

QUESTIONS AND ANSWERS

Can a tax on land values be shifted on to the shoulders of industry?

This can be best answered by asking upon whose shoulders the tax burden is to be shifted in the case of unused or untenanted land. In such a case the owner must pay the tax, and as it will certainly be a burden he will at once turn round and look for a tenant, only to find himself in competition with other owners in a like predicament. This competition for tenants will inevitably lower the price of land just as competition for customers lowers the price of commodities. The owners of land already in use will find values of their land rigidly determined for them by the new supply of hitherto vacant land that has been brought into the market, and so the shifting of the burden will become impossible.

✓ *Is there sufficient land value in every taxable area to meet all the burdens that naturally fall upon that area, local, state, and federal?*

Yes, because the real land value of any district is the total price which we are willing to pay for the privilege of living in that district rather than in the wilds of Northern Canada. That total price includes the rent paid on account of advantageous geographical situation; and also the price paid for the privilege of police protection, upkeep of roads, etc. To find the real land value therefore of any district it is necessary to add together all that at present goes into the pockets of rent receivers to the amounts taken by public tax gatherers. One has only to imagine a wealthy visitor from a neighboring planet offering to defray all the expenses of the State of New York, to see clearly that in such a case the land-value of each location would rise by the capitalized amount of the cancelled taxes.

Will the man who has put his savings into the purchase of a piece of land be disadvantaged as compared with the man who has invested in railway stock or mining shares?

If both have been *bona fide* investors for use and not for speculation, then the buyer of land will be no worse off than the purchaser of railway stock. When a man buys land for the purpose of using it by building a house or factory, he does so in full view of the fact that he is to be penalized by taxation on his house or improvements when they are made, and that fact being known to the seller as well as the purchaser, has certainly been discounted in the price he has paid. In other words, he has bought the land free of burdens, seeing he has acquired it for so much less than he would have had to pay had the seller undertaken to pay the public burdens. When, therefore, we tell him that the taxes he had undertaken to pay and on account of which he bought the land so much cheaper, are to be cancelled, and in lieu thereof a tax is to be imposed on the bare unimproved land value, he will be forced to admit he has nothing to complain of. It need hardly be said however, that if the purchase of land was made for the purpose of holding idle against a future rise, then the whole object of the reform is to make such anti-social action unprofitable.

When we have assured the bona fide buyer of land for use that his tax bill will be no higher and probably lower under the new standard of taxation, have we told the whole story?

No. It remains to be admitted that in proportion as the burden of taxation is settled on the publicly created value of land, the selling price of land will gradually disappear. Land will be as profitable for use as before and probably more so, but its value as a salable asset will have diminished by the capitalized amount of the tax. There will, it should at once be admitted, have been an apparent destruction of a fictitious "capital" or something that wrongly passed by that name. The destruction will of course be only "apparent," because the value of land for use will be as great or greater than before, and it must be noted that if the holder of land cannot then sell his land for the same

price as before, he will be able to buy other land at the same reduced price as he was able to command for what he has parted with.

Will the concentration of taxation on unimproved land values tend toward close and high building and the covering of open spaces and garden plots?

The reply is that it will facilitate the doing of whatever society finds by experience to be the wisest thing to do, whether that be close building or the provision of ample garden plots, instead of facilitating as our present system undoubtedly does, the anti-social actions of hold-ups and speculators. Under conditions of freedom, society might find it exceedingly advantageous to have its entire business quarters concentrated within a small area of a quarter of a mile square, closely built with twenty-storey sky scrapers; so that each professional man or merchant might find a thousand possible clients or customers under the same roof with himself or within five minutes walk. This would mean that the residential area would begin sooner as one walked outwards from the center of a city, and there the natural desire for garden plots and open spaces would satisfy itself more easily than now, owing to the inevitable cheapening of sites by the bringing into use of hitherto unused land through taxing at its full selling value. Moreover, this important consideration must be carefully noted, that when the public authority did decide that an open square in a city was necessary for the public health, this public need could be satisfied easily, and without loss. Under present conditions to buy up a block in the middle of a city and make a garden square, would be so enormously costly as to make it impossible, for the increased site-values accruing to those buildings that would look into the open space would all go into private pockets. Where all land-value was recognized as belonging to the community, of whose presence and activity it is but the reflection, the cost of a block of buildings would, after its removal, reappear in the increased site-values of those properties which enjoyed the amenity of the improved outlook. By this means the public authority would recover its outlay in the

purchase and demolition of buildings, and so public improvements would become possible that are now never conceived of on account of the cost.

