

## A FRIENDLY CRITICISM OF THE USUAL SINGLE TAX ARGUMENT\*

(For the Review)

By J. F. COWERN.

I have been a follower of Henry George and an advocate of the Single Tax for the last twenty-four years. During all of that time, and now, Single Taxers have attributed poverty to a divorce of labor from land and have urged that the Single Tax would abolish poverty because its full application would result in unimproved land having only an annual rental value, thus enabling labor to secure access to the earth upon the payment of the annual rental value of that portion of it occupied. They say that land, the source of all wealth, being thus made available to labor, involuntary poverty would be impossible as labor would then hold the key to the storehouse from which all wealth is drawn. Their claim, in brief, is that poverty exists and persists because of non-access to land, and that it will be abolished under the Single Tax, as labor could then secure access to land upon payment of economic rent.

It is true that attention is always, and very properly, called to the absurdity of taxing labor products. But that is pointed to as matter of aggravation only. Neither Henry George nor any of his followers attribute poverty to such taxes, and in the pictured condition of the results that would follow from the adoption of the Single Tax, as outlined in "Progress and Poverty" and other works, it is clear that under such conditions the total of such taxes could then be contributed in addition to the Single Tax, without reducing any to poverty or even seriously burdening them.

### WHEREIN THE REASONING OF SINGLE TAXERS IS FAULTY

As we have seen, the argument of Henry George's followers is that poverty persists in spite of progress because of the fact that under present conditions labor is denied access to land and that under the Single Tax poverty will be abolished because labor will then be able to secure access to land upon the payment each year to the government of a tax equal to the annual rental value of the land held. I say payment "to the government," because, while, in actual practice, the payment would probably be to an individual landlord,

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\*We pronounce no opinion on the important article here printed, but leave it to our readers' tender mercies. It presents an interesting question to attract the sharp wits of the movement. The Single Tax and the customary arguments by which it is sustained should be open to perpetual challenge. Of Dr. Thomas Arnold, father of Matthew Arnold, and Master of Rugby, it was said that he rose every morning with the conviction that everything was an unsettled question. The SINGLE TAX REVIEW can well afford to adopt this attitude with respect to both friendly and unfriendly critics of The Single Tax.—EDITOR SINGLE TAX REVIEW.

yet, as this is a tax that cannot be shifted, the landlord would simply be a conduit through which the tax would reach the State.

The ordinary Single Taxer—while his faith is not shaken, for he knows that the remedy he proposes, if fully applied, would abolish poverty—is nevertheless at a loss to adequately answer the inquiry as to why, if the deprivation that labor suffers through the collection of economic rent by individual landlords is the efficient cause of poverty, the Single Tax, which merely proposes that the same rent shall be paid to the State, will abolish it? The question is not rendered any easier by a consideration of the fact that the State now receives a large part of such rent under present methods of taxation. The payment of economic rent would not be abolished under the Single Tax; there would simply be a change in the pocket in which it finally rested. In both cases labor pays it. It seems clear that the difference in who finally receives it cannot alone account for the persistence of poverty with increasing wealth.

#### CAPABILITIES OF PRESENT AVAILABLE LAND

But they urge that allowing economic rent to go to the private holders of land results in speculation therein and the holding of land out of use. This is true altogether as to speculation, but it is true only in a limited degree as to a holding out of use. In fact a speculative purchase and holding for a rise of any valuable area of land is almost always accompanied by a rental thereof to others or use by the purchaser in order that current taxes and interest may be received out of the property during the period of speculative holding. The fact probably is that the recognition of private property in land with consequent trade therein for profit has resulted in more land being brought into use or open for use than is needed. In that portion of "Progress and Poverty" devoted to a refutation of the Malthusian theory, Henry George shows very conclusively that the entire population of the United States could live in comfort and luxury on less land than we now have in actual use. Others have demonstrated to their own satisfaction that the land within the boundaries of the State of Texas would be sufficient. Edmund Norton recently published figures showing that the entire population of the earth could be gathered into Texas and each family thereof given a lot 100 by 125 feet facing on a 150 foot boulevard with a 17 foot alley in the rear and still leave 40,000,000 of such lots vacant. Prof. Johnson, President of the Massachusetts Single Tax League, in an address delivered in April, 1914, stated that the entire population of the United States could be brought into Massachusetts and each family be given a detached house with a quarter of an acre of ground per house. Dr. Baekland, of the United States Naval Consulting Board, in a recent address said that every inhabitant of the globe could find standing room on Lake Champlain, when it was frozen over, allowing each person, big or little, old and young, a square yard of room each, and that if the elder and younger people would stand close to the shore the more youthful and robust

