

The Effect of Community Collection of Ground Rent on the Distribution of Wealth

I HAVE CALCULATED that the average person has to pay about 25 per cent of what he receives as ground rent for the use of land. If this calculation is correct, this would amount to seventy-five billion dollars a year in the United States. The landowners are a minority of the population, and they collect from the majority seventy-five billions of dollars a year that belongs to the population as a whole, and to which the landowner has no moral right. Worse yet, when land values rise, it pays the landowner to keep land out of use, waiting for higher prices. The millions of vacant lots in our cities and towns are evidence that large quantities of land are held out of use. When land is held out of use, the number of jobs is decreased; therefore, if all land were held out of use, all production of wealth would stop. There would be no jobs and we would all starve!

At present enough land is held out of use so that there are more workers than there are jobs, so that the employer can pay as little as the worker will take. *The fact that there are more workers than jobs at the present time tends to push down wages, and compels workers to form unions and wage mild civil wars in order to get decent wages.* As long as there are more workers than jobs, there is a tendency for the capitalist to take more than his fair share, leaving less than a fair share for wages. This condition will exist as long as our land laws make it profitable to hold land out of use.

In 1879, Henry George did a remarkable piece of research to find out why society was afflicted with unemployment and poverty. After 400 pages of investigation he presented his conclusion that the trouble was that man-made laws did not recognize the

fact that land, like air and sunshine, are gifts of the Creator to His children and that land is, by its nature, common property. Henry George proposed to correct the situation which exists at present by placing a tax on land values for community expenses and abolishing all taxation on wealth. He and his followers gave the program the name of "Single Tax."

Progress and Poverty, by Henry George, is one of the most remarkable books ever written. It proposed a program to free the world of unemployment, poverty and depressions. The value of the book is not generally appreciated, because many who read the book do not get the message. There is only one place in the book where George uses italics. After 400 pages of argument, which most people cannot follow, he states his conclusion. In order to do away with poverty and unemployment, he states in italics, "*We must make land common property,*" and then proposes to place all taxes on land value and abolish the taxation of wealth.

As this writer sees it, what he should have said was, "We must realize that land, like air and sunshine, is common property, and act accordingly." We must realize that ground rent belongs to the community because the community created it, and allow the community to collect it for governmental expenses instead of giving it to landowners who, as landowners, do nothing to produce it. If this were done, *there would be no land values to tax and it would be easy to see the justice of the proposition.* Many people who read *Progress and Poverty* do not think it is fair to levy all taxes on one kind of property; but who can say that it is unfair for the community to collect what it produces?

Who can defend the present land laws, which give ground rent belonging to the community to the landowners who, as landowners, do nothing to produce it? If George had made it plain that ground rent belongs to the community because the community created it, if George had advocated that ground rent is the natural source of revenue instead of taxes, if George had emphasized the fact that if the community collected ground

rent and it was used for the cost of government it would be possible to abolish the taxation of wealth, his proposals would have had much greater public acceptance than they have had.

Because of the fact that, since the dawn of history, our man-made laws give ground rent to the landowner instead of to the community, it is the general assumption over the world as a whole that ground rent must belong to the landowners. So far as I know, Henry George never challenged this assumption.

All anyone can say in defense of the present land laws giving ground rent to the landowner is that this has been going on for thousands of years and that it will be quite inconvenient and expensive for some people to make a change. It is true that it may be wise to make this change gradually, as is being done in Denmark and Australia. But it is better to have the inconvenience and loss to some individuals than to continue to defraud the government of its natural source of revenue and take from the pockets of workers seventy-five billion dollars a year and give it to people who have no natural and moral right to it.

Henry George and his followers proposed to levy all taxes on land values. Many who read his book thought it unreasonable and unfair to levy all taxes on one form of property and, therefore, refused to agree to a program to collect ground rent for government expenses and to abolish all taxation of wealth. They did not realize the fact that land values, like slave values, are the result of unjust man-made laws. Land values appear as natural to us as slave values appeared to the people of the United States a hundred years ago. We have recognized the injustice of laws which made slave value possible. We have yet to recognize the injustice of laws which make land values possible.

As this writer sees it, society is suffering from man-made laws that create unnatural property. Some man-made laws make legal what is unnatural and morally wrong. The effect of such laws is to enable the minority to appropriate wealth produced by the majority. For example, the Roman armies sold thousands of conquered people as slaves. During medieval times the workers on land were not allowed to leave the land. They were practically

sold as slaves with the land. Up to less than one hundred years ago, slave value in the southern United States seemed as natural as wealth value.

For thousands of years, man-made law has permitted landowners to collect ground rent. Ground rent is capitalized land value. Our man-made laws do not recognize the fact that the community has *natural rights and that one of these rights is to collect the ground rent the community creates by its presence and activity*. Once man-made laws recognize the natural right of the community to collect ground rent for community expenses, land values will disappear.

