

Editor
P. R. STUBBINGS

U.K. and Sterling Area
8s. a year

VOL. LXIV—No. 758

Land & Liberty

Established
June, 1894

U.S.A. and Canada
\$1 a year

JULY, 1957

THE MONTHLY JOURNAL FOR LAND-VALUE TAXATION, FREE TRADE AND PERSONAL FREEDOM

EDITORIAL

No Case Against the Single Tax

“THE first consequence of the single-tax (on land values) is that no revenue would accrue from it. Far from supplying all the revenue of government, the single tax would yield no revenue at all!”

This astonishing statement is one of several, equally fallacious though less striking, in *The Single Tax: Economic and Moral Implications*,* by Murray Rothbard, an American writer and economic consultant. We cannot believe that even the most naive will find its sophisms convincing.

Mr. Rothbard's object is to justify private property in the rent of land. He affects to believe that it is morally right and socially desirable that individuals and companies requiring the use of a piece of what he calls “God-given land” should be at the whim and mercy of a privileged clique. Although labelling himself a “libertarian” he stands for that continued abuse of the power of government—which in a democracy is derived from all the people—whereby certain individuals are legally empowered to hold the rest of the community to ransom. He even goes so far as to represent as socially and economically beneficial the activities — or, rather, the inactivity—of the land speculator who withholds from his fellow countrymen opportunities to build needed factories, offices, shops and homes, or to engage in any other kind of economic endeavour until he deems the occasion propitious. What kind of liberty is that? In short, Mr. Rothbard attempts to defend the indefensible, choosing to do so by launching an attack on the unassailable. Casuistry and misrepresentation are the weapons he employs. That he fails in his object is a reflection not on his ability but on the hopelessness of the task he undertakes.

* Published for limited circulation by the Foundation for Economic Education, Inc., Irvington-on-Hudson, New York. Single copy free. Additional copies 10 cents each.

It is a relief to find here and there in Mr. Rothbard's essay a comment which we can endorse. Such is his second paragraph:

“Most present-day economists ignore the land question and Henry George altogether. Land is treated simply as capital, with no special features or problems. Yet there is a land question, and ignoring it does not lay the matter to rest . . .”

That is true and it is therefore all the more surprising that Mr. Rothbard bases his whole case on the false assumption that land is capital. His strictures against land nationalisation also are of value. Under Government ownership of land:

“there would be no incentive for government officials to allocate sites efficiently, and land would be allocated on the basis of politics and favouritism. Efficient allocation also would be impossible, due to the inherent defects of government operation: the absence of the profit and loss test, the conscription of initial capital, the coercion of revenue—the calculational chaos that government ownership and invasion of the free market create. Since land must be used in every productive activity, this chaos would permeate the whole economy.”

In places Mr. Rothbard carelessly writes as though land nationalisation and the public collection of the rent of land are the same, or virtually the same. But on page 6 he is emphatic that they are separate and distinct. Even though mistakenly he treats the single tax as merely the lesser of two evils, there is a certain value in the grudging admission of such a relentless opponent that land, the material object, would remain in private possession under the single tax. Whatever other false charges he brings, at least he does not deny that those in possession would be free to use land as they deemed best, and to retain in full the return due on their capital and labour.

Leaving aside for a moment whether the single tax is beneficent or evil, is it practicable? Mr. Rothbard asserts that it is not. His rhetorical questions, if asked honestly, reveal an abysmal ignorance. "How will the annual tax on land be levied? How will the government be able to separate site value from improvement value?" The short answer is: on the value as assessed by impartial valuers employing methods similar to those used in Denmark, Australia, New Zealand and elsewhere, except that the annual, rather than the capital, value of land would have to be assessed. Contrary to Mr. Rothbard's belief, it is not beyond the competence of an assessor to arrive at the site value of developed agricultural land. Categorically he asserts that no assessor would attempt the task. And yet in those countries where the first step has been taken to collect the rental value of land, men are constantly engaged in ascertaining what rent a willing tenant would offer, and a willing lessor would accept, for developed farm land on the assumption that it was offered in its virgin state. Similarly with urban land. It is generally true, as Mr. Rothbard points out, that the urban lot has been found, cleared, drained, fenced and otherwise improved by man, and that, therefore, "the value of an 'unimproved' lot included the fruits of man-made improvements." For ordinary purposes when land is bought and sold there is no need to ascertain what part of the total value of a site is attributable to the prior expenditure of human labour upon it. This is not the case when land is assessed for land-value taxation purposes. Then the valuer is instructed to consider each separate site in turn *as if* it, and it alone, were in its natural state. The scrupulous observance of this provision safeguards what is properly private property by ensuring that any value added to a site by the owner is not assessed for taxation.