would have a skating ground on the lake's surface crowded less than is the skating pond in Central Park, New York, on an ordinary winter day in the skating season.

Certain it is that we now have in actual use, or available for use on the same terms that would be applicable under the Single Tax, more land than is necessary to maintain our entire population and supply them with every actual need, and, in addition, all reasonable luxuries. The theory of non-access to land as the efficient cause of poverty is not, therefore, tenable; and the unvaried and persistent urging of this view, and this view alone, by Single Taxers, as the reason why poverty is due to private property in land, is largely accountable for the apparent apathy on the subject considered as a moral reform.

#### LABOR NOW HAS ACCESS TO LAND

To pursue this phase of the subject a little further, and in the light of the fact that, economically considered, productivity has no necessary relation to fertility of the soil, and that the most productive land may not and usually is not used for agricultural purposes, but may be occupied by an office building or used as a dock or a factory site, it is a fact of common knowledge that, even during what are ordinarily considered good times, many large factories, occupying from an economic standpoint most highly productive land, are idle a large part of the time, and that such land is rarely used to its full capacity. And this is true despite the fact that the owners are willing and anxious to use the land, and thus to employ labor, and are losing money by not doing so (although less than they would lose if they did use the land). All this is true though the mass of the people are in actual need of the things which such factories are equipped to produce. If this were a purely local situation it would have small weight; but it is true generally, and of all lines of industry; and it is absurd, recognizing as George and his followers do that there is no real conflict between capital and labor, to go to such manufacturing cities or into farming communities and tell the people that they are poor "because they do not have access to land." If the people think they know that such an assertion is not true, and while they may see the desirability of the Single Tax as a purely fiscal proposition, there is no such irresistible conflagration lighted as follows when the mass of the people once see that a certain step will lead to a great, necessary and fundamental moral reform.

I admit that in certain localities of restricted areas, private property in land may, and often does, result in great abuses, owing to the legal right of the owner of the land to deny its use to others. No one can read Alfred Russell Wallace's "Land Nationalization," without being impressed with this. But this is not generally true and is not so true of the United States, as in Scotland for instance, and the occasional exercise of a power to exclude cannot account for the growth and persistence of involuntary poverty in this country where

no such conditions, generally speaking, exist. Selfish interest alone ordinarily compels to the use of land wherever it can be used to profit.

In the United States the people now have access to land. They either have, or can have, access to it upon the same terms that they would have to meet under the Single Tax. In the United States today, more land than is really necessary to supply our population, is either in actual use or held by men who are willing and anxious to use it, or let others use it upon payment of its rental value. It necessarily and inevitably follows that the stock argument of Single Taxers, viz., that poverty is due to a denial of access to land, and will disappear under the Single Tax because labor will then be able to secure access to land upon the payment of its annual rental value, is fallacious and unsound.

The people have access to land now. What they need is a market for their products.

#### THE REAL REASON WHY PRIVATE PROPERTY IN LAND IS RESPONSIBLE FOR POVERTY

It is admitted that the payment of economic rent to private landlords coupled with our present irritating and senseless method of raising revenue by taxation of labor products, contributes materially to the existence of poverty in the presence of abundance; but I deny that those things are the efficient cause of poverty. The denial of access to land resulting from such conditions contributes to the existence of poverty in this country very much as a bad corn would contribute materially to the bodily ills of a man afflicted with typhoid or yellow fever.

