

A Study In Land Value Taxation

By LOUIS F. POST

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I. DEFINITION.

The taxation of land values is identical with "the Singletax" as advocated by Henry George.

It is a proposal to substitute land value taxation for all other methods of raising public revenues.¹

II. FUNDAMENTAL PRINCIPLES.

I. The Common Right to Land.

The basic principle of this reform is the ethical theory that human rights to land are equal.

No one can possess any better moral right to land than anyone else. He may, indeed, justly claim superior moral rights to landed improvements, such as buildings, clearings, fences, drainage, cultivation, or anything else that costs human labor. This he may do by virtue of his having made the improvements himself, or honestly acquired them from whoever did make them. But the land—that is, the natural site of those improvements and the natural source whence their materials are drawn forth—to that he can have no exclusive moral right. It is the standing place and storeroom supplied by Nature for all living people; and each person must in justice be regarded as having an equal moral right with every other to its use.

Escape from this conclusion is attempted sometimes by a resort to prescriptive right, and sometimes by appeal to the doctrine of superior force. But neither can be of any avail.²

1. Read "Progress and Poverty," Book VIII, Chapter IV. See Post's "The Taxation of Land Values," (Bobbs-Merrill, Indianapolis), p. 1 and Note 2. Read "The Science of Political Economy," Book II, Chapter IV.

2. Read "The Land Question," Chapter VII.

Prescription is only a device for peace; it is not a principle of justice. By no possibility can it turn a wrong into a right. It can only suppress the assertion of rights. And though it may thus serve a useful purpose in preventing quarrels over rights that are ephemeral and obsolete, it becomes an engine of oppression when it obstructs the assertion of rights that continually renew their vitality.

Prescription cannot justly operate to deny to any newcomer into the world his equal right with all his contemporaries to be in the world.³ The doctrine of superior force is self-destructive. If landowners may exclude the landless by superior force, then the landless may, by the same right, exclude landowners. Evidently, the right to land must have a firmer foundation than force—whether force of arms or force of laws.

It must rest upon elementary principles of justice. Principles of justice require that the right to land shall be a common right. Though the use need not be common, the right must be. And it is because the right to land is in justice a common right, that values which attach to land may be justly taxed. The values of common rights are obviously common values.⁴

II. The Individual Right to Labor Products.

Correlative to the ethical principle that the right to land is a common right, is the other ethical principle that **labor-products are the absolute private property of their producers.** To deny the former principle is by implication to deny the latter.⁵

This principle of the absolute property right of producers in their products is antithetical to the principle of slavery. It is deduced from the axiom that every man has, as against the claims of every other man and of all other men combined, a moral right to himself;

3. Read "Progress and Poverty," Book VIII, Chapter II.

4. Read "Progress and Poverty," Book VII, Chapter I. Read "Protection or Free Trade," Chapter XXVI, from the paragraph beginning: "Here are two simple principles," to and including paragraph ending "is not the produce of labor."

5. Read "The Taxation of Land Values," p. 33, Note 81.

and its establishment as a principle of ethics is necessary to the ethical repudiation, not only of slavery but of all other forms of privilege, whether predatory or paternal.

The principle is essential even to the idea of sacrifice, as in charity; and of giving, as in communism. No one can sacrifice or give what is not first absolutely his own.

There could not be any plausible objection to the principle of individual property in labor-products if every producer brought forth his own products altogether by his own individual labor.

But in civilized production no producer brings forth any product in its entirety. So intense is the specialization of industry that each contributor to any specific result contributes only an infinitesimal part of the total labor required. In doing so, he is indebted to preceding producers for his implements and materials to his associates as their joint work goes on, and to producers of even the dim past for the know-how.

