

“This Precious Piece of Villainy”

*The Alleged Injustice of
Increasing Land Value Taxation Without Compensation*

By

HARRY GUNNISON BROWN

Reprinted by the Robert Schalkenbach Foundation
from
THE AMERICAN JOURNAL OF ECONOMICS AND SOCIOLOGY

5 E 44 St. New York, N.Y. 10017

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FOREWORD

FRANCIS A. WALKER, a teacher and writer of economics, who was a contemporary of Henry George, referred to George's "practical proposals" as "this precious piece of villainy," and concluded his comments on them with the statement: "I will not insult my readers by discussing a project so steeped in infamy."

Throughout the more than three score years since Walker's denunciation was published, the typical concluding comment of authors . . . who have deigned to mention land value taxation at all, has been essentially the same as Walker's. This is ordinarily their "last word," with no suggestion that there has ever been or can ever be any rejoinder worth considering!

I would earnestly plead with readers of this foreword to inquire, with me, into the logically necessary implications of such an attitude, and to examine it carefully in the light of a truly tenable philosophy of society and individual rights and duties in society and therefore, in the light of a tenable ethics.

H.G.B.

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- (1) What is the *nature* of "society's" supposed "pledge"?
- (2) Just *what* members of "society" are thus under "pledge"?
- (3) Are the *victims* of a bad economic or social institution to be considered as under a binding "pledge" *never to seek* to change the institution from which they are suffering, except as they, the victims, reimburse the beneficiaries of the system for the latter's loss of their favorable position?
- (4) Are the victims of such an institution under such an ethically binding "pledge," as being a part of "society," even if they never consented to the institution understandingly but only through the influence of the propaganda of its beneficiaries,—and even if they never consented to it at all but opposed and protested against it?
- (5) Are the victims of such an institution likewise under a "pledge" not to change it without paying to reimburse its beneficiaries, even if the institution was established before they were born but was ignorantly—and perhaps only tacitly—consented to by some of their ancestors, *i.e.*, are the present victims "responsible" for it when their "consent" to it, if ever given at all, was given only vicariously?
- (6) If the institution under criticism happens to be slavery and such victims are slaves, would it then be a sinful act for them to run away without reimbursing their owners for the loss (since some of these owners may have *bought* their slaves) of their invested savings,—or, if strong enough, to *abolish* slavery and their own servitude without contributing to the reimbursement of these owners?

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The Alleged Injustice of Increasing Land Value Taxation Without Compensation

I

OF ALL THE SEEMINGLY RADICAL reforms the advocacy of which has aroused the bitter and determined, albeit uncomprehending, opposition of conservatives, perhaps none is capable of being realized more imperceptibly than the reform of our land and taxation system as proposed by Henry George. Why, then, has this reform been so persistently and violently objected to?

In part, at least, it may well be that the truculence of the objectors comes from the frank and even challenging recognition by Henry George of the ultimate implications of his proposal and from the provocative manner of his advocacy of it. This is not necessarily said in criticism. It may be, indeed, that a less provocative phraseology, though arousing less opposition, would also have done less to arouse interest and support. But the opposition has to be reckoned with. And the better we understand its ideological source or sources, the better chance we have to deal with it effectively.

In Chapter II of Book VI of “Progress and Poverty,” Henry George says that, as “the remedy for the unjust and unequal distribution of wealth apparent in modern civilization, and for all the evils which flow from it:

“We must make land common property.”

Here at once is a challenge to nearly all conservatives. “Surely,” they are likely to think, “this is a most revolutionary proposal containing a most vicious element of communism or of other alien and wicked ‘isms.’”

Yet it appears on careful examination that the one specific change in policy which Henry George sought was the substitution of a land value tax for other taxes and the taking, thus, *by taxation*, of all or nearly all land rent. This, to be sure, may be said to amount to making land "common property," on the ground that if the rent of land goes mostly to the public, the land is, in effect, owned mostly by the public. But *if* the conservative critics of Henry George *take that tack*, they must logically admit that buildings, ships, trucks, orchards, livestock, machinery and other capital (as distinct from land) *are right now partly owned by the public*, since they are taxed and since, therefore, much of *their* annual yield goes to the public. If for the public to take, in taxation of such property, a large proportion of its income does not make this property in *some* degree "common property," then how can anyone logically claim that to take, instead, most of the rent of land in taxation, makes *land* "common property"?

Conservative opponents of Henry George's proposal must therefore admit, it would seem, that *only* if this proposal is put into effect and taxation is removed from the things men make, such as trucks, buildings, ships, etc., can it be said that these items of *capital* are *truly* and *solely* owned by individuals. In short, if these conservatives reason at all consistently, they must admit that Henry George's reform, as regards all the capital that results from individual work and saving, would take us *not towards but away from* the socialistic and communistic ideal of *common ownership* and socialized operation.