At present, to many people land value seems as natural as wealth value. When Henry George proposed to collect ground rent for community expenses and to abolish the taxation of wealth, most people thought it unfair to tax land value any more than any other kind of property. They did not realize the fact that land value is the result of laws that create unnatural property. As stated heretofore, land value is caused by the man-made law creating unnatural property by allowing a landowner to collect ground rent which naturally belongs to the community.

This injustice has killed many civilizations in the past, and it will kill ours unless it is cured. It can be cured only by removing its cause: that is, by allowing the community to collect the ground rent that belongs to it. Non-Georgists do not realize that land value, like slave value, is artificial and not natural, and it is the result of *making legal something that is wrong from a moral standpoint*.

When Georgists urge the taxation of land values, they forget that if the community collected the ground rent it produced there would be no land values left to tax.

George's 400-page argument is difficult to follow, and many people who read *Progress and Poverty* are not convinced that justice requires that the community collect ground rent for the community expenses and abolish all taxation of wealth. When the natural rights of the community are considered, as we have tried to do above, it is immediately evident that justice and natu-

ral law require that the ground rent be collected by the community. Land values are evidence that natural law is being violated.

In the following quotation taken from *Progress and Poverty*, Henry George discusses the effect of adopting the natural system of collecting the revenue for the government on the production of wealth. The entire contents of Chapter I, Book IX (pp. 433-39), written under the title "Of the Effect Upon the Production of Wealth," is given below:

The elder Mirabeau, we are told, ranked the proposition of Quesnay, to substitute one single tax on rent (the *impôt unique*) for all other taxes, as a discovery equal in utility to the invention of writing or the substitution of the use of money for barter.

To whosoever will think over the matter, this saying will appear as evidence of penetration rather than of extravagance. The advantages which would be gained by substituting for the numerous taxes by which the public revenues are now raised, a single tax levied upon the value of land, will appear more and more important the more they are considered. This is the secret which would transform the little village into the great city. With all the burdens removed which now oppress industry and hamper exchange, the production of wealth would go on with a rapidity now undreamed of. This, in its turn, would lead to an increase in the value of land—a new surplus which society might take for general purposes. And released from the difficulties which attend the collection of revenue in a way that begets corruption and renders legislation the tool of special interests, society could assume functions which the increasing complexity of life makes it desirable to assume, but which the prospect of political demoralization under the present system now leads thoughtful men to shrink from.

Consider the effect upon the production of wealth.

To abolish the Taxation which, acting and reacting, now hampers every wheel of exchange and presses upon every form of industry, would be like removing an immense weight from a powerful spring. Imbued with fresh energy, production would start into new life, and trade would receive a stimulus which would be felt to the remotest arteries. The present method of taxation operates upon exchange like artificial deserts and mountains; it costs more to get goods through a custom house than it does to carry them around the world. It operates upon energy, and industry, and skill, and thrift, like a fine upon those qualities. If I have worked harder and built myself a good house while you

have been contented to live in a hovel, the tax-gatherer now comes annually to make me pay a penalty for my energy and industry, by taxing me more than you. If I have saved while you wasted, I am mulct, while you are exempt. If a man build a ship we make him pay for his temerity, as though he had done an injury to the state; if a railroad be opened, down comes the tax-collector upon it, as though it were a public nuisance; if a manufactory be erected we levy upon it an annual sum which would go far toward making a handsome profit. We say we want capital, but if any one accumulate it, or bring it among us, we charge him for it as though we were giving him a privilege. We punish with a tax the man who covers barren fields with ripening grain, we fine him who puts up machinery, and him who drains a swamp. How heavily these taxes burden production only those realize who have attempted to follow our system of taxation through its ramifications, for, as I have before said, the heaviest part of taxation is that which falls in increased prices. But manifestly these taxes are in their nature akin to the Egyptian Pasha's tax upon date trees. If they do not cause the trees to be cut down, they at least discourage the planting.

To abolish these taxes would be to lift the whole enormous weight of taxation from productive industry. The needle of the seamstress and the great manufactory; the cart horse and the locomotive; the fishing boat and the steamship; the farmer's plow and the merchant's stock, would be alike untaxed. All would be free to make or to save, to buy or to sell, unfined by taxes, unannoyed by the taxgatherer. Instead of saying to the producer, as it does now, "The more you add to the general wealth the more shall you be taxed!" the state would say to the producer, "Be as industrious, as thrifty, as enterprising as you choose, you shall have your full reward! You shall not be fined for making two blades of grass grow where one grew before; you shall not be taxed for adding to the aggregate wealth."

