

this ideal will enjoy abundant success, not merely as a business enterprise but also as a trusted teacher and leader. Conscious, however, of the difficulties of the undertaking, we make no promise for The Public except that it will be held as closely as we can hold it to the ideal here indicated.

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**"THE OUTLOOK" ON PLUTOCRATS.**

From an Editorial in The Outlook for March 21, 1906.

By the plutocrats we do not mean the very rich. There are very rich men who are not plutocrats; there are plutocrats who are not very rich men. A democrat is a man who believes in government by the people for the people; a plutocrat is a man who believes in government by the rich for the rich.

The plutocrat believes that the object of government is to protect person and property—especially property. Government should simply preserve order while the individuals make money. For the chief end of man is to glorify money and enjoy it for—as long as he lives and his children after him. If government does this, the shrewd and sagacious will make money; the less shrewd and less sagacious will make less money, but they will generally make enough to live, and that is enough—for the less shrewd and sagacious. The plutocrat, therefore, measures all government policies by their effect in dollars and cents. A policy which reduces the chance of the shrewd and sagacious to make money and increases the chance of the less shrewd and sagacious to make money is an unjust policy, because money rewards should be proportional to shrewdness and sagacity. In the view of the plutocrat the object of government is to promote money-making; and the money made should go to those who show the greatest shrewdness in making it. If a policy tends to weaken the confidence of the plain people in the shrewd and sagacious money-maker, it is a dishonest and disastrous policy, and is to be condemned. For if the public confidence in the moral infallibility of the great money-maker is impaired, his power to make money will be seriously weakened. And this is fatal to the ends for which society is constituted—the making of money.

This is the first principle of the plutocrats; the second principle is a natural deduction. Clearly the best and wisest in the community should govern. But since the object of society is to make money, and the standard of excellence is ability to make money, it follows that the shrewd and sagacious money-makers should control the government. Or, to put the principle in other language, since the object of legislation should be to promote prosperity, and since the shrewd and sagacious money-makers have demonstrated their ability to secure prosperity for themselves, they should direct the legislation. The plutocrat is not

necessarily dishonest; but his standard of honesty is a little apt to become the Turkish standard. He does not always think it dishonest to buy legislators; this is only dividing the profit of shrewdness and sagacity between the partners in the enterprise. Honesty does not require that legislators should not be bought; it only requires that they should stay bought.

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**LABOR AND NEIGHBOR:**

An Appeal to First Principles.

A Posthumous Work

By ERNEST CROSBY.

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**CHAPTER XI. Part 1.\***

**Remedies—4. Justice, Freedom and Co-operation.**

The social problem of the future we consider to be how to unite the greatest individual liberty of action with a common ownership in the raw material of the globe, and an equal participation of all in the benefits of combined labor.

—John Stuart Mill, "Autobiography," chapter vii.

To regret that socialists fail to avail themselves of natural laws is not to assert positively that these laws are all-sufficient by themselves to secure absolute justice to all. All that we know of them is that they have that tendency, that they have always been grossly hampered by artificial obstructions, and that if left to work out their natural results they would ensure a far greater degree of justice than we now enjoy. Friction always interferes with the mathematical precision of a machine, and there will always be friction in human affairs. To prophesy how much and how little there would be under free conditions, is an idle pastime, and the foretelling of a Golden Age belongs to the realm of poetry and not to that of practical economics. It has never been possible to predict future social systems, but it is always in order to put a stop to injustice. It may be necessary when all impediments to natural laws are removed still to do something more to prevent all exploitation of man by his fellow, but I contend that first we should make all the use possible of

\*Mr. Crosby left with the manuscript of this book several notes and memoranda. The four which follow seem to be properly connected with this chapter.—Editors of The Public.

"Land value question the most important because all other reforms but increase land values."

"The introduction of machinery has greatly increased and centralized land values, and the equitable distribution of land values will also equalize the effect of the introduction of machinery."

"Monopoly is the king of robbers for it strikes at the root of the tree."