Nevertheless, it is probably true that many an uncomprehending and, therefore, illogically shocked conservative has reacted antagonistically to the proposal for increased land value taxation, because he has it labelled as "making land common property."

In a later chapter of "Progress and Poverty"¹ occurs a passage thoroughly consistent with the passage already quoted but one which perhaps tends to arouse even more passionate protest from conservatives. It runs as follows:

The truth is, and from this truth there can be no escape, that there is and can be no just title to an exclusive possession of the soil, and that private property in land is a bold, bare, enormous wrong, like that of chattel slavery.

And a little farther on in the same chapter, which deals with the "Claim of Land Owners to Compensation," Henry George still further offends the sensibilities of conservative defenders of the *status quo*. For here he comments that

by the time the people of any such country as England or the United States are sufficiently aroused to the injustice and disadvantages of individual ownership of land to induce them to attempt its nationalization, they will be sufficiently aroused to nationalize it in a much more direct and easy way than by purchase. They will not trouble themselves about compensating the proprietors of land.

And so the conservative respecter of the *status quo* receives from Henry George a three-fold shock. He is shocked at the proposal that land be made common property. He is, perhaps, deeply offended to have private property in land referred to as "a bold, bare, enormous wrong, like that of chattel slavery." And he is outraged at the advocacy of doing away with any "respectable" form of private property *without compensation*.

Nor will he be greatly mollified to read, several chapters later:²

Let the individuals who now hold it still retain, if they want to, possession of what they are pleased to call *their* land. Let them continue to call it *their* land. Let them buy and sell, and bequeath and devise it. We may safely leave them the shell, if we take the kernel. *It is not necessary to confiscate land; it is only necessary to confiscate rent.* . . . What I, there-

¹ Chapter III of Book VII, first paragraph.

² Book VIII, Chapter II.

fore, propose, as the simple yet sovereign remedy, . . . is—to appropriate rent by taxation.

Nevertheless, a philosophical, unbiased and really careful consideration of the problem must lead to an entirely different state of mind than the attitude of shock we have been discussing.

Suppose we take note, in this connection, of the case of a localized and partial application of the land value tax policy in the United States. When, in 1913, the Pennsylvania legislature established the Pittsburgh (and Scranton) graded tax system, it provided that the city tax rate on buildings should become, in 1914, only 90 per cent of the rate on land; that in 1916 it should be 80 per cent; in 1919, 70 per cent; in 1922, 60 per cent, and in 1925, 50 per cent. This meant that to get the same revenue for the city, the tax on land values had to be gradually raised. If this gradual change had been continued by corresponding stages until 1940 and applied also to the taxes levied by other taxing authorities, such as the County and the School District, all taxes on buildings in Pittsburgh (and Scranton) would have been then done away with, and the land value tax rate would presumably be high enough by now to absorb for public use by far the greater part of the situation rent of land.

Are we to conclude that, if such a change in the tax system can be shown to be conducive to efficient production and favorable to the common welfare, society ought to be estopped from introducing it?

Whether we regard it as desirable that such a reform as that proposed by Henry George be realized fully right away or only after a lapse of years, we should recognize that its sudden, complete and immediate adoption is hardly possible politically. Short of revolution, certainly—and even revolution, if directed toward a specific reform, can come only after

years of agitation and of growing desire for change—such a reform must almost inevitably be gradual, or else not be realized at all. In the case of land value taxation, as in the case of other significant reforms, the slower the process of adoption the longer delayed are the full benefits which may be fairly anticipated from it. Nevertheless, significant reform, in a democratic society, can come only as rapidly as mass opinion and sentiment permit.

Is, then, the opposition of conservatives to the land value tax program, based on an unreasoning fear that it may be introduced both completely and all at once? Or is it an opposition to *any* continuous change in this direction, *even* a change so *gradual* that not within a hundred years would the tax reach ninety per cent of the annual rent!

However this may be, something can probably be said for the view that the advocates of the socialization of land rent would have used better strategy had they been less impatient for its adoption. When they have proposed its full and immediate adoption—or, even, its substantially complete adoption in a short period such as ten years—they, by arousing a frantic fear of the unknown, may have been instrumental in preventing serious consideration of it by others as a reasonable reform. There is a possibility, at least, that we can actually get such a reform adopted *more quickly* if, in our propaganda, we ask for its adoption only little by little!

