

"A Reply to Critics," by C. Villalobos, in the Freeman, March, 1942, is as good as a problem on the chess board. If I understand his point of view his argument, from that point of view, is correct. Although his argument is sound his premises are defective. He omits the principal fact in the George contention.

He argues that of total production an indefinite amount must go to wages. Of the balance the more is taken by the public in taxation the less is left to the landlord. If less is taken by taxation more is left to the landlord. Therefore, quite obviously, any tax rests finally upon the landlord. Consequently, he says, his argument "makes it clear that all efforts and measures to eliminate present taxes and concentrate them on the value of land lack necessarily any social effect since they would not essentially modify the existing situation."

George argued that speculation in land is the great practical evil. This feature of the problem Mr. Villalobos seems to have wholly overlooked. Taxes on products are necessarily added to cost of production, thereby increasing prices, and of course checking production through reduced "effective demand." Land values exempted from taxation, or but lightly taxed, are easily held out of use in hopes of an increase in value, thereby decreasing the "effective supply" of land, and artificially emphasizing demand for it. To escape this artificial demand people move to remote or inferior land where productive effort is less generously remunerated.

The consequence, then, of taxes on production is to check production, and light taxes on land values give a like result. It is this checking of production by land speculation, which speculation inevitably follows high taxes on products and light taxes on land values, that causes most of our economic and social ills, and it was against the causes of this speculation that George leveled his sternest condemnation.

To check production is to limit demand for labor, and of course reduce wages. To artificially reduce the "effective supply" of land is to increase its rent and therefore raise land values, and this of course again checks production.

If the single tax were established, Mr.

Villalobos' argument would still fit the situation, but that portion of the product going to wages would relatively be much greater. With greater production wages would be much higher, the revenues of the public much increased, and the landlord would be permitted to enjoy the highest self respect by earning his own living.

Incidentally, the article "Raffles of Singapore," in the same number of the Freeman, seems to be a pretty good reply to Mr. Villalobos.

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