"The foolish thief stealth his victims' goods and is cursed by them; but the wise thief stealth their opportunities, and behold, they rise up and bless him."

unobstructed natural laws before we try to determine how much artificial interference is required of us, or rather how little interference we can get on with. We should have only so much interference as is necessary to prevent injustice; but we cannot tell where to draw the line, unless we first abolish unnatural privileges. We must make a *tabula rasa* before we can build effectively upon it. We must clear away the rubbish before we grade the ground. Set your clock straight on the mantel before you call in the clock-maker, and it may go without him, or at any rate it may need much less repairing than you suppose. If you find a man escaping from brigands, hobbling painfully and fettered and gagged, which is the best way to treat his ailments—to construct a complicated wheeled-chair for him, which may never work at all, and then pull him about with his fetters on, or to knock off his fetters and release his limbs? Common sense says, "Knock off his fetters, and then if he turns out to be permanently lame, it will be time enough to get a chair for him." Let us consider the fetters which now shackle our industrial life, and briefly suggest the way to get rid of them.

And first among the fetters I would name the tariff, because of all of them it is the most obviously immoral and artificial. We have already discussed the folly of forcing our own citizens to pay more for their own products than foreigners pay,—of "holding up" visitors to our land and taking away their goods,—of punishing as a crime the act of adding to the wealth of the country. We have seen that the cost of transportation is sufficient protection of itself against the competition of civilized countries, and that the instability of the social conditions of uncivilized countries, by rendering capital insecure, would do away with the competition of "pauper labor" if the civilized world would only abandon an imperialistic policy. It is here again the infringement of a natural law which produces the injury which we endeavor to cure by another equally unnatural law; but two wrongs cannot make a right, and we are bound to suffer so long as we heap up evil upon evil in the hope of balancing one with the other. And it is not merely a matter of economics, but rather one of good manners and morals. I passed a week in Canada recently and was most of the time within hailing distance of the frontier, and I blushed for my country and was ashamed to speak on the subject of custom-houses. Along that line, much of which is imaginary, we have placed an almost insuperable obstacle to friendly intercourse. We spend millions to bridge rivers and pierce mountains, and then in sheer wantonness by a stroke of the pen we raise a barrier more effective than the Andes and Himalayas with the Atlantic Ocean thrown in. The Canadian merchant who dares to bring his goods into our territory is relieved of

half of them, and we have thus done what we can to shut that narrow strip of Empire out into outer darkness. The average cost of bringing goods from Europe to Canada varies from five to fifteen per cent. but to carry them across the invisible line between Canada and the United States costs fifty or sixty per cent! It is worse than a slap in the face to our next-door neighbors, and I wonder that Canadians are willing to speak to us. Why is it that nations will not behave like gentlemen? Tariffs upon importations should everywhere be abolished. First their protective features should be obliterated (for a much stronger opposition can be marshalled against them), and then after the necessary period of public education, they should be rooted up and cast out forever. The only good that they have ever done has been to provide a revenue (which, as we shall see, can be much better provided otherwise), and to build a wall of defence around the preserves of monopolists. The ruins of our custom-houses will seem to our descendants as monstrous a relic of barbarism as the amphitheatres for gladiatorial shows and contests with wild-beasts appear to us.

But how is the revenue, supplied by a tariff on imports, to be made good? We find the answer to this question in the solution of the difficulties presented by another monopoly, and the greatest of them all—the monopoly of land values. We are accustomed to look upon property in land as if it were identical with property in manufactured articles, but there is in fact a wide difference between them. The principle upon which the right of property rests is that a man should possess that which he makes. I make a coat or an axe, and it belongs to me or to the person to whom I assign it. A company constructs an engine and the engine is theirs or their assignee's. With land, however, it is another matter, for no man made it. The right to land is in its essence a right to space, for the law conceives of a piece of land as a sort of cone-like enclosure, extending from the centre of the earth to the zenith, and embracing the heaven above, the earth beneath and the water under the earth. Now it cannot be held that the ownership of space and the ownership of a thing are of the same nature. The ownership of a thing does not involve the ownership of the space which it occupies, for a thing is movable and passes over the land of many people without affecting the ownership of it. Even a house may be moved, and it is a common thing for a house to be the property of one person, and the land upon which it stands (that is, the space which it occupies), of another. I think that in drawing this distinction it is better to speak of "site" or "space" rather than of "land," for the latter term is confused with the soil contained in the space, and this soil is merely an incidental matter. The ownership of the land involves access to the soil and minerals

contained in it and to the use of them, just as it involves access to the street or harbor upon which it fronts, but these are all mere accessories of the possession of the space. Now how can a property right in space be founded? There is really nothing but occupancy and force upon which to base it, and these are flimsy pleas to present to other claimants. If it is necessary in establishing new standards of justice to examine the titles of all possessors, mere occupants must yield priority to those who possess what they made or what was assigned to them by the maker or makers. There has always been a lurking suspicion in the minds of the great thinkers of the world, ancient and modern, that property in land differed from property in things, and the secret lies, I believe, in the idea of fixed space, which is involved in the one and not in the other.\*

