

## THE ETHICS OF LAND VALUE TAXATION

DOCUMENT PRESENTED TO MGR. SATOLLI BY THE REV. EDWARD MCGLYNN, D.D.F., IN DECEMBER, 1892—AND BY HIS DIRECTION EXAMINED BY A COMMITTEE OF THE CATHOLIC UNIVERSITY AT WASHINGTON, D.C.—DECLARED TO CONTAIN NOTHING CONTRARY TO CATHOLIC TEACHING.

All men are endowed by the law of nature with the right to life and to the pursuit of happiness and therefore with the right to exert their energies upon those natural bounties without which labour or life is impossible.

God has granted those natural bounties, that is to say, the earth, to mankind in general, so that no part of it has been assigned to anyone in particular, and so that the limits of private possession have been left to be fixed by man's own industry and the laws of individual peoples.

But it is a necessary part of the liberty and dignity of man that man should own himself, always, of course, with perfect subjection to moral law. Therefore, besides the common (equal) right to natural bounties, there must be by the law of nature private property and dominion in the fruits of industry or what is produced by labour out of those natural bounties to which the individual may have legitimate access, that is, so far as he does not infringe the equal right of others or the common rights.

It is a chief function of civil government to maintain equally sacred these two natural rights.

It is lawful, and it is for the best interests of the individual and of the community and necessary for civilization that there should be a division as to the use and an undisturbed, permanent, exclusive private possession of portions of the natural bounties, or of the land; in fact, such exclusive possession is necessary to the ownership, use and enjoyment by the individual of the fruits and products of his industry.

But the organised community through civil government must always maintain the dominion over those natural bounties, as distinct from the products of private industry and from that private possession of the land which is necessary for their enjoyment. The maintenance of this dominion over the natural bounties is a primary function and duty of the organised community, in order to maintain the equal right of all men to labour for their living and for the pursuit of happiness, and therefore their equal right of access directly or indirectly to natural bounties. The assertion of this dominion by civil government is especially necessary because with the very beginning of civil government and with the growth of civilization, there comes to the natural bounties, or the land, a peculiar and an increasing value distinct from and irrespective of the products of private industry existing therein. This value is not produced by the industry of the private possessor or proprietor, but is produced by the existence of the community and grows with the growth and civilization of the community. It is therefore called unearned increment. It is this unearned increment that in cities gives to lands without any improvements so great a value. This value represents and measures the advantages and opportunities produced by the community, and men, when not permitted to acquire the absolute dominion over such lands, will willingly pay the value of this unearned increment in the form of rents, just as men, when not permitted to own other men, will willingly pay wages for desired services.

No sooner does the organised community, or state, arise, than it needs revenues. This need for revenues is small at first while population is sparse, industry rude, and the functions of the state few and simple, but with the growth of population and advance of civilisation the functions of the state increase and larger and larger revenues are needed. God is the author of society and has pre-ordained civilisation. The increasing need for public revenues with social advance being a natural God-ordained need, there must be a right way of raising them—some way

that we can truly say is the way intended by God. It is clear that this right of raising public revenues must accord with the moral law or the law of justice. It must not conflict with individual rights, it must find its means in common rights and common duties. By a beautiful providence, that may be truly called divine, since it is founded upon the nature of things and the nature of man, of which God is the Creator, a fund, constantly increasing with the capacities and needs of society, is produced by the very growth of society itself, namely, the rental value of the natural bounties of which society retains dominion. The justice and the duty of appropriating this fund to public uses is apparent in that it takes nothing from the private property of individuals except what they will pay willingly as an equivalent for a value produced by the community, which they are permitted to enjoy. The fund thus created is clearly by the law of justice a public fund, not merely because the value is a growth that comes to the natural bounties which God gave to the community in the beginning, but also, and much more, because it is a value produced by the community itself, so that this rental value belongs to the community by that best of titles, namely, producing, making or creating.

