



MORGAN HARRIS

Co-operators and Land-Value Taxers—United!

By Morgan Harris

The co-operator speaks of socialized rent in a different sense than the land-value taxer, as will be apparent in the quoted sentences starting with the second column of this article.

Both land-value taxers and co-operators are invited to make replies to Mr. Harris. Please keep your Mss under 600 words.—Ed.

PERHAPS you've never heard of Phillipsburg, but for hundreds of thousands of people it represents "Mecca," the central shrine of industry and sacrifice.

Located almost in the exact geographical center of the United States, this sun-baked little town contains an oil refinery owned by 125,000 people *who are the users of its products*.

In hundreds of small towns throughout the corn and wheat belt of this nation, there had been developing for ten years or more, businesses owned by the people they served—consumer cooperatives. These people established their own wholesale in 1929 (with the modest capital of \$3,000), and ten years later they built this now-famous refinery which, together with the 7 oil wells that these co-operators own, and the 70-mile pipe line that carries the oil from their wells to their refinery, cost well over a million dollars. It's a success story—a story which shows that democracy can function in the economic realm; that the people, the common people, can become masters of their own destiny.

It is worth while going below the surface of this triumph of the people's business, however, to examine the economic implications and effects of this great achievement. Such an examination throws light on the strength and weakness of both the consumer cooperative and Georgeist movements.

These oil wells, this pipe line, the refinery, and the land which is a part of each, are owned outright by the people who use their products. Some of these people have invested in extra shares of stock in this enterprise, on which they receive limited interest. The employees

who work to produce and distribute the oil, gasoline, lubricants, paint, and other products of the business receive good wages. The balance of the income of the enterprise, including rent and any monopoly profits that may be in the picture, are owned by the people—the members of these consumer cooperative associations. Part of the net income of this undertaking is plowed back into the business for expansion purposes; and part of it is returned to the customer-owners in proportion to their patronage.

These patronage dividends can be understood if they are thought of as an overcharge. Consumer cooperation says, in effect, that every individual has a right to use as much of the products of the natural resources of the earth as he needs. (This is what the Georgeist says, too.) The cooperatives we are now discussing—the Consumers Cooperative Association—does not own all the natural resources of the earth, but of those it does own it may be said: Every owner of this business is entitled to use as much of the products of the land (owned by this business) as he needs, paying for them at their cost of extraction and processing. If he pays more than cost, the excess is returned to him.

"Oh," someone may say, "That is fine for the owners of the business, but what about the rest of us? Is this just another monopoly?" It is not. Any one of us can have access to all of the products of those natural resources on a basis of absolute equality with those who are now using them. We, too, can become owners by purchasing, for five or ten dollars, a share of stock in one of the cooperative associations which own this refinery and oil wells.

