SINGLE TAX AND PANICS

Panics and acute business crises are comparatively modern economic phenomena. Consequently, the early economists, like Smith, Ricardo, Say and Mill, did not discuss panics. More recent economists, like Jevons, Walker and Marshall, describe and discuss panics and depressions, their cyclic tendencies, etc., but do not, apparently, seek for the fundamental cause or causes of over-production, under-consumption, over-capitalization, wrong production, over-expectations, speculation, over-spending, destruction of fluid capital, collapse of credit, excessive indebtedness, money deficiency, money redundancy, high rents, free trade, crop failures, sun spots and other alleged causes of panics, crises and depressions.

The most generally accepted theories of panics and crises just now are those of maladjustment and over-capitalization. The maladjustment theory, as Prof. Frank W. Taussig tells us, grows out of the misdirected use of capital and labor, misfits or lack of equilibrium between production and consumption, etc. The over-capitalization theory, as Prof. E. R. A. Seligman presents it, finds the cause of panics in over-extended credit, or "in the discrepancy between the investment and the returns." He says that "The crisis of 1837 was due to the over-capitalization of land values; the liquidation of 1903 to the over-capitalization of trust values."

He holds that "inasmuch as modern business enterprise is based on credit, it is obvious that even an ideal banking and currency system cannot, in itself, avert a crisis," though "it may mitigate the evils."

All, or nearly all, of the discussions of the alleged causes of panics and crises, by recognized economists, are devoted to diagnosing the disease and to describing the symptoms of the economic disorder. Most economists assume that panics, like the

Digitized by Google

poor, must always be with us and offer suggestions as to how to alleviate their evils.

The best discussion of the subject is by Theodore (Senator) Burton. While he leans to the theory of maladjustment and readjustment, or that "depressions are caused by unusual expenditures of capital for prospective demands, "thus leaving insufficient capital for present wants, his reasoning on this point is labored and unsatisfactory.

In general, it may be said that political economy, as it is taught in most colleges, is as dark and dismal as to the causes of and remedies for panics as it is when considered as a science.

While the maladjustment and over-capitalization theories are, apparently, half explanations of financial crises, such as we had in 1857 and in 1907, they cannot but be unsatisfactory explanations to economists with logical, reasoning minds. These explanations are clearly not fundamental; they do not tell us why over-capitalization occurs or why production is not as well adjusted to consumption at one time as at another. It is absurd to suppose that over-capitalization can so disturb the equilibrium between production and consumption as to bring on a panic. A corporation's control over prices and production is not measured by the amount of its capital, either nominal or actual. If a corporation has no monopoly, it puts as much in as it takes out of the current of commerce and gives a *quid pro quo* to society. It, therefore, does not disturb the smooth flow of trade and exchange. It is only when a corporation (or an individual) has a monopoly and can take more from than it gives to society, can obtain something for nothing, that it has power to disturb the even flow of economic events—to produce "maladjustments" or "misfits."

It must be evident that the over-capitalization and misfits theories, like the now half-discarded and discredited theories of over-production, under-consumption, speculation, over-extended credit, lack of fluid capital, excessive indebtedness, free trade and sun spots, do not explain fundamental causes at all. "Misfits," over-capitalization, etc., are more incidents than causes of panics.

But even if these old and discarded theories and these later

Digitized by Google

and present generally-accepted theories really explained the causes of financial crises or panics, they would not explain the fundamental causes of prolonged industrial depressions such as occurred after the panics of 1873 and 1893. These causes can, we believe, be explained by high land rents and by them alone. We think that it can be and, in fact, has been shown that high land rents, flowing into private pockets, are the greatest and most fundamental cause of economic injustice and of business depression. Why this is necessarily so can be explained in a few words:

The Earth Our Mother

Man is a land animal as much as a fish is a water animal. Not only does man live on land but all of his wants are supplied by or from land. The earth is, literally, his mother. He will perish quickly if he has not access to the breast of his earth mother and will suffer and squall and become panicky if he has not free access to earth's breast and cannot obtain sufficient nutriment. His relation to land is fundamental and can be broken or disturbed only at great peril and loss to him and to society.

Production and consumption will always be in equilibrium and commerce and exchange will always flow smoothly, if all men at all times have equal and free access to nature's storehouse of wealth and if there are no dams—tariff, etc.—to interfere with the exchange of products. Free land and free trade are therefore, essential to economic justice; to give all an equal opportunity to produce goods and to exchange them without paying toll to anyone. When goods are produced and exchanged freely, it is reasonably certain that production and consumption will run so closely together that there can be no serious panics or long periods of depression. Serious maladjustment can and will occur only when production and exchange are interfered with and to the extent that they are interfered with.

The private ownership of land, that is, the taking of economic or land rent by private land owners, or landlords, most seriously interferes with some men's access to mother earth. Landlords are not only dogs in the manger; they are a class and about the

Digitized by Google

only class, except the tariff beneficiaries, that consume without producing; that do not give a *quid pro quo* for what they get.

The capitalist supplies capital and is entitled to the interest that he gets. The laborer—wage, salary or fee earner—produces goods or gives services and is entitled to what he gets in exchange. The landlord produces neither the land nor the land rent and is not, therefore, entitled to the rent that he takes. He is the only one who takes out of the economic pot without putting something into it. He is the only one who can and does live off the labor of others. He is the greatest of all economic leeches.