This complexity gives color to the theory that the results of production belong primarily and of moral right, not to individual producers, but to society as a whole. Society in the past, it is plausibly argued, has developed the existing methods and mechanism of production; and society in the present makes their current use and their further development possible. Inasmuch then, as no individual can say of any complete product that he, or any one from whom he derives title, has produced it, the conclusion is urged that individual titles are not traceable to individual production. They are attributed rather to the activities of society as a whole. To society as a whole, therefore, it is insisted, the primary title belongs.⁶

But that objection to the principle that individual property in labor products rests upon individual production is extremely superficial.

6. Read "Progress and Poverty," Book I, Chapter I, from the paragraph beginning: "But the fundamental truth," to the end of the chapter. Study "The Science of Political Economy," Book III, Chapters, IX, X and XI.

In moral and economic effect each individual does bring forth his own products in their entirety by his own individual labor. This would be obviously true in primitive conditions. It is equally true in those social conditions so familiar to this generation, in which industry is highly specialized.

The proposition may be easily demonstrated.

If, in extremely primitive conditions, one man, aided perhaps by such rude implements as sticks and stones fashioned wholly by himself, were to build a hut, that hut would clearly be his individual product. Morally, therefore, as against the demands of all other men, it would be his individual property. And being his individual property he would have the moral right to transfer it to another upon mutually satisfactory terms. In demanding terms he might be selfish. He might demand such onerous terms as to be contemptibly selfish. But if he did not resort to fraud or coercion, he would not be unjust. For his selfishness in this respect, though it deprived his brethren of comforts, would not deprive them of rights. If, then, exercising his right to trade the product of his labor for the product of another's labor, he should trade the hut he had produced for another, similarly produced by another man, the hut he received in the trade would be his property in place of the one he had made. The one he had made would likewise be the property of his neighbor. Physically, indeed, neither man would have produced the particular hut now in his possession; but inasmuch as each would have produced the one he traded for it, the net result would be the same as if he had physically produced his own. For all the purposes, then, of determining property rights ethically, the title of each to the hut he possesses but did not make is as good as his title was before the trade to the one he has parted with but did make. The second is the expression of his labor as truly as was the first. In that sense, each man may be said to have produced the hut he possesses.

Carrying the same principle farther, we find that

in conditions of diversified industry, the relation of individual producers to completed products is exactly the same.

One man might produce a house by himself digging the cellar, laying the foundation, erecting the superstructure, and inclosing and finishing it, while personally making all the tools. Though the result would doubtless be a poor apology for a house, one man could doubtless produce it without assistance of any kind, except as to the know-how. But he could much more easily produce a better house, if, coöperating with 100,000,000 men of like desires, he mingled his labor with theirs in the construction of 100,000,000 houses—one for each of them and one for him. None of these coöperators would literally produce any of the houses entire. But each would contribute to the general productive processes. Some would help make machinery and others tools; some would help make designs; some would assist in procuring material, while some helped to transport and others to shape it; some would dig cellars; some would erect one part of the superstructure and others other parts; and so on, through a labyrinth of specialized functions. And at the end, if each man in exchange for his contribution of specialized labor to the production of 99,999,999 of those houses, received from the others their contributions of labor to the production of the remaining house, each would for all the purposes of determining questions of individual title by the test of individual production, have been the producer in its entirety of the house he accepted in exchange.

Highly specialized industry does not alter, it only obscures, the principle so obvious in more primitive conditions, that every laborer actually produces, to all moral and economic intents and purposes, the particular product which he in free exchange accepts in lieu of his contribution of labor to the general processes of production.⁷

⁷. Read "The Science of Political Economy," Book I, Chapters II, III, IV, V. Study "Science of Political Economy," Book I, Chapter VI. Read "Progress and Poverty," Book X, Chapter II.