The real reason why private property in land is responsible for the existence of poverty in the presence of plenty, either actual or potential, is because its institutions inevitably lead to the capitalization of economic rent and the buying and selling of land in the same manner as labor products are bought and sold, and the reason why Henry George's followers have been advancing a fallacious argument to support a sound conclusion is due to their failure to distinguish between economic rent and land values; and, also, at least in one particular, to a failure to appreciate the full significance of a striking similarity between the two. Economic rent and land value are different in character and effect, for at least two reasons: First, the former will exist after the latter, by the full application of the Single Tax, has disappeared; and, second, because the former forms part of the cost of production, while the latter does not. The first difference is admitted by Single Taxers and economists generally, while the second is equally clear when it is taken into consideration that those who, in conducting their business, buy land outright, must compete in the same market with others in the same line of business who pay ground rent only, and occupy just as good locations. The similarity between the two that they fail to see, or, if they see, fail to realize the significance, is the fact that a private landowner is not confined, as they always



assume, to living on rent. He can convert his capitalized rent—land value—into cash and live on that. He can commute the value of twenty years future rent and spend it in the present, while the one he sold to will continue to collect economic rent. Trade, which followed (or preceded—it makes no difference which) progress and invention and naturally extends to all things the object of property, has made this possible.

Trade and commerce, beneficent when confined to the products of labor, are the naturally intended instruments for the general distribution of the blessings of progress and invention. But when extended to a thing that is not the product of human energy it inevitably leads to the ultimate destruction of property in that thing, for it brings out the worst that is in it. This is illustrated by the history of chattel slavery in this country. The Dred Scott decision brought home to the people of the North, in concrete form, the constitutional effect of the institution of property in human beings, which institution they had not only recognized, but assisted in establishing. The power that the right of property in human beings gave when placed in the hands of cruel proprietors, as illustrated by Uncle Tom's experience when owned by Legree, brought out its further extreme, though rare, possibilities, and strengthened and intensified the purpose of those who sought to abolish it. But it was the picture of slaves as merchantable commodities, bought and sold as cattle without any necessary reference to family ties, presented in "Uncle Tom's Cabin," that furnished the spark which fired the train of events that finally resulted in the abolition of chattel slavery.

The same thing in principle is true of private property in land. In one of his works Maine says:

"The view of land as merchantable property, exchangeable like a horse or an ox, seems to be not only modern but even now distinctly western."

#### HOW PRIVATE PROPERTY IN LAND IS RESPONSIBLE FOR POVERTY

However slowly land may have appeared in the market as a merchantable commodity, there can be no doubt but that both here and in England, and in other highly developed nations, it is now considered an ordinary object of trade, and is bought and sold and has a market value in the same way as potatoes and shoes are bought and sold and have a market value. In considering land as a merchantable commodity it should be borne in mind that a mortgage thereof is, *pro tanto*, a sale, for it has, from an economic standpoint, to the extent land is mortgaged, the same effect as a sale, and, in fact, is frequently so called in instruments intended to operate as mortgages, where apt words to describe a present sale are found in the granting clause; the real fact that they are mortgages being disclosed by the defeasance clause which follows. Another instance wherein land is bought and sold without any direct change of the legal title, is found in the purchase and sale of stocks and bonds whose value in part is but a reflection of the value of land, title to which re-

mains unaffected directly by such sales, in the corporate entity whose stocks or bonds are thus dealt in. Insofar as the value of such stocks and bonds are due to land holdings such transactions are, in effect, the buying and selling of land.

It is this attaching of value to land as a result of land being brought into the market, which makes the institution of private property in land responsible for the existence of poverty.

Whether value be a force or not, it may be likened to a force by means of which the enormous savings made possible by modern methods and improvements should be distributed to labor in wages. It is value, represented by money, that we strive for; and with money we have power to command material things. In productive effort we aim to produce those things to which value will attach. In non-productive activity, such as speculation in land, we aim to purchase and hold such land to which, as we believe, value will attach.

