

NOTICE

JOSEPH DANA MILLER, the Editor, has been confined to his home the past few weeks as the result of an accident, which, however, was not serious. This will account for the delay in getting out the present number of LAND AND FREEDOM and in answering correspondence.

CLIFFORD H. KENDAL
 JOS. HIRAM NEWMAN
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 Associate Editors.

Death of Norman C. B. Fowles

IT is with profound sorrow we announce the death of Norman C. B. Fowles, who succeeded Oscar H. Geiger as Director of the Henry George School. Next to Oscar he was the best beloved member of the faculty, an admirable teacher and a real orator, thoroughly grounded in the philosophy of Henry George.

We have arranged for a more adequate recital of his life and services, with tribute to his memory from those who knew him and loved him best.

Land Owners Pay No Taxes

NOTWITHSTANDING the lusty and painful railings of land owners against high and oppressive taxes, I think it can be shown that they pay no taxes. It may require some brief explanation of elementary economics to make this clear to the casual reader.

About 125 years ago David Ricardo, an Englishman, formulated the law of rent named after him. Being a natural law, it had always existed, but had not received much attention. It may be stated as follows: "Rent is the *excess* product or value of any land over that of the poorest land in common use."

The poorest grade of land in common use is that from which the user, with the usual application of labor and capital, can produce a minimum acceptable living, and nothing more. He cannot pay rent nor taxes. Less productive land is "submarginal," and will not be used. Whether land is supermarginal, marginal or submarginal depends upon quality or content, and location.

Let us suppose a farmer on marginal land, applying the usual amount of labor and capital, can produce 25 bushels of corn per acre, or its equivalent in other products, and that his products will supply a common living for himself and family, and no more; it is plain that he cannot pay rent. Without rent such land has no commercial value. It may have speculative or future value, which we are not considering.

If another farmer on a better grade of land, with the

same application of labor and capital, can produce 50 bushels of corn per acre, or its equivalent in other products, there is an excess of 25 bushels. This excess is "rent," or "ground-rent." It is a free gift of nature. It has cost nothing. It is sometimes called the "unearned increment." It goes to the land owner without any compensating return by him. It is this that gives land commercial value.

Now suppose a careful business man has money to invest, and desires a safe and certain income from it. After canvassing the market with care he finds a tract of land for sale occupied by tenants, who pay rentals of \$1,500 a year. It can be purchased for \$20,000. On inquiry he finds the taxes, 2 per cent, are \$400 a year. There are other trifling expenses about highways and enclosures and collecting rent. It will pay 5 per cent or a little better on his investment. And he invests.

Is it not clear in this case that the gift of nature, ground-rent, has paid the tax, and without cost to the new owner? Is it equally clear that this is an average case? I think it is. For we must use the word "average" in applying the natural laws of economics to our millions of citizens and our millions of acres, each different from the others. Our measuring rod may not fit the individual case with accuracy; some will buy or sell a little above the economic line; but an equal number will buy or sell a little below.

The purchaser of lands, consciously or unconsciously, claims a rebate or discount of ground-rent value sufficient to cover taxes and other common charges, so as to secure the net income he expects, usually not less than the current interest rate. Is it not a fact that he must do so or suffer a loss? The owners of land desiring to sell recognize this as a natural law. They may demand what they think they should receive; but purchasers finally fix the price. Buyer or seller may be unconscious of a discount of ground-rent value to cover taxes; but it is there. The owner pays no tax; nature's gift, the excess ground-rent, pays it, and on the average pays the owner his expected return. The purchase of land is not the cause of ground-rent, but net ground-rent is the incentive to purchase. Marginal land is not purchased for use, but for speculation, if at all.

The land owner pays no tax. He is not a producer. He adds nothing to the wealth or well-being of society. In spending his ground-rent he is only a consumer of goods produced by others. If he makes a gift of his income he only transfers it to other consumers. To tenants all land is marginal, for the landowner takes all above the margin, leaving the tenant only wages and interest.

But a building and its taxes are in a very different economic category. A building is capital, a product of human labor, as any student can explain. It produces no economic rent,—no gift of nature. While land is subject, for value, only to demand, supply being constant and without original cost; buildings are subject to the law of supply and demand. Their value is primarily

based on cost of production, varied by many circumstances. They are produced only in answer to demand.