To permit any portion of this public property to go into private pockets, without a perfect equivalent being paid into the public treasury, would be an injustice to the community. Therefore the whole rental fund should be appropriated to common or public uses.

This rental tax will make compulsory the adequate utilisation of natural bounties exactly in proportion to the growth of the community and of civilisation, and will, thus compel the possessors to employ labour, the demand for which will enable the labourer to obtain perfectly just wages. The rental tax fund growing by a natural law proportionately with the growth of civilisation will thus be sufficient for public needs and capacities and therefore all taxes upon industry and upon the products of industry may and should be abolished. While the tax on land values promotes industry and therefore increases private wealth, taxes upon industry act like a fine or a punishment inflicted upon industry—they impede and restrain and finally strangle it.

In the desired condition of things land would be left in the private possession of individuals, with full liberty on their part to give, sell, or bequeath it, while the state would levy on it for public uses a tax that should equal the annual value of the land itself, irrespective of the use made of it or the improvements on it.

The only utility of private ownership and dominion of land, as distinguished from possession, is the evil utility of giving to the owners the power to reap where they have not sown, to take the products of the labour of others without giving them an equivalent—the power to impoverish and practically to reduce to a species of slavery the masses of men, who are compelled to pay private owners the greater part of what they produce for permission to live and to labour in this world, when they would work upon the natural bounties for their own account, and the power, when men work for wages, to compel them to compete against one another for the opportunity to labour, and to compel them to consent to labour for the lowest possible wages—wages that are by no means the equivalent of the new value created by the work of the labourer, but are barely sufficient to maintain the labourer in a miserable existence, and even the power to deny to the labourer the opportunity to labour at all. This is an injustice against the equal right of all men to life and to the pursuit of happiness, a right based upon the brotherhood of man which is derived from the fatherhood of God. This is the injustice that we would abolish in order to abolish involuntary poverty.

That the appropriation of the rental value of land to public uses in the form of a tax would abolish the injustice which has just been described, and thus abolish involuntary

poverty, is clear; since in such case no one would hold lands except for use and the masses of men, having free access to unoccupied lands, would be able to exert their labour directly upon natural bounties and to enjoy the full fruits and products of their labours, beginning to pay a portion of the fruits of their industry to the public treasury only when, with the growth of the community and the extension to them of the benefits of civilisation, there would come to their lands a rental value distinct from the value of the products of their industry, which value they would willingly pay as the exact equivalent of the new advantages coming to them from the community; and again in such case men would not be compelled to work for employers for wages less than absolutely just wages, namely, the equivalent of the new value created by their labour; since men surely would not consent to work for unjust wages, when they could obtain perfectly just wages by working for themselves; and, finally, since, when what belongs to the community shall have been given to the community, the only valuable things that men shall own as private property will be those things that have been produced by private industry, the boundless desires and capacities of civilised human nature for good things will always create a demand for these good things, namely, the products of labour—a demand always greater than the supply; and therefore for the labour that produces these good things there will always be a demand greater than the supply and the labourer will be able to command perfectly just wages—which are a perfect equivalent in the product of some other person's labour for the new value which his own labour produces.

**NOTE BY MR. C. B. FILLEBROWN.**—There has recently appeared from the pen of a Catholic layman a book in which the author tries to extenuate the importance of Monsignor Satolli's decision by intimating that it represents only the simple individual opinion of the four professors. Loyalty to truth dictates that this criticism should be here offset by some pertinent facts in the case.

Monsignor Satolli in a former visit to the United States in 1889 and as the guest of Archbishop Corrigan, had ample opportunity for investigation of the land question from the viewpoint of the United States and of Rome. Hence he had four years of time in which he might have made a preliminary examination. Monsignor Satolli was credited with having been one of those consulted when the Pope's Encyclical, *Rerum Novarum*, of May 15th, 1891, was in preparation, and was therefore the better able to judge what was in accord or in conflict with it.