IDLE LAND

Thus we see that the "fatal flaw" in the single tax theory—namely that it is not practicable to ascertain the value of land—is a figment of this opponent's imagination.

Doubtless anticipating that he would be taken up on that argument, Mr. Rothbard shifts his ground. Supposing that pure site value could be found, would a single tax programme be wise, he asks. Misunderstandings and fallacies are conveniently at hand to buttress his contention that it would not. The first is that single taxers are anxious to force *all* land into use, and that the single tax would achieve that object. That, argues Mr. Rothbard, would be a disservice to consumers because it would cause labour and capital to be taken away from the more productive lands. He has the argument upside down. At present much labour and capital is denied access to the most productive land because sites are held idle for speculation, or are poorly used. The single tax would bring those sites into the fullest economic use, and would cause the poorer lands to be abandoned. Thus the productivity of labour and capital would increase, and

the general level of wages—which is governed by the margin of production—would also rise.

The sheer impudence of Mr. Rothbard's next and major argument is breathtaking. It is a bald statement offered to justify private property in the rent of land as a counter to the single tax argument that the owner of the land performs no useful service in that capacity. Mr. Rothbard claims that he does. According to him the landowner brings sites into use and allocates them to the most productive users and uses. This is flagrantly untrue. Land is brought into use by labour and capital. The only part played by the site owner is to demand and receive prior payment for permission to use a section of the earth's surface. And that payment bears no relation to any trifling sums which he may have spent on fencing, draining and the like. His role in production is akin to that of a yapping dog which, on being thrown a juicy bone, allows the cattle to approach the manger. To tax him off the scene would be a service to humanity comparable to the benefit the herd would derive from the destruction of the dog. Not so, contends Mr. Rothbard, a single tax on the value of land, by destroying the market in sites, would prevent the efficient allocation of land.

With a flourish, revealing a better command of mathematics than of logic, Mr. Rothbard deduces that if the government collected all the rent of land it would collect none. This argument rests on two fallacies. The first lies in assuming that the rent of land is derived from the selling value of land, instead of *vice versa*. Although the single tax certainly would destroy the selling value or price of land, it would not and could not destroy the use value of different parcels of land. Nothing could do that. The second fallacy is grotesque. Landowners are not philanthropists, nor have they bottomless purses. Assuredly they would not behave in the manner suggested, paying the single tax due on their land holdings and leaving their tenants in rent-free possession.

GROUNDLESS FEARS

We can agree that there would be grave consequences *if* the rent of land were destroyed; so there would be if the force of gravity ceased to operate. It would be no more fantastic to suggest that legislation could secure the latter than the former. Therefore there would be no point in following in detail the case which Mr. Rothbard develops from false premises: that there would be "locational chaos" and a state of "no-ownership" of land, which the government might feel obliged to counter by some form of government ownership of all land. Nevertheless it is worth noting in passing that having stated emphatically that the single tax would destroy the rent of land, Mr. Rothbard offers evidence to prove the falsity of that statement. He suggests that to try to combat the disappearance of market rentals, the government might levy an arbitrary assessment, declaring by fiat that every rent is "really" such and such. But as a result, he points out, "some users would be paying a tax of more than

100 per cent of the true rent." In other words, despite the single tax, land would still have a rental value! He says the same thing in another way elsewhere, arguing that if all land were free in his sense, "everyone will rush to grab the best locations in a wild stampede."

The "economic" section of this entertaining philippic is rounded off by a pat on the back for the land speculator who, it is claimed, exercises a subdivision of the general site-owner function by deciding when to commit a site to a specific use, manfully denying himself an income from it meanwhile.

