

A NEGLECTED CHAPTER.

The most important chapter of "Progress and Poverty" makes the least impression, at first, on the minds of enthusiastic readers; and some enthusiastic readers wholly neglect it. I refer to the second chapter of the eighth book, the practical chapter of the work. Being practical, this chapter has no charm for enthusiasts who expect to gain freedom by earnest longing; but to enthusiasts who expect to gain freedom by building a road to it, it is as his chart to the sailor. When I say this is the most important chapter, I do not intend an unfavorable comparison with other parts of the book. I mean that it is the most important to pioneers, because it points the way. Other chapters tell us what our objective point should be; they tell us why we should make it our objective point; they appeal to us to set out on the journey; they prophesy the glory of its completion. But here we are told where the path begins and the course it runs.

Repudiation of this chapter in some cases, and ignorance of it in others, have suggested objections to the policy it outlines. To men who repudiate it, and who, therefore, are outside of any movement

for social reform that professes to go along the lines of "Progress and Poverty," I have nothing to say at this time; but I should like to point out their error to those who, in ignorance of the neglected chapter, have thoughtlessly assumed that its policy elsewhere advocated is contrary to the principles of "Progress and Poverty."

The problem Henry George undertook to solve was, why poverty increases with material progress. He examined the then current doctrine that wages are limited by capital, and found it insufficient; and upon seeking for the source of wages, concluded that they are produced by the labor for which they are paid. A more extended analysis of the problem (in which the Malthusian theory that population tends to increase faster than subsistence was considered and refuted) proved that poverty is not due to the laws of production, and narrowed the inquiry to the laws of distribution. An examination of these laws showed that the two primary elements in distribution, rent and wages, depend on what economists call the margin of cultivation, which is an imaginary line that separates the best land to be had without rent from the poorest land that commands rent. It further appeared that as this line recedes so as to exclude land from the rent area, rent falls and wages rise; while as the line advances so as to include more land within the rent area, rent rises and wages

fall. Hence, Mr. George argued that the reason material progress does not increase wages and thus diminish poverty, is that it does increase the value of land. This would be so even if speculation in future progress did not abnormally enhance the value of land; but pursuing his inquiry further, Mr. George found that confidence in growth of population and improvements in the arts, raises an expectation of increased rent, which gives to land a present selling value in excess of what it

if based upon present rent,

and that this expectation tends, with increase of productive power, to diminish the proportion of wealth that in distribution goes to wages, and to increase that that goes to rent. This completed the economic inquiry of "Progress and Poverty" and solved the problem, for it made the inference irresistible that poverty increases with material progress, or what is the same thing, with increase of productive power, because with increase of productive power land values tend to even greater increase and produce a constant tendency to the forcing down of wages.

Merely to solve the problem would have been comparatively a useless work. It remained to discover a remedy and invent a method of applying it. The remedy itself was simple. There can be but one remedy for an evil, and that is to remove its cause; and as the cause of increasing poverty with advancing wealth had been discovered to be the tendency of an increasing proportion of labor products to flow to the owners of land through rent, the obvious remedy was to make land common property so that this share in distribution should go to the whole people, to whom by nature the land belongs, and from whose presence and competition for the use of choice portions of it, it derives its value. But it is one thing to state a simple remedy for social disease after having discovered the cause, and quite another to invent a method of easily, quickly and effectually applying the remedy; and this brings me to the neglected chapter of "Progress and Poverty," in which the mode of application is presented.

There was no reason in justice why all private titles should not be abolished by one act of the law, all land declared public property, and lots let out to the highest bidders under conditions that would guard private rights to improvements; but such a plan did not commend itself to the author of "Progress and Property" as the best. It seemed to him that it "would involve a needless shock to present customs and habits of thought, which is to be avoided," and "a needless extension of governmental machinery, which is to be avoided." He saw, what at a later day in

"Protection or Free Trade" he stated, that it is necessary to "supplement the zeal of the propagandist with the skill of the politician," and appealed to that "axiom of statesmanship, which the successful founders of tyranny have understood and acted upon, that great changes can best be brought about under old forms." Of this axiom he says: "We who would free men should heed the same truth. It is the natural method. When nature would make a higher type she takes a lower one and develops it. This, also, is the law of social growth. *Let us work by it.* With the current we may glide fast and far. Against it, it is hard pulling and slow progress." Adopting this axiom of statesmanship, Mr. George proposed, not to abolish private titles to land, not to take rent through the public letting of lands, not to create any new machinery of government, but, by simplifying and reducing our present taxing machinery, to appropriate rent by taxation; and, "inasmuch as the taxation of rent or land values must necessarily be increased just as we abolish other taxes," he put the proposition into practical form by proposing "to abolish all taxation save that upon land values." He recognized, as all believers in complete industrial freedom must, that "it will be necessary where rent exceeds the present governmental revenues, to commensurately increase the amount demanded in taxation, and to continue this increase as society progresses and rent advances." But this is so natural and easy a matter that he regarded it as "involved, or at least understood, in the proposition to put all taxes upon the value of the land." At any rate, and respecting the application of the remedy, this is the important consideration, he held it to be "the first step upon which the practical struggle must be made."

The essential practical proposition of "Progress and Poverty" is this method of accomplishing its ultimate object by a process of abolishing taxes on industry.

Just as we abolish such taxes, public revenues must be derived from a tax upon land values. There is no other thing in the slightest degree adequate upon which to impose them, unless it be incomes, and we have had experience enough with income taxation to make it reasonably certain that the experiment will not be tried again. And just as public revenues come to be derived more and more from a tax on the value of land, do we approach nearer and nearer to the appropriation of rent by taxation.