Is it just that a poor man occupying a cottage with quarter of an acre of land on the road-side should (on the basis of land value) make the same contribution to the public funds as a rich man occupying a mansion on two acres of less valuable land away from the main thoroughfare, and to which he drives in his automobile?

The reply is in the affirmative, but the justice of it cannot be seen so long as the judgment is obsessed by the ancient superstition that a man ought to contribute to the public expense according to his ability to pay. That theory has no principle behind it other than the principle of the highway robber who way-lays the rich man and considerately allows the poor man to go unmolested. However rich a man may be, a government should surely find some other reason for despoiling him of any portion of his wealth, than the obvious one that he has got it to take. Before therefore seeking for a just standard of taxation it is absolutely necessary to get rid of the pernicious theory which has held men's minds for so long, that "ability to pay" can be accepted as a principle of equity. The only standard by which to measure each citizen's contribution to the cost of government, that can be said to have a principle of equity behind it, is that one which enquires how much benefit each has reaped through the spending of tax-raised money, and that enquiry is answered automatically and accurately by finding the selling value of the land which he occupies or monopolizes to the exclusion of the rest of the community. The benefits of government, federal, state, or municipal, reflect themselves in the land values within the governed areas, being greater in the most conveniently situated positions, and less in the positions of lesser convenience; and by taxing according to land value we should be adopting the common sense principle according to which electric current is paid for, or on which store-keepers charge for their services, "according to benefit received," or to the amount of the commodity consumed. But it is the greatest of mistakes to imagine that

the rich man would escape making contribution in proportion to his wealth, even though the government have no right to take the fact of his wealth as a reason for despoiling him of it. All wealth comes from industries that have their basis in land, in farms, in copper mines, iron ore deposits, oil wells, railway franchises; and under the principle of land value taxation these would be taxed at their source, for mineral wealth is land-value just as truly as is the value of building sites in New York. Moreover, the wealthy manufacturer who makes large profits and occupies in doing so land of little value, would under the redistribution of economic forces that would follow upon the liberation of labor, find that the natural price of human services had risen, while the natural price of commodities had fallen owing to the opening up of opportunities and the increased facilities for production. Swollen fortunes would thus find themselves "taxed" in the right way, if the word "taxed" can properly be applied to a readjustment of human relationships which would merely undo the system which discriminates against labor and in favor of privilege.

Does the Single Tax discriminate between earned and unearned income?

It is the scientific way of doing what we have been feebly attempting to do in an unscientific way, that is, to distinguish between what Dr. Scott Nearing called "property income" and "service income," or between that form of wealth which is the result of individual effort in production and that which is purely the result of the collective effort of society; or between the two forms of wealth which Dr. Ellwood, of the University of Missouri, in a seemingly unwilling recognition of an unwelcome truth, calls "earnings" and "findings."

In the case of the great majority of us (whether as individuals or as partners in corporations) our incomes are so inextricably compounded of earnings and findings, of privilege income and service income, that it is hard for some of us to know whether we belong to the privileged or unprivileged classes, to the slave owners or the slaves, to the confiscators or the victims; and perhaps only

those absolutely propertyless men at the bottom of the social scale can be said to have no share in the "findings" that spring from privilege. On the other hand it is equally true that all industry up to its highest strata, has to pay toll to privilege and provide those "findings" which distribute themselves with more or less inequality over almost the whole of society. How to distinguish between and separate these entirely different kinds of wealth is what all sincere sociologists and honest taxation commissioners have wanted to do and have hitherto failed in the doing.

If we take a handful of sand and a handful of iron filings and mix them thoroughly, and then set a man with the sharpest eyesight and the nimblest fingers to separate the particles, it will take him long to accomplish his task and he will never do it with more than an approximation to completeness. But apply a strong magnet to the mixture and the separation will be accomplished in ten minutes. Then see how the analogy applies to the economic problem in society. Let us imagine the return that should naturally flow to land in the form of rent to take the shape of blue coins made of steel. Let us fancy that the natural reward that goes to capital as interest takes the form of red coins made of wood. Finally let us figure the natural return to human service of all grades as being represented by white coins also made of wood. On examination it will be discovered that in the case of almost every member of society above the rank of the day laborer, his income is tri-colored—or composed of all three coins. There are countless "captains of industry" among us who complacently assume their large incomes to be the rewards freely given by a free world in return for their invaluable services, who will be surprised to find how large a proportion of blue their income coins contain. There are multitudes of livers upon what they have called "interest" who will expect to find their coins red, who will be equally surprised to discover that they are almost entirely blue. To complete the parable, the taxation of land values will be like the application of the magnet which will draw away the blue steel coins in whatever stratum of society they may be found, and lay them aside for social purposes, being

socially created wealth; leaving the red and white coins to be competed for in a world of free opportunity, without deduction or diminution by taxation or in any other way.