Nor does he owe society any part of this share on account of his ability to produce in the modern way. Though society has indeed developed the methods which make highly specialized industry not only possible but necessary, yet society does not endow him either with knowledge of these methods or with skill in using them. All that society can be said to do is to accumulate the knowledge, generation by generation. Each producer must do the rest. By his own individual labor he must make that knowledge a part of himself before it can be serviceable through him in production. By study, his own study, he must individualize the knowledge; and by practice, his own practice, he must individualize the skill.⁸

Society, therefore, has no claim to any share in an individual producer's product (except as it secures him in the possession of superior locations), upon any plea that production is a social matter. So far as each man's contribution to production goes, its direct result, or what he receives in free exchange for that direct result, is, economically and morally, his own individual production, even to the know-how.

Individuals are essentially the producers of such products as they demand and receive in free exchange for their individual contributions of labor to general production; and the products so received are as absolutely their private property as if they had actually made them.⁹

III. CORRELATION OF THE FUNDAMENTAL PRINCIPLES.

The fundamental principles of the subject are thus seen to be twofold: (1) common rights to land; and (2) individual rights to products.

These twofold rights are, as already stated, correlative—individual rights to labor products being de-

8. Study "The Science of Political Economy," Book III, Chapter XI.

9. Study "Progress and Poverty," Book VII, Chapter I, from paragraph beginning: "Second. This right of ownership," to paragraph ending, "natural reward of those who do."

pendent upon common rights to land. That this is true may be observed by considering the effect of private property in land upon the right of private property in labor products. The right of producers to their products is nullified in greater or less degree, by private property in land. For private property in land carries with it legal power to enforce the payment of a premium for the use of land. It thereby enables landowners to exact labor-products from producers without themselves contributing to production. To that extent it is a practical denial of the right of producers to their products.

It follows that individual rights of property in land must be abolished in order to secure to producers individual rights of property in their labor-products.¹⁰

For the maintenance, then, not only of the ethical principle of common rights to land, but also of the ethical principle of individual rights to labor-products, common rights to land must in some way be secured. These correlative moral principles, in other words, must be mutually adjusted by law.

IV. IDEAL ADJUSTMENT OF THE FUNDAMENTAL PRINCIPLES.

The ideal adjustment of the principle of common rights to land and individual rights to labor-products is suggested by what to political economists is known as the law of rent.

When, through individual appropriation, any kind of land becomes scarce relatively to the demand for it, the law of rent causes value to attach to that kind of land. In other words, scarce land commands a premium; whereas, plentiful land, if not arbitrarily inclosed, commands none.

As different kinds of land become scarce, they command different premiums—some kinds more and

10. Read "The Taxation of Land Values," from p. 34 to p. 38, and Notes 85, 87, 88, 93. Study "Progress and Poverty," Book III, Chapter II. Read "Eighth Biennial Labor Report of Illinois," first edition, pp. 368-372; second edition, pp. 276-278—"Economic History of a Quarter Acre in Chicago."

some less, in proportion to the advantages they offer over the most desirable free land.¹¹ The most desirable free land is technically said to be at the "margin of cultivation," or, more accurately—for the law of rent applies not only to agricultural lands but also to every other kind—at the "margin of production."¹² If producers used poorer land than that at the margin, they could not produce so much with the same effort. If they used better land, they would have to yield up the advantage in rent to its owner.

This would be so, even if the producer himself were the owner. The value of the advantage would then come to him *as owner* in rent, and not as *producer* in earnings.

The "margin of production," therefore, determines on the one hand the rate of compensation to producers everywhere, and regulates, on the other hand, the varying rent of scarce lands. Since rent, or periodical land premiums, must always leave to producers as much of their product as they could produce upon the best free land, the "margin of production" determines their compensation; but as they can retain of their products no more than they could produce upon free land, the remainder going as rent to the owner of the land they use, the "margin of production" regulates rent.¹³

By taking advantage of this natural law, common property rights to land and individual property rights to labor-products may be secured. It is only necessary, without abrogating the individual possession of land which now obtains, to make a common fund of land values.

Under that system, individuals would hold particular parcels of land as now; they would use it individ-

11. See "The Taxation of Land Values," p. 86 and Note 89.

12. Study "Progress and Poverty," Book III, Chapter I, and Book III, Chapter VI. Read "Progress and Poverty," Book III, Chapter VIII, and the whole of Book IV.