Insofar as value attaches to labor products, it performs this beneficent service. Insofar as it attaches to land, it does not perform such service, but becomes in effect a mountain of ever increasing debt, partial payments on which (through payments of capitalized rent in buying and selling land), while impoverishing the payer, leaves the principal as large as before the payments were made, as such values are constantly increasing and constantly shifting. The enormous value attached to land is a terrible incubus, barring the path of progress, an obstruction to the free flow of effective demand, that at all times acts as a heavy brake on the wheels of industry, and at periodical intervals causes those industrial cataclysms known as "panics" or "hard times."

#### WHAT WOULD RESULT FROM TAKING LAND OUT OF THE MARKET

If land were taken out of the market as a commodity bought and sold for profit, as it would be by a full application of the Single Tax, this vast amount of value that now attaches to land and operates as a dead hand on progress—absorbing all the benefits due to inventive genius and the improved application of our energies—would attach to labor products and be distributed to labor as wages; for the entire earning power of the whole people would then go as a single undivided demand for the products of labor. Industry now at all times, solely for the want of a market for its products, partially paralyzed, and during periods of industrial depression almost wholly paralyzed, would be revived permanently, for all demand, whether for investment purposes or for purposes of immediate consumption, would be for labor products only—there would be nothing else in the market.

While exact figures are not available, the United States Statistical Abstract for the year 1915 gives the total amount of wealth of the country at about one hundred eighty-seven billions for the year 1912. Other data would seem to indicate that considerably more than half of this is land value. Ex-

actness is not essential for the purpose of this discussion, and we may roughly estimate that in this country in 1912 the value of land was \$100,000,000,000 and the value of labor products \$87,000,000,000. The stock argument of Single Taxers usually assumes that this \$100,000,000,000 of value attached to land would be destroyed by the full application of the Single Tax; and this promised destruction wholesale of values has frightened away many men who have approached the question for investigation. These enormous values are not imaginary; they mirror the possibilities and force of increased power due to the development of our great railroads, many great inventions, and improvements in productive effort generally. All these things will remain subject only to further and greater progress; and as these enormous values are due to this increased power of the human race to produce wealth, it would seem to follow that there could be no wholesale destruction of values following the introduction of the Single Tax. It is true that the value now attached to land will disappear as to the land, but it will not be destroyed. It will simply be shifted to labor products which alone will be in the market and of which there would be an enormously increased production. At present it is simply value misplaced—good perverted.

#### ILLUSTRATING HOW PRIVATE PROPERTY IN LAND IS RESPONSIBLE FOR POVERTY

It has been seen that by treating land as property in the same way that labor products such as railroads, houses and shoes are treated as property, we have a market in which both land and labor products appear without distinction, and in which total values are divided—a little more than one-half of such total values attaching to land and the balance to labor products. What bearing has this on the problem in hand? How does this capitalization of economic rent injure anyone?

Bearing in mind that as to the individual owner the value of land is an unearned value, commonly called the "unearned increment," the short answer is that it does so by reducing effective demand for labor products. By "effective" demand is meant demand backed by ability to pay. We all realize that when the manufacture and sale of clothing is halted there is no real overproduction of clothes; for millions are in real need of decent clothing when the manufacture thereof is curtailed or stopped altogether. What has happened is that there is no market for clothing because the people who need clothes are unable to purchase them. The same thing is true of all other lines of industry. This condition is due to the fact that land has been recognized as private property, and is in the market as well as labor products. The purchasing power of the people is consequently divided, for what is paid for land reduces to that extent the demand for the products of labor.

To illustrate on a very small scale, A pays B \$1,000 for a piece of bare land. Whether he does this in one payment or on the monthly installment plan is immaterial, for in either case it is evident by this transaction the pur-

chasing power of A has been reduced to that extent, and the demand for labor products correspondingly lessened. It is no answer to say that there is no such loss in the demand for labor products because B with his unearned sum purchases labor products; for such answer loses sight of the fact that if property in land did not exist B would still have had to purchase shelter, food, clothing, amusement, etc., the only difference being that he would have had to do it with money earned by him, and not with money earned by A. If it were possible to add together the sums involved in the hundreds of thousands of such small transactions that take place yearly, the total would reach staggering figures, and the loss in effective demand for labor products due to these transactions could then be properly appreciated.