Among the important duties of his mission was to bring to a satisfactory conclusion what was then known as the McGlynn controversy. Dr. McGlynn, at the request of the Apostolic Delegate, submitted to him through his counsel, Dr. Burtzell, a statement in Italian of his views on the subject of private property in land. On this statement Monsignor Satolli consulted four of the professors of the Catholic University. The decision of Monsignor Satolli that there was nothing contrary to Catholic doctrine in the opinions of Dr. McGlynn as exhibited in that statement was official, and was followed by the return of Dr. McGlynn to active duty.

One of the most luxurious picture palaces in the heart of the West End is at present in liquidation. The ground-rent which has to be paid and the initial expenses of building have prevented the venture from being remunerative. A solicitor who put £20,000 in another well-known London concern is, I am told, unlikely to see his money back.

—DAILY SKETCH, Dec. 17th.

Mr. Philip Snowden, M.P., speaking at Blackburn on October 6th, said that it was not unlikely that Mr. Lloyd George might have something to say about facilitating the acquisition of small holdings by farm labourers. Unionist landowners wanted to get rid of their land because they knew quite well that drastic land reform was going to come.

## THE BLACKLIST

By Henry H. Hardinge

(Reprinted from the PUBLIC, November 21st)

There are two kinds of blacklist. One is of individual creation; it has its origin in fear, hate, spite or revenge, or all four. The other is the unconscious creation of society itself, and fortifies, bolsters and vitalizes the blacklist of corporations. While corporations are not natural persons they are operated by natural persons; and spite, revenge, magnanimity, guilt, love and hatred, all personal attributes or personal defects, influence them.

The industrial blacklist depends solely upon the social blacklist. If one disappeared the other would also. Nothing is more certain than this, that the blacklisted man or trade union cares for blacklists only because industrial opportunities are few. "More men than jobs" is the crux of the whole industrial problem. Were it not for this chronic economic disability, the blacklist would not be worth talking about, and the labour injunction would be a joke. An industrial plant is picketed only because the strikers want their jobs back, which proves that such jobs are scarce. If they were plentiful, a worker would never care to return to a job so unsatisfactory as to have caused him to strike, but if he did not care the employer would, and would make terms at once, fair enough to induce the striker to return.

Our social blacklist is operated by land speculators. Yet they are without malice, venom or rancour. They do not intend to injure anyone. Nevertheless the injury to society, especially the industrial end of it, is incalculable. Not by their profits. The profits of land speculation, great as they are in the aggregate, are but a small fraction of the loss to society. It is not what speculators make, but *what other people lose*, that does the damage. Society could much better afford to collect the whole ground rent of this country and throw it into the sea on a national holiday, and amid great public rejoicings, than to allow it to fatten private purses and tempt to gambling in land values. If this were done, if the rent of land were all collected and destroyed regular, the owners of the earth and its resources would have to use, sell, or abandon them. "Dig" or get off the claim, would be then the universal rule, and Labour alone can dig.

This policy, simple as it is, would solve Labour's problem. It would convert all social idlers, rich and poor, into social assets.

A blacklist in a normal society would be both silly and impossible—silly, because no employer would go into one if he knew that employees would laugh at him; impossible because in the face of inexhaustible opportunities for both hired men and employers, the employer's point of view would be absolutely reversed along with his economic interest. Instead of trying to keep strikers out of work, his chief concern would be to get them back to work and keep them at it.

Empty the labour market and keep it empty, and you will destroy the evil element in it. Empty it, and the chronic disadvantage under which Labour now operates will forever disappear.

Blacklisting is irrational. So is the private appropriation of rent. Neither is fair, nor can either be defended in the forum of morals. They are related as are cause and effect. Land value taxation would end them both.

We have received a copy of the PORT ELIZABETH ADVERTISER, Cape of Good Hope, November 22nd, containing a long and interesting article on the taxation of land values by Mr. Lazarus.