13. Read "Progress and Poverty," Book VII, Chapters I and II. On the question of compensating land owners for their loss involved in abolishing the system (an important theoretical point in this connection), read "Progress and Poverty," Book VII, Chapter III, and "Perplexed Philosopher," Part III, Chapters X and XI.

ually as now; they would own the products they drew forth from it, as they do now. But at regular and frequent intervals each occupier would pay into a common fund the rent of the particular parcel of land in his possession. Some occupiers would pay more and some less; but each would pay according to the advantage offered by his parcel.

Those who occupied land at or below the "margin of production" would contribute nothing to the common fund, because they would enjoy no advantage. Since the supply of land like what they held would constantly and notoriously be in excess of the demand, nobody would pay a premium for theirs. Consequently, the community could not, in justice, exact a premium of them. All that they produced would be the result of their own individual labor. But those who occupied land of greater desirability than that at the "margin of production" would contribute the value of their advantages—that is, the premiums which, under private ownership of land, they as owners might appropriate to themselves, or as tenants pay to a landlord—to the common fund. If their holdings were only a little better than holdings at the "margin of production," as is the case with village building lots and ordinary farming land, the premiums would be low and their contributions small; but if their holdings were vastly better, as with rich mines and city building lots, the premiums would be high and their contributions large. None, therefore, would be deprived of anything due to his own contributions to production. For by securing anyone in the exclusive possession of especially advantageous locations, society to that degree becomes in a sense his partner and acquires a right to share in his products to the extent of the value of that advantage. It is in this way, and only in this way, that society so assists individual producers as to be able to apply a just pecuniary measurement to its assistance.

Society may claim this share upon still another theory. By securing to some the exclusive possession

of superior and scarce locations it deprives others of their equal right to land. In order, then, to maintain the equality of that right it is necessary that the value of the advantage—the value of the superior land—be taken by society for common use.¹⁴

Products would thus fall into two categories.

Into one would go enough products to represent the value of advantageous locations. This fund would be the common property of all, out of which common expenses would be paid.

Into the other category would go all the products of individual producers, after advantages of location had been equalized by the withdrawal of products justly belonging to the common fund; and out of this second category, each producer would be paid in proportion to his individual production as determined by free competition.

In other words, the former category would be made up of commonly earned "rent" and the latter of individually earned "wages."

If this system were in ideally perfect operation, products to the exact value of each individual's labor, i. e., what he could produce without the advantage over his fellows of superior location, would be reserved by him for his own use; and products to the exact value of land would be applied to the equal benefit of all.

V. THE PRACTICAL ADJUSTMENT.

But ideal perfection is not possible in anything. While it should always be our aim, we can expect to realize it only approximately. And a satisfactory approximation to the distribution of labor-products into a common "rent" fund and an individual "wages" fund could doubtless be realized in general by carrying the Singletax ideal to the practical ultimate.

There are instances, however, which may require

14. Read "Progress and Poverty," Book V, Chapter II. Study "The Taxation of Land Values," pp. 36 to 51, both inclusive. Read "Social Problems," Chapters XVIII and XIX. Read "Protection or Free Trade," Chapter XXV.

different treatment. It is possible that the adjustment of common and individual rights in connection with precious-metal mining could not be secured, even approximately, by the taxation method. Should experience demonstrate this, another method would be required. It might be necessary in these cases to resort, for example, to renting, or even to governmental operation. But the ultimate decision of that question may safely be postponed until inadequacy of land value taxation in this respect shall have been demonstrated.