And will not the community gain by thus refusing to kill the goose that lays the golden eggs; by thus refraining from muzzling the ox that treadeth out the corn; by thus leaving to industry, and thrift, and skill, their natural reward, full and unimpaired? For there is to the community also a natural reward. The law of society is, each for all, as well as all for each. No one can keep to himself the good he may do, any more than he can keep the bad. Every productive enterprise, besides its return to those who undertake it, yields collateral advantages to others. If a man plant a fruit tree, his gain is that he gathers the fruit in its time and season. But in addition to his gain, there is a gain to the whole community. Others than the owner are benefited by the increased supply of fruit; the birds which it shelters fly far and wide; the rain which it helps to attract falls not alone on his field; and, even

to the eye which rests upon it from a distance, it brings a sense of beauty. And so with everything else. The building of a house, a factory, a ship, or a railroad, benefits others besides those who get the direct profits. Nature laughs at a miser. He is like the squirrel who buries his nuts and refrains from digging them up again. Lo! they sprout and grow into trees. In fine linen, steeped in costly spices, the mummy is laid away. Thousands and thousands of years thereafter, the Bedouin cooks his food by a fire of its encasings, it generates the steam by which the traveler is whirled on his way, or it passes into far-off lands to gratify the curiosity of another race. The bee fills the hollow tree with honey, and along comes the bear or the man.

Well may the community leave to the individual producer all that prompts him to exertion; well may it let the laborer have the full reward of his labor, and the capitalist the full return of his capital. For the more that labor and capital produce, the greater grows the common wealth in which all may share. And in the value or rent of land is this general gain expressed in a definite and concrete form. Here is a fund which the state may take while leaving to labor and capital their full reward. With increased activity of production this would commensurately increase.

And to shift the burden of taxation from production and exchange to the value or rent of land would not merely be to give new stimulus to the production of wealth; it would be to open new opportunities. For under this system no one would care to hold land unless to use it, and land now withheld from use would everywhere be thrown open to improvement.

The selling price of land would fall; land speculation would receive its death blow; land monopolization would no longer pay. Millions and millions of acres from which settlers are now shut out by high prices would be abandoned by their present owners or sold to settlers upon nominal terms. And this not merely on the frontiers, but within what are now considered well settled districts. Within a hundred miles of San Francisco would be thus thrown open land enough to support, even with present modes of cultivation, an agricultural population equal to that now scattered from the Oregon boundary to the Mexican line—a distance of 800 miles. In the same degree would this be true of most of the western states, and in a great degree of the older eastern states, for even in New York and Pennsylvania is population yet sparse as compared with the capacity of the land. And even in densely populated England would such a policy throw open to cultivation many hundreds of thousands of acres now held as private parks, deer preserves, and shooting grounds.

For this simple device of placing all taxes on the value of land

would be in effect putting up the land at auction to whosoever would pay the highest rent to the state. The demand for land fixes its value, and hence, if taxes were placed so as very nearly to consume that value, the man who wished to hold land without using it would have to pay very nearly what it would be worth to any one who wanted to use it.

And it must be remembered that this would apply, not merely to agricultural land, but to all land. Mineral land would be thrown open to use, just as agricultural land; and in the heart of a city no one could afford to keep land from its most profitable use, or on the outskirts to demand more for it than the use to which it could at the time be put would warrant. Everywhere that land had attained a value, taxation, instead of operating, as now, as a fine upon improvement, would operate to force improvement. Whoever planted an orchard, or sowed a field, or built a house, or erected a manufactory, no matter how costly, would have no more to pay in taxes than if he kept so much land idle. The monopolist of agricultural land would be taxed as much as though his land were covered with houses and barns, with crops and with stock. The owner of a vacant city lot would have to pay as much for the privilege of keeping other people off of it until he wanted to use it, as his neighbor who has a fine house upon his lot. It would cost as much to keep a row of tumble-down shanties upon valuable land as though it were covered with a grand hotel or a pile of great warehouses filled with costly goods.

Thus, the bonus that wherever labor is most productive must now be paid before labor can be exerted would disappear. The farmer would not have to pay out half his means, or mortgage his labor for years, in order to obtain land to cultivate; the builder of a city homestead would not have to lay out as much for a small lot as for the house he puts upon it; the company that proposed to erect a manufactory would not have to expend a great part of its capital for a site. And what would be paid from year to year to the state would be in lieu of all taxes now levied upon improvements, machinery, and stock.

Consider the effect of such a change upon the labor market. Competition would no longer be one-sided, as now. Instead of laborers competing with each other for employment, and in their competition cutting down wages to the point of bare subsistence, employers would everywhere be competing for laborers, and wages would rise to the fair earnings of labor. For into the labor market would have entered the greatest of all competitors for the employment of labor, a competitor whose demand cannot be satisfied until want is satisfied—the demand of labor itself. The employers of labor would not have merely to bid against other employers, all feeling the stimulus of greater trade and increased profits, but against the ability of laborers to become their

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own employers upon the natural opportunities freely opened to them by the tax which prevented monopolization.

With natural opportunities thus free to labor; with capital and improvements exempt from tax, and exchange released from restrictions, the spectacle of willing men unable to turn their labor into the things they are suffering for would become impossible; the recurring paroxysms which paralyze industry would cease; every wheel of production would be set in motion; demand would keep pace with supply, and supply with demand; trade would increase in every direction, and wealth augment on every hand.