To use another concrete illustration. I have a friend who in 1908, purchased for \$300 a small tract of unimproved land upon the outskirts of one of our thriving western cities. The city grew rapidly in the direction of his property and in March, 1913, without having improved the property in any way, he sold it at a price which, after deducting his original investment with interest thereon and taxes, netted him \$20,000; and if he had held it another six months he could have got an extra \$5,000 for it, as the man who purchased from him did. With the \$20,000 that he thus secured he has since built and furnished a beautiful home, and has a surplus left on which he is now living. The institution of private property in land has thus resulted through this single transaction in organized society furnishing him with a house free from debt, and supporting him and his family for three years in comfort without any compensating service from him, all of which he very frankly admits. I noted also that most of those who did the actual work in furnishing him with this beautiful home have very poor homes, the great majority of them rented, and very few luxuries. Is there not some connection between these two contrasting facts? My friend is a bright man, well able to work and qualified for work, and would have had as nice a home and supported his family as well, or better, if private property in land did not exist; but he would have earned the money with which to do it.

Similar illustrations will occur to every reader, for the same thing is going on all over this country in thousands upon thousands of instances every year, some greater and some smaller, but aggregating enormous totals. When we consider this, and do so in the light of the fact that land values are constantly increasing or shifting, thus leading to a never ending multiplication of such transactions, it seems impossible to escape the conclusion that the institution of private property in land is the efficient cause of poverty, because it results in buying and selling of land for profit and not because of any denial of access to land.

Trade, an instrument of progress and an evidence of civilization, when applied to land—which is not a human product—become a greater curse than trade in human beings, for the latter affected directly only the race enslaved, while the former directly affects all races.

## TRANSFER OF STOCKS AND BONDS

It is not only in transactions such as those illustrated above that land is bought and sold and land values transmuted into ready cash. Such transactions are continually taking place without any direct transfer of the actual title to the land, as in the purchase and sale of stocks and bonds issued by corporations owning mines, factory sites, railroad terminals, franchises, or other property whose value is largely a land value which is reflected in the value of its stocks and bonds. In so far as the value of such stocks and bonds are but a reflection of the value of land owned by the corporation issuing them, the purchase and sale of such paper is identical in substance and effect with the transactions we have just considered. There is no real difference between them although in the one case the actual title is transferred while in the other the title remains at all times in the corporate entity whose stock is dealt in. In both cases the man who sells reduces land value to ready cash, and, where the transaction is of any magnitude, he is empowered thereby to call upon society to furnish him with a magnificent home and every comfort and luxury although he may never have earned a dollar in his whole life or performed any services that could be considered compensation to society for what he receives. The total sums involved in such transactions, eliminating all values due to labor products, must be enormous, and this is true also of mortgage transactions which are, in effect, sales *pro tanto*. A glance at the securities held by insurance and trust companies alone gives some idea of the gigantic totals such transactions must involve.

## CAPITALIZED ECONOMIC RENT A GIGANTIC DEBT

The mistake old line Single Taxers have been making maybe, perhaps, well illustrated if we call economic rent "interest" and land value the "debt" upon which this interest is paid. Their position really is that it is the payment of this interest to individuals rather than to the State which produces poverty. They see nothing but the interest. My contention is that the payment of this interest merely, a large part of which goes to the State now, has very little bearing on the question (especially as it has to be paid under the Single Tax system as now) but that the thing that hurts most is the fact that society is, each year, called upon to pay, in addition to the interest, so much of the debt (capitalized rent) itself as to keep industry at all times partially paralyzed, and at periodic intervals, to produce that condition that we know as "hard times." This consistent and total ignoring of the payments each year on the principal is the missing link in their chain of argument. A man may be able to pay the interest on a fairly large debt, and still live in comfort and luxury, while if he were at frequent intervals called upon to pay large sums of a continually growing principal in addition to the interest, he might be reduced to abject want. Land value, however, differs from a fixed debt in that payment upon the latter reduces the principal and also the in-



terest in proportion to the amount paid, while this is not true of the former, if for no other reason than because land values are constantly increasing and constantly shifting.

