

Who Pays All Taxes?

By C. VILLALOBOS DOMINGUEZ

All Georgists should find material for deep reflection in the general failure of limited taxes on land values to bring about an improvement in the economic condition of the people. This failure is courageously admitted by Peach in his article on "The Slums of Sydney" which appeared in *The Freeman* (issue of January, 1941). The United States is fortunate in possessing a Georgist journal in which can appear such searching self-criticism.

It is highly important that we trace to its cause this disappointing effect. It has occupied my own thoughts for a long time, and I have already suggested in my published works that these failures might have been expected. My interest has been recently revived in the course of a study of the final incidence of taxation—a study prompted by the current increased expenditure for armaments.

It is a fact that the increase of taxes for armament does not result in a burden upon either labor or capital. The burden can be only upon landowners. It is perfectly obvious that the present enormous military expenses and taxation in Great Britain and the U. S. A. do not depress wages or the standard of living; nor do they create unemployment. But the same can be said of all taxes at all times.

The statement is, it seems to me, indisputable. Henry George pointed out clearly that no improvement of production or the means of production ever benefits the workers. He said correctly that "whatsoever be the increase of productive powers, rent steadily tends to swallow up the gain."** Again, "If labor saving inventions and improvements could be carried to the very abolition of the necessity for labor, what would be the result? Would it not be

that landowners could then get all the wealth that the land was capable of producing, and would have no need at all for laborers, who must then either starve or live as pensioners on the bounty of the landowners?"†

The converse is true also. Any force which inhibits permanently (or for a considerable time) the production of wealth must cause rent to diminish.

If, for instance, we imagine a country without taxes, (where the expenses of government were met, for example, by selling mineral water from a publicly owned spring) wages and interest in that country would not be higher than elsewhere. (See "Progress and Poverty," Book VI, chapter 1, section 1.) Only rent would be greater. But if, due to the eventual exhaustion of the spring, the government imposes customs duties, income taxes or whatever else, the total rent of land must eventually fall by an amount equal to the taxes. Wages and interest cannot be depressed; they are already a minimum. The final incidence of the taxation must therefore be upon landowners.

It would seem, then, that the anxiety of workers, merchants, etc., to oppose increases in taxation is misplaced; at long last, the landowner has to pay the bill anyway. Conversely, landowners (provided they admit the necessity of increased public expenditures) ought not to oppose land value taxation; they will have to pay eventually, if not in higher taxes, then in depressed rents. Indeed, they should be the

most vigorous advocates of land value taxation because of the practical economies which the system would make possible. The whole question of "single taxation" or "multiple taxation" is of secondary importance to workers, employers, and the general public—apart from the annoying drudgery involved in paying a multiplicity of taxes. It is of primary importance to the landowner. Many workers favor high taxes; while land is private property, they may well expect some advantage from them, possibly in the form of government relief or benefit payments.

These considerations make it abundantly clear that the state of popular well-being cannot be different in such a city as Sydney (which meets its local expenses with a 2 per cent tax on land values) as compared with Melbourne, which collects the usual multiple taxes.

The aim of the Georgist movement is to make the rent of land public property. But for this it is indispensable that the land itself become public property, as I have demonstrated in my essay "Que la tierra debe ser confiscada y otros conceptos genuinos y actuales del georgismo,"‡ and also that the public lands must be rented to private tenants at public auction. The rent of land ought to pay, directly, the public expenses and if there is a surplus, it ought to be distributed periodically to the true owners, the people.

Georgists should be partisans, not of a "single tax" but of the complete abolition of taxation. The rent of land is not a tax. And if we will bear in mind that the burden of all taxation falls eventually upon the landlord, we shall escape the error of expecting economic miracles from a change in the tax laws, avoid fallacies, and find our further study enormously simplified.

†*Revista Argentina de Ciencias Políticas*, Buenos Aires, 1920.

*"El supuestamente ruinoso armamentismo" in *Nosotros*, Buenos Aires, October, 1937.

**"Progress and Poverty," Book VII, chapter 2.

†"The Condition of Labor" III, page 66 (Doubleday Doran, 1930).