There is no sound foundation for property in space, and by recognizing property in that which ought not to be the object of property, we have brought upon us the evils always incurred by the violation of natural law.

The ownership of space is a natural monopoly, and the value of land, or site value, as I shall call it, is the measure of its monopoly value, increasing with the value of the monopoly. This increase is the "unearned increment," not produced by the owner, which John Stuart Mill first named, and which he suggested should be taken by taxation. We have here certainly a monopoly, and one that enters into almost all other monopolies. A monopoly is a right which is exempt from equal competition, and the right to occupy a given space is often thus exempt. The right of way of a railway along a natural highway, the right of way of a street-railway along a public street or road, the terminal facilities of a railway or pipe-line in a city, the frontage for wharfs on a harbor or for shops on a thoroughfare—all of these are in their nature restricted and not open to the general competition to which the manufacture of things is usually open, and their value is easily measured by the price which they bring in the market; and this price, irrespective of the value of improvements made by the owners, is the measure of the advantage which the owners possess over the rest of mankind—or, in other words, of the value of their monopoly. Site value proceeds from two sources, access to natural opportunities and access to the community. It is thus always a right of access. In the case of a piece of land in a city the access to the community is usually the only element of value, but in the case of a mine it is the access to a gift of nature that prevails. But to natural opportunities must be added also access to the community, for a mine in a wilderness without

means of transportation would have no value. Site value does not spring in any way from the owner of the site, and this is the reason why he cannot claim any right to it above others. It is not true, however, that the basis of the claim of the community is the fact that the community has created the value, for the community in a sense creates all values, the demand of the community being a constant element in value. The value of a thing depends on supply and demand. Supply may be said to produce the article, and demand to produce its value. Thus the community may be said by its demand to create the value of a diamond or of a suit of clothes, but that does not give them a title to it. The case of the community depends upon the fact that it is unjust for an individual to monopolize that which he did not create, and upon which all men have an equal claim with him. There has been a good deal of confusion of thought in the arguments used by advocates of land reform, and it may be that only gradually will this branch of economics be properly analysed and systematized. It is clear, however, that the possession of space must be distinguished from the possession of the materials contained in that space, and that natural deposits of soil and minerals and natural advantages of situation must be distinguished from community advantages, and that the claim to values based upon the fact that the community created them, must be dropped.

In what way can this site monopoly, this privilege resulting in no way from private merit, be abolished? It has been suggested that the land should be nationalized and administered by the state as landlord, and this is in part the plan of socialism, but it would involve a great amount of labor and an intricate system of bookkeeping. We know what a large office-force is required to manage an ordinary large estate, and it is evident that for the state to manage its real estate in the same way would necessitate an army of office-holders and a very complicated administration. The method proposed by Henry George would accomplish the same purpose, and yet actually simplify our present governmental system of taxation. His plan is merely to tax land, that is, sites, to their full annual value, which is the exact measure of their monopoly-value. The value of the site must be separated from the value of the buildings and improvements upon it, but this is perfectly practicable and is already done wherever ground-rents are collected. Some of the finest buildings in New York are thus built upon leased sites. Where each owner of monopoly pays annually the full value of that monopoly, the result is that the monopoly is entirely neutralized, and the equal rights of the community in the space of the earth restored. We already levy a tax on land-values in America, and the only difference would be that the tax would now be greater. No new duty would be laid upon

\*See my "Earth for All Calendar," G. P. Hampton, New York, publisher, 1900, containing quotations from upward of two hundred authors of all countries and ages on this subject.

the administration except to separate site values from improvements, and this is the practice already in New York and elsewhere, although both sites and improvements are still equally taxed.