Professor Thorold Rogers said, in 1870:

> "Every permanent improvement of the soil, every railroad and road, every bettering of the general condition of society, every facility given for production, every stimulus supplied to consumption, raises rent. The landowner sleeps, but thrives. He alone, among all the recipients in the distribution of products, owes everything to the labor of others, contributes nothing of his own. He inherits part of the fruits of present industry, and has appropriated the lion's share of accumulated intelligence."

If, as in ordinary times, the landlord takes only a moderate rent, that is, charges only the actual rental value of land to the capitalist and laborer who use land, production and consumption proceed normally, for society has fairly well adjusted itself to this unjust system. In times of great prosperity—so-called—when there is great speculation in land values and they rise rapidly, the landlords can and do take even more than the normal rental value of land; that is, more rent than is produced by society. Access to land then becomes so difficult and the prices that producers have to charge for food, clothing and shelter become so high that consumers are unable, after paying excessive rent, to purchase all of the goods produced. Hence, the glut in the market; the decline in the prices of commodities; the collapse of the over-extended credits; business failures; closed mills; idle labor and low wages. The business depression does not end until land values have declined to or below normal for the population. Soon thereafter business begins to revive, mills to open, unemployment to decrease, wages to advance and prosperity to

Digitized by Google

return. Industry will continue on the up-grade until rents again become excessive. Most, if not all, periods of prosperity end with real estate booms. Even our present war prosperity will probably continue until there is a boom in city, farm, forest and mine land values.

Value of Land Rent

So great is the people's rent bill and so much faster does it grow than does population that even in ordinary times it prevents most producers from saving and gives us the "iron law of wages," while, in boom times, it becomes so great that it, by preventing profits and strangling production, operates to bring on panics and depressions.

While we can estimate, approximately, the present rental value of land, we cannot estimate the damage to society from lands held idle, or half idle, by speculators. The dog-in-the-manger evil may exceed the rats-in-the-manger evil. What the landlords actually take in rent, toll or graft, may injure us less than does the potential rent that he does not take on lands held idle for speculative purposes. By preventing production on some land and creating an artificial scarcity of usable land, the landlords can charge monopoly prices for lands used. What part of the increased cost of living is due to land monopoly we do not know. If land were free, coal, iron ore, oil, copper, lead, lumber, etc., would probably cost us far less than they now do. Transportation by railroad and street railway would cost us less, for their franchises are rated very high.

The yearly rental value of land in this country is not far from $50 per capita, or $225 per family per year. It can be estimated in various ways:

(1) The present wealth of the United States is estimated at $187,000,000,000. Inasmuch as it appears to be a law of economics (see *Natural Taxation*, by Thomas G. Shearman) that the values of all improvements and property held on land reflect back an equal value to land, the value of land is about $93,000,000,000, or $930 per capita. This value supposedly includes not only the potential or monopoly value of land but also franchise values.

Digitized by Google

(2) That the land values of the United States are around $1000 per capita is evident both from urban and rural statistics. Ordinary land values in New York City, in 1914, were assessed at $4,602,852,107, or $840 per capita. As land in New York is taxed about 2% the untaxed value (on a 5% interest basis) would be about $1200 per capita, or about $1250 including franchises. Boston (where values are as fairly assessed as in New York) shows a per capita land value of $1003—before allowing for taxes. In some of the smaller cities the land values, as shown by Prof. Scott Nearing, vary from $200 to $500 per capita. It is probable, however, that the assessments in these cities are far below actual values. On the other hand, it is true that much of the land values in New York, Boston and other great ports and commercial cities comes largely from the population back of or outside of these cities.

The total value of agricultural lands, as reported by the Census of 1910, was $28,475,674,169, and of buildings, $6,352,451,528. As the rural population was 40,000,000, the per capita of rural land values was about $700—or say $1000 after allowing for taxes. How much of improvement value (clearing, draining, etc.) is included in this estimate is not known. Possibly these improvement values will be offset by the value of mines, rights of way, water power, etc.

It thus appears that the per capita value of land in this country is about $1000. This would (at 5%) indicate a yearly per capita rent, or potential rent, of $50, or about $225 per family.

Dr. W. I. King, in *The Wealth and Income of the People of the United States*, estimated the total income, in 1910, at $30,500,000,000. Prof. B. M. Anderson, Jr., of Harvard, estimated the net income, in 1914, at $32,600,000,000; in 1915, at $35,400,000,000 and in 1916 at $49,200,000,000.

Assuming that for the three years previous to 1916 the average of the people's expenditures (after allowing for savings—largely by the landlord class) was $30,000,000,000 a year and that the population then was 100,000,000, or 22,000,000, families, the average expenditures were $300 per capita, or $1,363 per family. Then, if $50 per capita or $225 per family goes for land rent, the

Digitized by Google

landlords get 16.6%, or one-sixth of our total expenditures. If the land monopoly and franchise costs (through higher prices for food, clothing, fuel, car fares, etc.) be included, it is probable that more than 20%, and perhaps as much as 25%, of our expenditures go directly and indirectly for land rent in normal times. In abnormal times, such as we may have when land rent is adjusted to the abnormal times of 1916, and when net income has declined to normal, more than 25% of our total expenditures may, for a while, go as graft to landlords. When that time comes another business depression will not be far off.—B. W. H.

Digitized by Google