But even though our publicity campaigns may have sometimes involved such a tactical blunder, this is hardly an adequate excuse for the opposition of professional economists. They, at least, should approach the problem objectively. They, most of all, should assume the responsibility of gaining a full comprehension of the considerations on which advocacy of the land value tax program is based. Where others might react adversely to this reform because it seems sharply differ-

ent from what they are accustomed to and because, not comprehending its real significance, they are frightened at the thought of its sudden or rapid introduction, the trained student of economics should be easily capable of a quite different and, indeed, a completely unprejudiced scrutiny. And if, by chance, he does believe that many protagonists of the reform are unduly impatient for its adoption, this should certainly not cause such a student to reject the reform but merely to suggest a more gradual approach to its complete realization.

II

WITH SOME WHO OPPOSE the land value tax reform, especial objection is made to the fact that its proponents intend to introduce it without "compensation." And this objection is made despite the complete or almost complete lack of *any precedent* for "compensating" those who are *disadvantaged by tax changes!* So let us give a little attention to the "compensation" idea.

There is a very real sense in which, should we adopt the land value tax system, most landowners would automatically enjoy compensation. For most owners of land are owners of capital, too—factories, machinery, trucks, livestock, planted fruit trees, stores, houses, etc. And these it is proposed *not to tax at all*. Is not such relief from taxes on capital a very valuable compensation for higher taxes on one's land?

In his description of "Pittsburgh's Graded Tax in Full Operation,"³ Percy R. Williams tells us that, in "a typical residential district," this plan of taxing land more heavily than improvements involved a *lower* tax burden on 99.2 per cent of the homes than if the city had raised the same amount of revenue by taxing land and buildings at the same rate. The owners of homes in this district, it would appear, were definitely benefited. *Should they, in addition, have received other compensation?*

³ *National Municipal Review*, Vol. XIV, No. 12, December, 1925.

It is true that a land value tax system tends to lower the sale price of land, so that even a home owner whose total taxes have been reduced might contend that, in case he wished to sell his property and use up the monetary proceeds, he would be a loser by the reduction in its sale price. Should he then receive some special "compensation" because of such a *contingent* loss?

Of course, too, if a land value tax system is introduced, it does not automatically provide "compensation" for all land-owners. Owners of valuable unimproved land (*e.g.*, vacant lots) and of valuable land which is but slightly improved, will not generally gain through their relief from other taxes as much as they will lose from the heavier tax on land values; but since other taxes are many and rest on different taxpayers with very unequal weight and since the vacant land of some is worth more than that of others, we cannot say categorically that all owners even of vacant land will suffer a net loss.

But if the owners of vacant land would, in general, suffer a net loss, it is also true that the holding of good land out of use involves economic loss to the community. How can we effectively prevent the waste and loss from this speculative holding, if we are determined that neither through our tax system nor in any other way shall we visit upon those who thus hold land from use, any convincingly substantial penalty?

If a community is tormented by a superfluity of dogs and imposes a dog license tax as a discouragement to dog owners, "compensation" is not customarily demanded. *Should it be?* Ought "society" to make no such change in its municipal regulations without first "compensating" all who may have acquired dogs prior to and without specific warning of such regulations!

The very heavy tax on cigarettes certainly discriminates against smokers relatively to coffee drinkers, motion picture

addicts, *et al.* Yet the conservative economists who are so ready to snipe at land value taxation without "compensation," as causing discriminatory loss to landowners have never, any of them, so far as I am aware, offered the faintest suggestion that smokers should be "compensated" because of the discrimination against them in the cigarette tax or in the various increases of it. Why do they not insist, at the very least, that all persons who learned to smoke prior to and not anticipating the tax—or prior to and not anticipating any particular *increase* of the tax—ought to have been or ought now to be "compensated"! *Why* is such protest so much more vocal for—or *reserved solely for*—changes in taxation which affect *landowners!*

It was suggested, at an earlier point in this paper, that much of the opposition to the land value tax program may be due to a fear of precipitate change. Some opponents of the plan have, perhaps, pictured in their imaginations, widows, orphans and aged persons no longer able to work and who *own nothing but unimproved land*, being *left suddenly penniless* by this tax reform!

It is an obvious fact that no important change in public policy, however fundamentally desirable, will affect equally all individuals and classes. There will, indeed, nearly always be some who lose in their annual incomes or in the total value of their property. But to say this is very different from asserting that any class—or even any individual—will be made suddenly penniless.

If the land value tax system goes into effect not suddenly but over a period of years, much of the annual rent of any land which is not being held out of use, during the period of gradual transition, will still accrue to the landowner. And if a particular landowner—even an owner who has been holding valuable land out of use—desires to sell, the fact that the

succeeding owner can for some time draw a net rent from the land, if he will himself use it or let it be used, means that the land still has a value which the previous owner has been able to realize by selling it.