Until he can see the whites of the eyes of the conflicting interests all wanting to use the land, his task is to deny it to them all. Then he lets it go to the one with the fattest wallet. This is described as performing "a vital market function." Alternatively and more accurately it could be described as impeding production, restricting employment opportunities, naked aggression, or exploitation.

"MORAL" OBJECTIONS

Satisfied that he has shown that "the economic arguments for the single tax are fallacious at every important turn, and that the economic effects of a single tax would be disastrous indeed," Mr. Rothbard attempts to show that it is also immoral. To do so he argues first that the whole community, not just the landowners, derive an "unearned increment" from the social division of labour and the capital invested by our ancestors. This is doubly false. While admittedly there are those who are privileged and those who are exploited, the division of labour in itself confers no unearned increments on those who engage in production; men receive the value for which they are responsible. As for our ancestors, they received the market return on their capital, which would have depreciated long ago but for the prudent maintenance of succeeding owners. It yields an income to its owners and not to "us" the community.

If the market rate of return on gun running, dope peddling and slave trading tended to equate with the return on money invested in productive industry, would that make those activities "moral" and socially desirable? No right-minded man could answer affirmatively. Yet Mr. Rothbard employs an exactly parallel argument in a desperate attempt to prove that it is "moral" for private individuals to enjoy the rent of land, and "immoral" for the government to collect that rent from the common weal. He adds that only the especially far-sighted who "pick up a bargain" can earn more than the prevailing market return on their land, and suggests that it is socially desirable that land should be in the possession of those with the greatest foresight and knowledge of the land. Among these gifted people he includes the pioneers who first found, cleared and fenced sites. Conveniently forgetting that he has already shown that under the single tax land, the material object, would remain in private possession, as also would man-made improvements, he asks rhetorically how moral would it be retroactively to

July, 1957

rob heroic pioneers? By the same process of reasoning, chattel slavery could be defended as "moral," and emancipation represented as the retroactive robbery of those who long ago raided the African coast.

Racking his brains to find convincing arguments in support of his case that the single tax is "immoral," Mr. Rothbard is driven to rely on further misrepresentation. He suggests that control over property would be transferred from private owners to government officials (again deliberately confusing the single tax with land nationalisation) and that men would be debarred from reaping the rewards from the use of land. Preposterously he states as a fact that equal rights in, and equal access to, land is "through private ownership and control on the free market—where every man can buy land at the market price." Unfortunately he does not find it necessary to explain the existence of hundreds of millions of landless people in this world. Are we to assume that they chose their condition and could change it at will? Are we to believe that it is sheer perversity, or gross negligence, on the part of the young man who lacks a plot on which to build a house, or to start a modest enterprise of some kind?

TITLE TO LABOUR PRODUCTS

"The single taxer might still claim that individual ownership is immoral." Assuming that Mr. Rothbard is referring here to ownership of land values, we compliment him on his prescience. As yet he has written nothing that shakes the views we held before receiving his essay. But now comes what is intended as the *coup de grace*, the brilliant argument that will silence single taxers for all time. Our controversialist delivers himself of a little homily, assuring the single taxer that man can produce nothing without the use of "original land." "He must mix his labour with original land, as standing room and as raw materials to be transformed into more valuable products." How profoundly true. How often single taxers from Henry George onward have made precisely the same point. Like a magician triumphantly producing a rabbit from his hat, Mr. Rothbard declares:

"the single taxers cannot have their cake and eat it; they cannot permit a man to own the fruits of his labour while denying him ownership of the original materials which he uses and transforms. To own his product, a man must also own the material which was originally God-given, and now has been remoulded by him. Now that his labour has been inextricably mixed with land, he cannot be deprived of one without being deprived of the other."

Like each of those preceding it, this valiant argument is fallacious. Single taxers have no intention of denying a man his share in the ownership of "original materials". On the contrary, the single tax would vest ownership in the whole community instead of in the privileged few whom Mr. Rothbard seeks to defend. It may make sense in chemistry to say that because land and labour become inextricably mixed they cannot be separated, but

it does not in economics. The use of money facilitates the separation of any number of different contributions to a finished product. To pretend otherwise is foolish.

P.R.S.

