selling price of land, making for speculation, might make it appear otherwise. This advance in land values has been due to the fact

that the growth of population in these new countries has been stimulated by immigration, as well as to the advance in technological processes.

Yet the great evils of private ownership in land persists, and in even more severe form, in European and Asiatic countries where the value of much of the land has long remained virtually unchanged and speculation in land is of infrequent occurrence. As a matter of fact it has been my personal observation that immigrants from Spain and Italy to Argentina knew nothing about land speculation, or that—which was common knowledge to us—land values in countries still in the process of settlement tend to increase. If Mr. White were correct, these static countries would not have any "great" economic evil, but surely this was not the view of Henry George!

It is therefore of great importance to keep in mind that the fact of fundamental significance is the private ownership of land, and that the various evils springing from the institution of private property in land are not in themselves fundamental at all.

Having this in mind, several problems are cleared up, and one is not tempted to think, for example, that the mere checking of speculation can in any way result in a lasting improvement in social conditions, or that, as Mr. White says, "With greater production wages would be much higher." The fact is that neither an increase in production nor reduction in public expenses will affect wages, for the simple reason that the owner of land would automatically reap the benefits.

No one should forget the wise words of Henry George: "Thus where private property in land has divided society into a landowning class and a landless class, there is no possible invention or improvement, whether it be industrial, social or moral, which, so long as it does not affect

the ownership of land, can prevent poverty or relieve the general conditions of mere laborers. For whether the effect of any invention or improvement be to increase what labor can produce or to decrease what is required to support the laborer, it can, so soon as it becomes general, result only in increasing the income of the owners of land, without at all benefitting the mere laborers. In no event can those possessed of the mere ordinary power to labor, a power utterly useless without the means necessary to labor, keep more of their earnings than enough to enable them to live." (*The Condition of Labor*).

And again: "A reduction in the amount taken from the aggregate produce of a community by taxation would be simply equivalent to the increase in the power of net production. It would in effect add to the effective power of labor, just as do the increasing density of population and improvement in the arts. And as the advance in the one case goes, and must go, to the owners of the land, in increased rent, so would the advantage in the other." (*Progress and Poverty*).

At all events, the only effective way to eradicate land speculation is to make land common property, just as the only conclusive way to eliminate smuggling is to suppress custom houses. But, I must add, it would not be practical to do either of these things by abrupt or revolutionary means.

Another point that can cause mistakes, is the correlation between production, rent and land values. If "artificial scarcity" of land checks production and can increase speculative land values, it is not true, as Mr. White appears to believe, that the process can be repeated over and over, production repeatedly being checked and land values continuing to gain. The absurdity of such reasoning, when carried to its logical

conclusion, can readily be seen: when production had been reduced to the minimum, or nothing, rent would be at the maximum height. But we know well that rent, like wages and interest, can come only out of production.

Because the landowner gathers at the end the net surplus of production, whatever it may be, after payment of wages, interest, amortization and taxes, one ought not to be puzzled, as Mr. H. W. Noren seems to be in his editorial in the *May Freeman*, by the fact that "at recurring intervals millions of tenants have had their taxes increased and the rent raised at the same time." This would only prove that the increment of rent has been greater than the increment of taxes; which is quite possible if the land value of production has increased more than the sum of wages, interest, amortization and taxes.

Suppose it is proved (though it is of little consequence) that "at all times, total taxes come close to equalling total rent." it does not follow that "if all taxes were paid out of rent there would never be any net rent to be capitalized into land values," because the so-called total rent is the remnant of

the aggregate produce of the community after the payment of all wages, interest amortization and taxes.

It is true that "all history and all countries proclaim the fact that those who hold landed estates are the permanently rich, their riches always maintained by their collecting and keeping as their own the rent of land, which would otherwise constitute public funds. But it does not follow that because "economic science has no room for a class of men who can live without producing," the assertion that the landlords finally pay all taxes must imply the belief that there are "miracle men who, out of nothing, pay all of their own and other men's taxes."

Well, in the history of all epochs and countries there is plenty of information upon seeming miracle men who have lived comfortably without producing anything, and who, furthermore, paid the expenses of government. The landlord slaveholders in the Southern States, for example, did not necessarily work, yet they lived more luxuriously than their slaves, and certainly were, among both, the only taxpayers. Out of what resources could the slaves, the only producers, have paid the taxes?

In what respect is the condition of modern wage earners essentially different?

It is not economic science that makes room for "miracle men." It is personal coercion and direct or indirect coercive laws that do it. Finally, from the fact that men of the time of Locke were wrong in their belief that agriculture alone was productive, it does not necessarily follow that one is equally wrong in thinking that merchants will not pay taxes and that laborers cannot.

Summing up the objections made by five critics of my statement that **in all times and circumstances** (excepting, obviously, those of extremely arbitrary tyranny) the burden of every tax falls substantially, **in the final incidence, upon landowners** — and whose objections I have answered in this article and in my article in the *May Freeman* — I can assert, it seems to me, that my thesis has not been destroyed nor weakened. Possibly further and more penetrating criticism, such as a matter so charged with consequences deserves, may uncover a weakness in my position. But unless it can be shown by tion. If not the argument for economic reform will have to undergo substantial modifications.