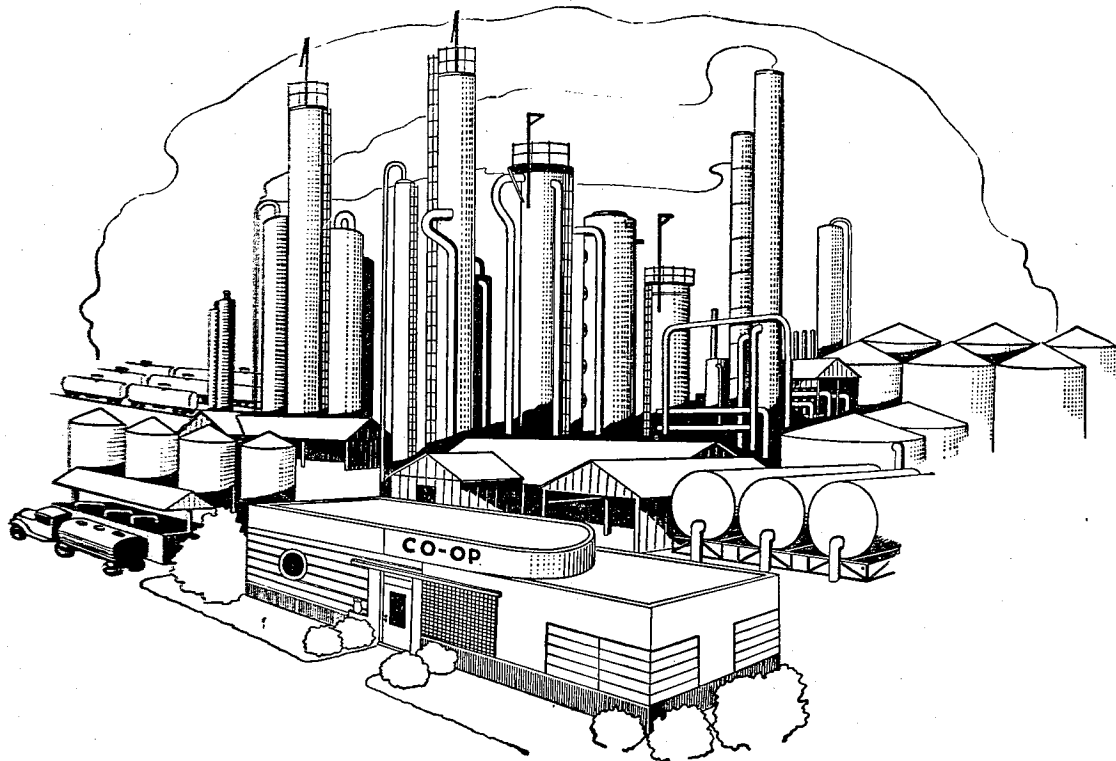
THE COOPERATOR SAYS:

"While Georgeists are talking about socializing the rental value of land, we are actually going ahead and doing it. By this method, we socialize the rent of some land, and plow back into our business part of the rent,

using it to purchase more land, the rent of which is socialized, in turn. Gradually, steadily, inexorably, we will socialize the rent of all the natural resources of this country—while Georgeists are still trying to get a majority of people to vote for a single tax on land. We don't have to wait for a majority in any town, city, or state. When we get a hundred people we organize a cooperative association. When we get a hundred cooperatives, we organize a wholesale. When we get a few large wholesales, we move back into production and

established, not to do for us those things that we can better do for ourselves, but to do that one thing for which government is peculiarly suited, i.e., to protect our rights.

"Both Georgeists and Cooperators are opposed to the steady encroachment of the state, but cooperators are doing the things that lead to a reduction in the size and activities of the state, by training people to do things for themselves, and thus eliminating the need for many governmental activities."



we become owners of the land which is the source of the wealth we are producing and consuming.

"Second, this method develops men of character and responsibility. These people receive the rent of this land (in their patronage dividends) as a result of their own initiative and enterprise in building up and operating successful, democratic, cooperative associations. On the other hand, if the rent of this same land were being collected by government, and distributed through some bureaucratic agency, the people who benefited by it would have no responsibility for it. They would to this extent be irresponsible wards of the benevolent and paternalistic state.

"Henry George and his followers have demonstrated conclusively that rent increases inexorably as we make technological progress, and as population grows. Then they advocate turning this ever-increasing rent over to government.

"The state has a job to do in the world—although most people have forgotten what it is. Our federal government, and our other governments in this country were

Let us see what points the intelligent Georgeist might make in analyzing Phillipsburg.

"Phillipsburg," says Joshua K. Bolles, in *The People's Business*, "a town of 2,000 population, owing to the terrific drought, had been getting worn at the heels. The refinery would boost the town's payroll \$20,000 a month."

This \$20,000 comes out of the pockets of cooperators, many of whom have worked and sacrificed and scrimped and saved to build up this great cooperative enterprise. It comes from the consumers of the products of these oil wells. Now, where does it go to?

The employees who came to work in this new refinery had to have places to live. Rooming house keepers got a larger income. The employees had to buy food, so storekeepers got a larger income. But not for long. As soon as the landlords found out about it, and as soon as leases ran out, rents went up. If a builder set out to build some homes for the employees of the new refinery to live in, he found he had to pay more for the land on which they were built. The owner of that land—who

has opposed and fought consumer cooperatives all his life, perhaps—made a nice profit as a result of the hard work and sacrifices of cooperators who developed this enterprise and brought their refinery to Phillipsburg.