#### WHAT PRIVATE PROPERTY IN LAND REALLY DOES

To sum up, it is my contention that the institution of private property in land is the efficient cause of poverty because it has resulted in land coming into the market, permitting its owners to capitalize economic rent and realize the capitalized sum in cash, thus, and to that extent, reducing effective demand for labor products. It involves much more than the mere payment of economic rent to private landlords, which rent labor would still be compelled to pay after the adoption of the Single Tax, and a great part of which now goes to the State anyway. It involves more than the opportunity to secure access to land upon the payment of economic rent; for this is possible now. The chief vice of property in land is that it results in land appearing in the market and attracting value to it which as to the owner is unearned and thus enables him to live in luxury without rendering any service for what he receives, while in a natural market confined to labor products such value would attach to labor products only and enable ever increasing productive power to be reflected in ever increasing wages. It prevents potential purchasing power from becoming effective purchasing power, and also divides our present effective purchasing power, preventing a very large part of it from flowing as a demand for labor products, and directing it to the payment of the capitalized value of economic rent.

The buying and selling of land gives practically no employment to labor, as land is already in existence as a free gift, the same as sunshine. The full application of the Single Tax will abolish poverty because it will prevent the capitalization of economic rent; and trade in land as such for profit will then end, thus giving us a natural market in which only labor products will be bought and sold. Land, it is true, would still appear to be bought and sold, but this would be in appearance only, the reality being that improvements made by labor would be the thing bought and sold, for it would be only to those things that value would attach—the title to the land would be thrown in, as its ownership would simply be a means of insuring the peaceful enjoyment of exclusive possession. The entire purchasing power of the people, which would then include what is now only potential, instead of flowing as now in two streams, one as a demand for land and the other as a demand for labor products, would then flow as a single undivided demand, whether for investment purposes or for immediate consumption, for labor products; for there would be nothing else in the market. The enormous values that now attach to land and prove a curse, would then attach to labor products and prove a blessing.

## WANT OF A MARKET FOR LABOR PRODUCTS THE REAL CAUSE OF POVERTY

If I am right in attributing poverty to want of a market for labor products due to causes above outlined, rather than to an inability to secure access to land upon payment of economic rent, it would seem to follow that no really great benefits in the way of a general improvement of social conditions can result from the partial or purely local application of the Single Tax. This is proved by the experience of Vancouver, Houston and other cities, and also by the history of Single Tax colonies, where conditions and wages do not differ materially from those obtaining in other cities and towns of the same size elsewhere operating under the present system, though the administration of public affairs and business may reflect much improvement. Its application must be general, and must take all ground rent before the full power, actual and potential, that we now possess to prevent want can be applied to banish poverty

## CONCLUSION

The non-access to land theory as the sole cause of poverty is, in my opinion, without basis in this country. Such evil is a minor one. It is merely an incidental and aggravating circumstance. The real reason is briefly outlined above. If Mr. Post, Mr. Hall, or any of the many intellectual giants in the Single Tax camp will analyze this proposition they will be forced to the same conclusion, and their effectiveness will be wonderfully increased, for their arguments would then leave no doubts that would not be answerable.

## ECHOES FROM THE NATIONAL CAPITAL

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(For the Review)

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By **BENJ. F. LINDAS**

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This advertisement appeared in the *Washington Star*:

"\$2,750 buys a gem of a home. Six large outside rooms, tile bath, covered porches. 224 14½ Street, N.E."

On the same day this advertisement appeared in the *Baltimore Sun*:

"Beautiful home on 38th Street, adjoining Guilford. Porch-front houses, six outside rooms and bath. Gas, electricity, steam heat and all improvements, only \$1,750."

These homes are almost exactly alike, and in about the same kind of neighborhood. The two cities are just 40 miles apart. Why the difference of \$1,000 in the price of the homes? In Washington the purchaser of his home pays the extra thousand dollars to a private individual for the privilege of using the land. In Baltimore he pays ground rent to a private individual for the same privilege.