Superficial thinkers sometimes assert that a tax on site values is not really paid by the owner of the site, but that he adds it to the rent and that it is eventually paid by the tenant. But this is not the case. The amount of the ground-rent is fixed by supply and demand, and is not affected by the taxation of the site value. Taxation tends to diminish the supply of all manufactured things, including houses, thus increasing the price to consumers and raising house-rents, but a site value tax cannot alter the supply of sites, and all economists are agreed that this is a tax which cannot be shifted.

The indirect advantages of such a "single tax" would be enormous. It would involve the abolition of all other taxes upon personal property and buildings. Such taxes, including the tariff, discourage manufacture and trade. Put a tax on an article, and its production is at once diminished. A tax on land, however, forces the owner to make the best use of it, so that he may pay his tax, and stimulates building and manufacture. The result would be low rents and low prices. At the same time all speculation in land would cease, for the unearned increment would cease to go to the purchaser, and the suburbs of cities and towns would be available for builders and residents at their actual and not at speculative values. Business of all kinds would flourish, and necessities and luxuries would be cheap, and there would be no speculative element in the change to bring on a crisis. This site tax would really make land free to all who can use it, and it would thus open a means of retreat to workmen suffering from hard conditions and enable them to demand their rights. Benjamin Franklin shows us how this safety-valve of free land worked in colonial America, although there too the best sites were already monopolized. "Notwithstanding this increase [of population]," he writes, "so vast is the territory of North America, that it will require many ages to settle it fully, and, till it is fully settled, labor will never be cheap here, where no man continues long a laborer for others, but gets a plantation of his own; no man continues long a journeyman to a trade, but goes among these new settlers and sets up for himself." ("Observations concerning the Increase of Mankind," 1751, Works of Benjamin Franklin, vol. ii, page 225.) So in South Africa the ability of the natives to support themselves upon the land, gives them the power to treat upon an equality with the mine-owners, who consequently wish to enslave them. There is still an ample supply of land in America which this site tax would throw open. It would not, indeed, take us back to a primitive life; but by keeping the door

open to such a life, it would enable workmen to insist upon good terms of employment under modern conditions. It is impossible here to enumerate the many blessings which such a system would bring upon society, and the reader is referred to the eloquent pages of Mr. George's "Progress and Poverty," for a full consideration of them. As to the fiscal aspects of such a tax and its sufficiency for all national and municipal purposes, Mr. Thomas G. Shearman has clearly shown the facts in his "Natural Taxation" (G. P. Putnam's Sons, New York, 1895). It seems, indeed, as if another natural law had been discovered, and that nature provides a fund adapted to communal wants from the excess-productivity of valuable sites.

Let me give an example. A, B, C and D settle upon a piece of frontier land, dividing it between them, and build their four houses near each other. Each one works his farm alone, and they all work with the same ability and energy. They soon discover, however, that A's land is more fertile than B's, and B's than C's, and C's than D's. At the end of the year A has earned say \$400. B \$375, C \$350, and D only \$300. Now it becomes necessary for these four friends to provide for some public expense—a common road, or a school-room for their children. How shall they contribute? Would it not be far fairer to take \$100 from A, \$75 from B, \$50 from C and let D pay nothing, thus bringing the earnings of these four equal workers to an equality, than it would be to make each pay an equal quarter of the \$225 to be raised? In this little community the real and natural reward of labor is the \$300 which D earned on the poorest land in cultivation, and the surplus above this sum which A, B and C obtained, and which D would have obtained upon their farms, was an unearned contribution from nature. The same result would have been occasioned by the superior access of A, B and C's farms to the market, and then their unearned increment would have been drawn in full from the community. Adam Smith in declaring that the produce of labor constitutes the natural recompense of labor, expressly makes an exception of this contribution of the site value to the product. In an ideal community A, B, and C would see the justice of paying their excess into the common treasury, but so long as we indulge in forcible taxation it is better to take *in invitum* that part of a man's income which is unearned and due to his site advantage, than to spoil him of his earnings. The surplus of income above D which nature or the community gave to the sites of A, B and C, is the value of their site monopoly and the true ground-rent of their land, and it is this which Mr. George proposes that the state shall take, while D would not be taxed at all. It is a measure of ideal justice.