This \$20,000 payroll may have increased the income of proprietors of rooming houses, and retail stores, and builders, and other businessmen for a little while. But it was not long until the owners of the land had raised rents and selling prices of land sufficiently to divert to their own pockets all of the increased income that the refinery brought to Phillipsburg.

Let us look at the case of Joe X. Joe is a good co-operator. For years he has given a great deal of time to building up the cooperative association in Phillipsburg. It was a good little association; its members had purchased more than their quota of the stock necessary to finance the refinery. Joe had sacrificed a great deal in order to buy thirty shares himself. When the refinery came to Phillipsburg, and Neil Beaton, President of the Scottish Cooperative Wholesale, came over and spoke at the dedication, Joe was as happy a man as you could have found in the United States.

But Joe was a tenant; he rented his home from a man who lived in the next town, a few miles away. When the refinery came to Phillipsburg, bringing new employees, there was an increased demand for housing. So the owner of Joe's house raised the rent \$5 a month. Joe protested, but what could he do? Nothing. Rents of other houses were being raised, too, and so Joe had to pay. This, then, is the result of Joe's sacrifice and efforts. His patronage dividends from the co-op that he helped build amount to about \$32.00 a year; the increased rent that he has to pay for his home amounts to \$60.00 a year; his net loss is \$28.00 a year. But there is another result of Joe's sacrifice and efforts in building the co-op, an important result that should not be overlooked by cooperators. It is this: The income of Joe's landlord has been increased by \$60.00 a year, although the landlord has never spent a penny with a co-op!

Joe may conclude that he must work harder to build co-ops faster; that the only answer is for the cooperative to buy up more of the business and industry in the town until the whole town is cooperatively owned. Then he could rent his house from his own cooperative, just as today he buys his gasoline and food from his own cooperative.

The obstacles to the success of this program we have already seen: Every time the co-op makes a substantial advance, and buys up more of the land and industry, it will result in an increase in the rental and sales price of the adjacent land. The more cooperators make for themselves, by their own initiative and hard work, the more they make for landlords who do nothing for the cooperative—who may even oppose the cooperative.

WORKING TOGETHER

If the cooperators had understood the elementary principles of economics, and the place that natural resources play in an economy, they might have avoided this situation. It would have been possible to realize *all* the gains made by building the refinery at Phillipsburg—without letting the lion's share go to landowners.

The population of Phillipsburg was only 2,000. Bolles tells us that the town was run down, so that any vested interests there were both small and poor. It would not have been too difficult for the Consumers Cooperative Association to have carried on an educational campaign there, in cooperation with the Henry George School and the Robert Schalkenbach Foundation, to bring to the residents of the town an understanding of the economic principles involved. *A measure might have been proposed whereby the city would cancel all taxes on improvements and collect only the rental value of the land within the city limits; distributing through the municipality the school, water works, streets and other public services needed by the town.* The location of the refinery there could have been made dependent on the passage of the measure.

Joe's rent would have gone up just the same, since the coming of the refinery increased the value of the land in Phillipsburg. But the \$60, instead of going to enrich a landlord, who did nothing to earn it, would have come back to Joe and his family by way of the city treasury of Phillipsburg, and relieved Joe of that much tax burden.

What is the lesson to be drawn by cooperatives from the analysis of Phillipsburg? First: The private appropriation of economic rent is the greatest obstacle to the complete success of any cooperative. For not only has Joe had his house rent increased by the building landlord, but the cooperative itself must pay to the municipal government an increased tax for its improved equipment.

Second, purchasing land from the private landowner does not relieve the cooperative enterprise from the economic burden of "rent," since it must pay as purchase price its full capital value, thereby saving nothing, except, of course, the subsequent increase which might accrue to the land thus purchased.

Third, only by the government collection of ground rent can the selling price of the land and land speculation be abolished.

Let us say in conclusion, that while it is unfortunate that cooperators do not attach enough importance to the economic effects of land value taxation, it is equally unfortunate that Georgeists do not join the study clubs offered by the cooperative movement, and become members of such, so as to provide a gradually widening wedge against all forms of monopolistic practices. For consumer cooperation does tend to divert the profits of land monopoly from a class that does nothing to earn them to the class, which by its industries, made the value of the land.