To promote this shifting of taxation, if we intend to be more than dreamers of dreams, we must co-operate with men who go our way, no matter how short

the distance they go. Every step counts. And it is far more sensible to co-operate with men who want to go a little way in our direction, but reject our ultimate object, than to co-operate with men who advocate our ultimate object, but want to go in an opposite direction or by a roundabout course. It is possible to go from New York to Chicago by way of Liverpool and the Orient, but if I were going to Chicago I would rather have the co-operation of a locomotive engineer on the Hudson river road, even though he were a Bourbon democrat and went no further than Albany or Buffalo, than that of the most enthusiastic advocate of free land who was going by way of Liverpool in a canal boat.

Violent revolutions may sometimes succeed with comparatively small numbers; but such a revolution as we propose must command the multitude, and to command the multitude we must follow Mr. George's advice to heed the axiom of statesmanship that "great changes can best be brought about under old forms." Free trade is a stride in our direction, and every one who is more or less a free trader is for the time our ally. Concentration of taxation on real estate is a proposition in our direction, and whoever favors it is our ally. In brief, any proposal to reduce or abolish taxes on industry—national, state, or local—no matter how unimportant in itself, is in our direction; and when any considerable number or influential body of people advocate it,

not only are they our allies in theory, but we owe it to the cause we would promote to add our strength to theirs. This is not a new policy. It is the policy of "Progress and Poverty."

According to the neglected chapter of "Progress and Poverty," the first step upon which our practical struggle must be made is the abolition of all taxation save that upon land values. That struggle over, it will be necessary, in the better developed communities, to increase the tax commensurately with rent, and to continue the increase as rent advances; but it will not be necessary to take the whole value, nor does "Progress and Poverty" propose to do it. In the same neglected chapter the author says: "By leaving to land owners a percentage of rent, which would probably be much less than the cost and loss involved in attempting to rent lands through state agency, and by making use of this existing [tax] machinery, we may without jar or shock, assert the common right to land by taking rent for public uses." And again:

"When the common right to land is so far appreciated that all taxes are abolished save those which fall upon rent, there is no danger of much more than is necessary to induce them to collect the public revenues being left to individual landholders."

The ideal of the single tax is the taking in taxation of every penny of rent. But that is a practical impossibility; not only because the tax would inevitably become something more or something less than rent, but also because, when no margin was left to the landholder beyond wages as a tax collector, land would be without market value and there would be no basis for the single tax. If we insist upon taking for public use the entire gross rent of land, a time will come when we shall have to abandon the single tax and fall back upon public letting to the highest bidder. But to do this, as is said in the

neglected chapter of "Progress and Poverty," would involve the cost of an "extension of governmental machinery," and loss from "favoritism, collusion and corruption." When the time comes, no principle will be involved in the question. It will be simply one of expediency—a question of whether the single tax or public letting will more certainly and cheaply yield the nearest approximation to the whole rent.

How public letting is regarded in "Progress and Poverty" may be seen by reading the neglected chapter. Obviously, the preference there, at least until all taxation except on land values is abolished, is for the taxation method. And a little reflection will make it clear that this preference and what it involves, the leaving of a percentage of rent in the hands of land holders, were not inconsiderately expressed. The percentage would consist of two parts; first, the land holder's compensation as a tax collector, which would be regulated by the law of wages and in the last analysis is not rent at all; and, second, the remission of rent allowed by the community in lieu of the loss and cost involved in an attempt to let lands to the highest bidder. To understand the effect of this allowance, it must be remembered that without a land market land values cannot be fairly appraised; that to have a land market, land must be bought and sold; and that land will not be bought and sold unless there is a margin of rent which the land holder is allowed to retain over and above what he retains as compensation for the labor of collection. People wanting to appropriate this margin will bid for it in the land market, and in that way the value

of land will be measured regularly by the very best regulator of values—self-interest in competition—and the result will be a matter of common knowledge in every community. Upon that value the tax may be computed.

Let me use some arbitrary figures for an example. Here is a piece of land the rent value of which is \$100 a year. Eliminating speculative value for simplicity, the market value of that land would be, at twenty years' purchase,

\$2,000. A tax of five per cent would take the entire rent, and while people would be willing to pay that amount and use the land, the land would have no market value, and it would be impossible soon to tell whether five per cent on \$2,000 represented its true value or not. It would then be necessary, if we insisted on taking the whole rent value, to abandon the taxation method and resort to public letting with its chances of loss from favoritism, collusion and corruption, and its certain cost for an extension of governmental machinery. The only way to avoid this would be to leave "land owners a percentage of rent, which would probably be much less than the cost and loss involved in attempting to rent lands through state agency." Suppose then we calculate the tax at five per cent, or \$100, and leave to the land owner \$10, partly for wages of collection and partly as a basis of market value, which would leave us a net revenue of \$90. Next year the net rent to the owner, including compensation for collecting, would be only \$10 instead of \$100, and the market value of the land at twenty years' purchase would be \$200 instead of \$2,000. Then the tax would have to be forty-five per cent instead of five, and would so continue as long as a ten per cent margin was allowed to the owner. No matter what changes took place in selling value, forty-five per cent of selling value would always yield to the public ninety per cent of rent value. Changes in selling value, which would make new bases for computing the tax, would be shown by transactions in the land market. Suppose transactions in that or similar land should show that its selling value was \$250 instead of \$200. Then the tax at forty-five per cent of the selling value would yield \$112.50 instead of \$90 to the public revenue, and the land owner would retain ten per cent of gross rent, or \$12.50 instead of \$10, partly as compensation for collection and partly as a basis of market value.

Could state letting or any other system show a better result from the point of view of the single tax unlimited? I do not believe it, and therefore, favor the single tax in perpetuity.