This proposal has often been received in a way which almost suggests lack of good faith. It has been treated as a harsh measure to farmers, and as if it had a special bearing upon rural communities, when as a matter of fact it is aimed at unearned increments and its chief operation would be in cities where such increments are centered, many farmers being in the situation of D, or not far removed from it, and almost their only values consisting in personal property and improvements, which would go untaxed. It is the farming community of all others which would benefit by the Single Tax, most of its members finding their taxes reduced and many finding them altogether removed, as in the case of D in the above example.

It is sometimes asked, Why, if you are taxing unearned increments, not tax also the unearned increment of personal property? Stocks rise in value as well as sites. Then why not take this increase by taxation? This argument is specious. Shares of stock are not really property, but merely represent property, and this represented property is itself usually in large part site values, including the franchise values attached to site. Railway stock, for instance, represents land, rails and rolling-stock. If the value of the stock advances, it means either speculation, or an increase in the franchise value growing out of the right of way, which is real estate. The rails and rolling-stock do not appreciate in value, but depreciate. And this marks an important difference between site values and the value of personal property, including buildings. Personal property is always wearing out and tending to disintegrate. Even the most substantial houses rapidly fall to pieces unless they are constantly repaired, and gold coin in time wears thin, while most personal property lasts only a few months. Hence the unearned increment in personal property is a rare thing and trivial in amount. Wine for a certain time, works of art of a high class—these things may indeed have an unearned increment, but it is only until they spoil or fade away, and it is hardly worth while to seek them out and appraise them. A store of wheat may rise in value, but at most it is a matter of a few months, and it would cost us more perhaps to search for such values than we should gain by taxing them. Sites, on the other hand, never wear out and their values are of a permanent character. Besides this, another principle conflicts with this taxation of the unearned increment of personal property, and this is the principle that a man is the owner of what he has made or procured from the owner. The unearned increment which attaches itself to an article thus earned is a very different matter from the unearned increment which attaches itself to particular sites which no one made. In any event the taxation of personal property, whether or not it covers an unearned increment, tends to drive property out of the state and is hence undesirable.

From every point of view, therefore, there is a distinction between the taxation of unearned increment in land and in things, and we do well to reject the latter and hold to the former.

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## BOOKS

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### AN EXPLANATION OF ANARCHY.

**Anarchism.** By Dr. Paul Eltzbacher, Gerichtsassessor and Privatdozent in Halle an der Saale. Translated by Steven Byington. Published at New York by Benj. R. Tucker, and at London by A. C. Fifield.

When so much that is false and ignorant and infamously malicious is being said of Anarchism, Dr. Eltzbacher's scientific exposition of the whole subject has especial value. It is all the more valuable because Dr. Eltzbacher is not an anarchist. He is a scholar who, seeking to know Anarchism scientifically, has produced a work which the translator, who is an anarchist, describes as "the most complete and accurate presentation of Anarchism that ever has been given or ever will be given in so short a space."

The author approaches his subject with the declaration of a simple scientific purpose, as calmly and with as evident indifference to conclusions as if he were a naturalist investigating the habits of a unique animal or the nature of a strange plant. He wishes, he says, to penetrate the essence of a movement that "dares to question what is undoubted and to deny what is venerable," and to reach a conclusion as to "whether it is not necessary to meet such a movement with force to protect the established order, or at least its quiet, progressive development, and, by ruthless measures, to guard against greater evils."

The two conditions which Dr. Eltzbacher formulates for a scientific investigation of Anarchism are, first, familiarity with jurisprudence, economics and philosophy. These are truly discouraging conditions for police experts who shoot boys at sight because they "look like anarchists," and hardly less so for newspaper men who foster crime by filling their papers with shrieking headlines, denouncing anarchism indiscriminately at the slightest excuse for this kind of sensationalism. But Dr. Eltzbacher appears to have complied with the conditions.

The first anarchistic author whose writings are presented is William Godwin, the English clergyman of the last century, who, while not calling himself an anarchist, preferred "the horrors of anarchy to the horrors of despotism." Proudhon, who comes next, based his concept of anarchism upon justice as the supreme law, and contract as the social tie. Then comes "Max Stirner" (Johann Kasper Schmidt), the philosopher, who (vol. x., p. 403), rejecting the idea of duty and right and truth as mere verbalisms, found the su-