So, also, it is possible that the taxation method may not be adequate in connection with such public utilities as railroads, street cars, and similar systems of public service. These systems use very valuable land. Indeed, the value of their franchises is altogether a land value. Whether land value taxation—or what is essentially the same thing, franchise value taxation—could be made to distinguish these land values with approximate certainty, only experience will tell. If it could not, then other means would have to be adopted. For land value taxation, aside from its revenue function, is only a fiscal means to a social end. The social end is the abolition of land monopoly and the securing to producers of individual property in their own products. Government ownership of public utilities, even their operation by government, is, therefore, not inconsistent with the fundamental principles of land value taxation, provided it be necessary on the one hand to the establishment of common rights to land, and on the other to the security of the laborer in the possession of what he earns.

But in general, land value taxation would approximately realize its object.

By far the most land, not only as to area but as to the much more important consideration of value, is of the kind which would be regulated justly in its tenure by full taxation of land values. As to most land, therefore, this method would be effectual. As to the rest, no peculiar method could be of general benefit if land values were not appropriated to common use.

If, for example, mining of the precious metals were made a governmental affair, and this method worked to perfection, the pecuniary benefits would be enjoyed, not by the public but by individuals whose farm land, or railroad land, or town lots were thereby enhanced in value.

And so with public utilities. If railroading were successfully done by governmental agencies, the value of building lots, farm sites, and mineral deposits, within the influence of railroad benefits, would be so increased in value that their owners would appropriate in higher land premiums all the pecuniary advantages of the government railroad system.

It is only by first appropriating to common use land values in general, which can be easily done by taxation, that a firm foundation for any other economic reform can be laid.

That done, all other real reform would be economically effective for the common good. But so long as that is left undone, all other reforms will be economically impotent. Instead of increasing the share of products that belongs to individual producers, they will but increase the share which goes to individual landowners.¹⁵

For the practical adjustment, then, of common rights to land and individual rights to labor-products, the primary method is taxation of land values.

VI. THE SINGLE TAX ON LAND VALUES.

I. As a Fiscal Reform.

This method consists in the abolition of all taxes, except such as are levied upon land-owners in proportion to the value of their land.

As a revenue system it conforms most closely to the acknowledged principles of taxation. In the first place it would not check production. But it would

15. On the subject of "indirect" taxation, read "Protection or Free Trade," Chapter VIII; "Progress and Poverty," Book VIII, Chapter III; "Natural Taxation," Chapter II; "The Eighth Biennial Labor Report of Illinois," pp. 11, 12, 18; and "The Taxation of Land Values," pp. 4, 5, and Note 12.

check monopoly; not only the minor monopolies that thrive upon indirect taxation,¹⁵ but also the greatest of all monopolies and the fundamental one — land monopoly. In the second place the land value tax would be more easily and cheaply collected than any other form of tax. In the third place it would reduce favoritism to the minimum. Land value taxation affords least opportunity for partiality because unfairness in connection with levying it cannot be concealed. Of other taxes, few people in a community can tell whether they are fairly levied or not; but about the fairness of land value taxation everybody would know. If there were but this one tax, public attention would be so concentrated upon its levy and collection that no substantially false assessments could be made without creating a public scandal. Secret under-valuations of any importance would be practically impossible. In the fourth place, and finally, the land value tax would be equal, in the only just fiscal sense of that term, which is *equitable*. No one would pay taxes unless he received public pecuniary advantages; and each one who did pay would do so in proportion to the pecuniary value of the advantages conferred by the public upon him.¹⁶

To establish extensive taxation of land values, no violent revolution, no sudden or disturbing change of any kind, is required.

We already tax land values to some extent. Nothing need be done, therefore, but to abolish all other taxes and allow the tax on land values to increase. And, however gradually that were done, the benefits of the reform would become manifest at the beginning, and grow more and more so as the abolition of other taxes proceeded and those upon land values were consequently augmented.¹⁷

The most generally accepted method of introducing this reform practically is by means of the prin-

16. Study "Natural Taxation," Chapters XI and XII. Study "Progress and Poverty," Book VIII, Chapters III and IV. Also "Schilling's Eighth Biennial Report of Illinois Bureau of Labor Statistics," pp. 14, 15 and 16.