If our careful business man should decide to invest his \$20,000 by erecting a business building in a suitable location, his tenants must earn their living, and interest on their capital. Then out of their occupations they must pay annual "rent" to cover the following items:

Taxes on the building at 2 per cent, \$400; repairs, 1 per cent, \$200; insurance, \$50; heating, \$300; light and water, \$150; janitor service, \$300; owner's time, vacancies, etc., \$200; risk and interest on investment, 7 per cent, \$1,400; obsolescence, $2\frac{1}{2}$ per cent, \$500; total, \$3,500. The above is only a crude estimate.

These costs, unlike ground-rent, must be added to cost of goods and services sold by the tenants. There is no gift of nature here,—no *excess* unearned income. But the investor is a benefactor, adding to the assets and the convenience of the community. Should he be taxed, and the investor in a gift of nature go free of taxes?

JOHN HARRINGTON.

Economic Justice and Religion Coming Cataclysmic Schism

BY T. E. McMILLAN

JUSTICE is the one word in the English language which is in itself sufficient to connote all that is worthy and desirable in human relationships. In what I prefer to call the natural justice movement, the word freedom is often given an equal status with justice, but freedom is essentially a child of justice. Everywhere, despite unflagging energy and abiding loyalty to the ideal, justice appears to be fighting a losing battle. Why?

In New Zealand we have for over half a century had partial applications of natural justice, inasmuch as varying amounts of the natural social salary (commonly called "economic rent of land") have been publicly collected, and used for social services. Such partial applications have for a time shown good results, having forced into more intensive use large areas of land, both urban and rural. It cannot, however, be gainsaid that after a time the effect is to increase the number of persons who are seeking to gain by landlord parasitism: the hundreds of "small men" who had taken up the land thus released by the few large landlords soon wanted to speculate with the still increasing social values of the environment, increases due to the closer settlement, in both town and country, and thus where formerly the enemies of justice could be numbered in hundreds, their numbers increased by thousands! The partial measures acted like the sowing of dragon's teeth, by a modern political Cadmus, which grew up into fierce parasites maintaining the old system from which men formerly suffered. Once sufficient justice was meted out to take them off the labor market and put them on the land, they greedily and selfishly

turned out the Liberal government under which the closer settlement was effected, and put in a reactionary party that had promised—and kept its promise—to allow them to speculate with the added social values. Had the full annual value been annually collected by the State, there would then have been no speculative value to gamble with, but there is no known case in human history where any major reform of a century's old evil has been swept away all at once, unless by bloodshed, and there is no more likelihood now of any overnight full reform. In these circumstances, what must be done to ensure that the movement will be pushed on to complete fulfilment, instead of taking one step forward and two backward?

SPIRITUAL AND MATERIAL

Thorold Rogers, in his "Economic Interpretation of History," states that the drive, the moral fervor that imbued the armies of Oliver Cromwell with the invincible spirit of victory, was due to the teachings of the Lollards of the 14th century. These Wicliff "poor priests" went about the country teaching the people not only their particular religious views, but also instructing them as to *their natural rights in the soil*. It was this force, coming down through the centuries, that provided the dynamic quality of the men and women who fought for religious and political freedom in the 16th century. There were men who saw that the fundamental basis of freedom, the equal rights in the soil, must be secured if the masses of the people were to be emancipated from economic slavery, and this was the aim of the Digger movement and of the Levellers. But what happened there? Exactly the same thing as happened in New Zealand three centuries later: a partial improvement in conditions took all the fine fervor out of social reform, the old religious drive having spent itself, leaving reform based mostly on material welfare. This point is well brought out in a paragraph in "1649. A Novel of a Year," by Jack Lindsay. Some restrictions lifted off trade, and other secondary measures eased the general lot somewhat, and the reform that men like Winstanley and John Lilburne were after petered out. To the present writer's mind, only a great spiritual revival can provide the driving force necessary to imbue men and women with the enduring, self-sacrificing moral fervor without which justice must everywhere become submerged in a tide of collectivist slavery, and freedom trampled in the dust.

AN EFFECTIVE APPEAL

Thorold Rogers also tells us how, in the fight for justice and freedom, the hierarchies of the churches worked hand in glove with the plutocratic and parasitic exploiters, while the common clergy battled for the "common people," for God's justice to the masses. It will be so again, and the religious world is in for the greatest schism of all time. It must come. Those who are not for God's justice are against it. Let them choose their respective