How can we explain the transient nature of the benefit from the adoption of Single Tax in Vancouver,¹ and the reaction of depression?

It must be remembered that all remedies for long standing wrongs must be applied carefully. The untaxing of houses and improvements sets in operation a movement towards greater prosperity and this tends to raise land-value. The taxing of land values exclusively on the other hand tends to lower the selling value of land or to extinguish it altogether. Everything depends upon which of these two currents of economic tendency is the stronger and which gets the first hold. If the tax on land values amounts to less than the normal annual increase in land-value due to increasing population, then speculation for a rise will continue as before. If the normal demand for land is stimulated by the increased prosperity caused by exemption of improvements from taxation, and the tax on land-value is still small, then the speculation instead of being killed is stimulated still further. When moreover, the changed standard of taxation is operating only within the area of a municipality, and is not spread over a province or a State, the belt of speculatively-held land that surrounds the municipality tends to re-act upon the increased prosperity within the city's boundaries, by still further raising its land values; and so still further promoting speculation, which is inevitably followed by a depression. All these conditions were present in the case of Vancouver, and the lesson to be drawn from it is (1) that the land-value tax must be greater than the annual increase in value if speculation is to be stopped, and (2) that the Single Tax will be beneficial in proportion as it operates over a large area, and will have a tendency to fail of its object in proportion as the area of its operation is small. Where these conditions are not observed, the removal of economic restrictions upon building will certainly have the effect of promoting a rapid

¹See page 92 ante; see also Appendix for Vancouver.

and unhealthy intense prosperity, accompanied by speculation and followed by the inevitable collapse.

Should the community in laying claim to "increment of value produced by the presence of the people," admit its liability to compensate for "decrement," when this has occurred through no fault of the owner of the land, but through movements of population?

This question is frequently asked, but it is quite irrelevant to the position on which the Single Taxer stands. Under a Single Tax system of taxation, the community will lay all its public burdens on the selling value of the land as it may happen to be at any moment, quite irrespective of whether it may have recently risen or fallen. All the value there is above the level of zero, has been brought into existence by the community, and there can be no decrement below that level; therefore there will be no compensation except in the sense that when land falls in in value taxation will fall proportionately.—A. M.

Are there not some taxes that should be retained for other purposes than revenue—as, for example, the tax on alcoholic and malt liquors, the consumption of which it may be desirable to discourage?

John Bright said, "You will never succeed in getting rid of drunkenness or any other vice simply by rendering its indulgence dear." Adam Smith, nearly three generations before, arrived at the conclusion that cheap drink is not a cause of drunkenness, nor dear drink a cause of sobriety. He says:

"Though in every country there are many people who spend upon such liquors more than they can afford, there are always many more who spend less. It deserves to be remarked, too, that if we consult experience, the cheapness of wine seems to be a cause not of drunkenness, but of sobriety. The inhabitants of the wine countries are in general the soberest people of Europe; witness the Spaniards, the Italians, and the inhabitants of the southern provinces of France. People are seldom guilty of excess in what is their daily fare. Nobody affects the character of liberality and good fellowship by being profuse of a liquor which is as cheap as small beer. On the contrary, in the countries which, either from excessive heat or cold, produce no grapes, and where wine consequently is dear and a rarity, drunkenness is a

common vice, as among the northern nations, and all those who live between the Tropics, the negroes for example, on the coast of Guinea. When a French regiment comes from some of the northern provinces of France, where wine is somewhat dear, to be quartered in the southern, where it is very cheap, the soldiers, I have frequently heard it observed, are at first debauched by the cheapness and novelty of good wine; but after a few months' residence the greater part of them become as sober as the rest of the inhabitants. Were the duties upon foreign wines, and the excises upon malt, beer, and ale to be taken away all at once, it might, in the same manner, occasion in Great Britain a pretty general and temporary drunkenness among the middling and inferior ranks of people, which would probably be soon followed by a permanent and almost universal sobriety."