17. Read "Progress and Poverty," Book VIII, Chapter II.

ciple of home government known as "local option" in taxation. Pursuant to that principle municipalities would receive authority from the legislature to raise their own proportion of public revenues, in their own chosen way—whether by the taxation of personal property, or of real estate, or of land values, or of all together. Having that authority the people of municipalities could be directly appealed to, free from partisan influences and the complexities of a general taxation system, and solely upon the merits of the proposition, to adopt the Singletax among themselves.

Local option in taxation is allowed in New Zealand, and the question of adopting it in this country has frequently been before State legislatures, beginning with the legislature of New York. Some legislatures have submitted the question to popular Referendum; while in several States it has been submitted by Initiative. The system was recommended in 1895, by the Bureau of Labor Statistics of Illinois, in its eighth biennial report, along with forms for the necessary constitutional amendment and statute,¹⁸ and since that time it has been under frequent and extensive discussion. In Australia, as well as New Zealand, and in some of the Provinces of Canada it has been adopted for municipal purposes, although not to the extent of taking the entire value.

II. As a Social Reform.

The Single Tax would increase the production of wealth.

First, by lifting the burden of taxation from producers as such, and thus stimulating production. The great bulk of taxes now rests as a burden upon production. This burden would be lifted.

Second, by opening rich industrial opportunities now monopolized, and thereby enhancing productive power.

18. Read "The Eighth Biennial Report of the Bureau of Labor Statistics of Illinois," p. 299.

Valuable land could not be kept out of use under the Singletax.¹⁹ **The distribution of wealth would thus be made equitable.** With land monopoly destroyed, and taxes on production abolished, men would be free to produce in the most favorable conditions and to trade their labor and its products among themselves upon equal terms as bargainers. None would, therefore, consent to take a smaller share of wealth for his contribution of labor than his contribution of labor was worth.

So, wages would rise to the point of earnings.²⁰

The small home-owner would gain, because, though the value of his lot would disappear, its usefulness to him would remain, and his taxes on house, furniture and personal property would be abolished.²¹

But, except the mere laborer, farmers have most to gain by land value taxation.²² Every land-owner who is also a producer, would gain as producer, though he would lose as land-owner; and if his interests as producer were greater than his interests as land-owner, he would gain more than he would lose.²³

Mere laborers would gain more than any other class. Having nothing to lose as landlords, their gains as laborers would have no offset.²⁴

With the advent of the Singletax, most of the complexities and abuses of government as we know it, would disappear. For they are chiefly due to private land tenures and indirect taxation, which the Singletax would abolish.²⁵

And the simplification of government would make

19. Read "Progress and Poverty," Book IX, Chapters I and II.

20. Read "Progress and Poverty," Book IX, Chapter II.

21. Read "Progress and Poverty," Book IX, Chapter III.

22. Study "Progress and Poverty," Book IX, Chapter III, from the paragraph beginning: "And so with the farmer," to the paragraph ending, "his gain would be real and great." Read "Social Problems," Chapters XX and XXI.

23. Read "Progress and Poverty," Book IX, Chapter III, four last paragraphs.

24. Read "Progress and Poverty," Book IX, Chapter IV, paragraph beginning: "Give labor a free field." Read "Protection or Free Trade," Chapter XXVIII.

25. Read "Progress and Poverty," Book IX, Chapter IV, first six paragraphs.

possible the assumption by it of new and beneficent functions.²⁶

Greater than all else, the lust for gain would be displaced in individuals by ambition for noble service.²⁷

²⁶. Read "Progress and Poverty," Book IX, Chapter IV, from paragraph beginning: "Society would thus," to the paragraph ending, "Nothing could be further from the truth."

²⁷. Read "Progress and Poverty," Book IX, Chapter IV, from the paragraph beginning: "From whence springs this lust for gain," to the end of the chapter.