LIBERALS' SERIOUS OMISSION

LAND values receive no mention in the preliminary agenda for the Liberal Party Assembly which is to be held at Southport in September. The omission is serious and surprising. The rating and taxation of land values is supposed to be a main plank in the Party's programme, and many of its most enthusiastic supporters are Liberals. It is the logical and only effective means by which to secure the end desired in many of the tabled resolutions. This especially is the case so far as reducing the cost of living and the burden of taxation is concerned. The Executive Committee has resolutions dealing with both these pressing topics but although excellent in intent, they are inadequate and ephemeral. We do not suggest that a thoroughgoing enquiry into waste in all Government departments, or the progressive reduction of customs tariffs and import duties, and some of the other measures called for, must wait until the taxation of land values is in operation. But there are no grounds for believing that any Chancellor will be free to accede to the Liberals' demand for a progressive reduction in the Purchase Tax until he has some alternative source of revenue at his disposal. Unless that source was the rental value of land, any changes made would be a mere substitution of one evil for another. Similarly it is completely unrealistic to expect any reduction in general taxation while governments heed the demands of powerful pressure groups of every kind to maintain expenditure at its present high level, and rely on present means for raising revenue.

A tax on land values would transform the present economic situation not merely by yielding revenue, but by stimulating enterprise, and reducing the costs of production, of living, and of government. The Liberal Party executive should know and proclaim this to the country. Illiberal policies have brought the economy to such dire straits that we believe people would listen gladly.

ARTHUR MADSEN MEMORIAL MEETING

The Man and the Movement

The story of the land question in and out of Parliament during the last fifty years.

The story of the Movement which grew around the "first Great Reform"—the United Committee.

The story of the man who led it with uncompromising vigour and indefatigable energy.

SATURDAY, 7th SEPTEMBER, 1957, at 6.30 p.m.

at

**Church House, Great Smith Street, Westminster,
London, S.W. 1**

A BASIS FOR REFORM

ATRENCANT resolution adopted recently by the Bromley, Kent, Young Liberal Association calls on the government "to abolish all tariffs upon imported materials required for the manufacture of exports, as a first step towards making Britain a free market; to take all necessary measures to secure an immediate land valuation of the United Kingdom prior to the suspension of the present rating system and the introduction of site-value rating for the just raising of local government revenue, and to abandon its present suicidal fiscal policy in favour of the free pound."

This is authentic liberalism. Instead of consignment to some dusty pigeon-hole in Whitehall, this resolution deserves to be given pride of place on the agenda for the Liberal Party Assembly.

NO BETTER SYSTEM?

TORY pronouncements on economic matters usually are anathema to Socialists. It was surprising therefore to find in the June 7 issue of the Labour paper *Forward* an article in support of the present government's view that there is no more satisfactory source of local revenue than the present rating system. Mr. Gerald Wilson was the author. The previous week he had attended in Edinburgh the 72nd annual conference of the Institute of Municipal Treasurers and Accountants, and had heard both Lord Strathclyde, Minister of State for Scotland, and Mr. Henry Brooke, Minister of Housing and Local Government, insist that this was so.

Developing his theme, Mr. Wilson advanced valid objections to a municipal income tax and to "assigned revenues," by which is meant that the proceeds of certain central taxation would be distributed by the Exchequer to the local authorities. That left the rating of site values, "a method beloved of several Labour Members of Parliament as well as many other members of the Party." In defiance of every reputable economist from Adam Smith onwards and of practical overseas proof to the contrary, he asserted as a fact that a rate on site values could be, and would be, passed on by landowners to tenants. In his view it was "nonsense" and "ridiculous" not to see that. He did not want landowners to put their land to its best use, because then city centres would become a mass of skyscrapers. He preferred to retain "what little open space we have already." Because land occupied by buildings is already rated together with the building, the rateable values of houses would be only slightly reduced under the site value rating. That said, he dismissed the matter, hoping that its supporters in the Labour Party would soon bury it completely.

Unconsciously by his arguments Mr. Wilson serves the interests of people for whom he is unlikely to have any special tenderness—land speculators and the owners of slum and semi-derelict properties. He should ask himself why, if landowners could so easily avoid paying a rate on the value of their land, they have opposed the land-

Land & Liberty