Following this line of analysis, the objection of conservative opponents that the introduction of a land value tax system would make any appreciable number of landowners penniless can be effectively answered. If and when the proposal becomes a live political issue and is discussed heatedly in political campaigns, and this objection is raised by (say) a heckler, the skilled campaigner should have a ready and crushing comeback. "If any owner of land," he can say, "is so convinced that our program is going to cause him loss, let him *sell* his land *now*, before our party has even come to power. Let him realize hard cash for it *now*. If any landowner present *doesn't want to realize hard cash* for his land *now* and so is *determined not to sell*, isn't it *ridiculous* for him to argue that the program is going to so lower the sale value of land as to reduce him to poverty? Furthermore, you all know, and he probably knows, that under our program *all the improvements he makes on his land* will be *relieved of taxation* and that, therefore, if he saves and so is able to make such improvements or have them made, all the income they yield *will belong to him*. If any landowner doesn't want to take advantage of this prospect or thinks he cannot do so conveniently, let him sell his land *now* for real money to someone who does want to."

No doubt it can be logically contended that the mere anticipation of an imminent beginning of a land value tax policy would bring an incipient fall in the selling price of land. "Coming events"—or, rather, the expectation that the events will come, and regardless whether or not they do finally and actually come—"cast their shadows before." Thus the

growth of the land value tax sentiment might, prior to the enactment of any tax change, reduce somewhat the price securable for his land by a landowner desiring to sell it. But this would obviously not be due to the land value tax, since it has not been actually introduced. Rather would it be the result (manifesting itself through the prices bid and asked by would-be buyers and sellers of land) of the *opinion* that land value taxation will be adopted. This *opinion* is in turn the result of a growing popular belief that such a tax system is desirable and so *ought* to be adopted. And this growing popular belief, in turn, is, at least in large part, the consequence of the persuasive arguments and evidence presented by the advocates of the proposed change.

Probably conservative opponents of the change would prefer to use the word "agitation." And some, too, would wish to *suppress* all such agitation, on the ground that it tends to reduce the sale price of land and so to disappoint landowners' previous "reasonable" expectations. If they regard the tax change as "wrong" because it would reduce the sale value of land, must they not regard the "agitation" for it as likewise "wrong" and for the same reason? And if they think such "agitation" to be a "wrongful" act, why should they not try to make it an *illegal* act thus to voice "dangerous thoughts"?

But in any event, the landowner who fears more than do others the actual introduction of the land value tax system, should logically be willing to offer his land for cash at a price which less fearful buyers are quite willing to pay.

Enough has been said on this matter, surely, to make clear to the comprehending reader that the most rapid introduction of a land value tax taking practically all the annual rent of land, would not suddenly make penniless even persons who owned nothing but unimproved land. For however rapidly the new system might be put into effect once change was

begun, there could be no *beginning* of the reform until there had come to be a widespread demand for it. During all the years of growth of such demand, owners would continue to draw their accustomed rents. And though the sale price of land would presumably fall as the reform came to be nearer and more certain, yet until or almost until its actual and complete adoption, there would still be some sale value remaining. Most assuredly, then, no landowner would find himself reduced overnight from riches to poverty!

There have been a few economists, impressed with the economic advantages of the land value tax system but nevertheless considerably worried regarding its adoption without "compensation," who have urged that the change be made after the deaths of present owners who would, therefore, receive during their lives undiminished rents. In fact, it is questionable whether such a plan gives any more—if as much—consideration to the interests of present owners than does a gradual increase in the taxation of land, going along concurrently with a diminution of taxes on capital and of various other contemporary taxes. While a gradual increase in the land value tax does reduce from year to year the land rent remaining to the owner, it also leaves him the option of being able to sell his land at a price based on the lower net rents of future years; and he may be able, therefore, to "cash in" before his death on net rents continuing for a time afterward.

It is to be noted, too, as an objection to the scheme of terminating rents at and only at the deaths of present owners, that a great many of the most valuable city sites, power sites, mines and other resources are owned by corporations and that *corporations do not die*.

III

BUT THE OBJECTION which seems to be most commonly urged by economists is that, even though the introduction of land

value taxation is not sudden but gradual, even though many landowners gain by it, even though no landowner suffers great and sudden loss and even though the change is demonstrably for the common welfare, nevertheless it is "unethical." Since, however long the prior period of growing favorable public opinion and however gradually the reform is put into effect, some landowners will become poorer than if the change were never made at all, the change is held to involve an "injustice." "Society," it is said, would thus *violate an implied "pledge" of permanence* in existing arrangements.

No claim is put forward, ordinarily, that government or "society" has made any *formal* pledge that the tax system would never be changed. The thought appears to be that the *long* continuance of a system of allowing private individuals to realize the major part of the rent of land, has created a *presumption* of its *permanent* continuance; since that system has continued for generations, it is argued that "society" has allowed it to continue. Men have purchased land on the *assumption* that no change would be made (ever!) and at higher prices than they might otherwise have been willing to give. "Society," by the fact of not having changed the system over a long period and by "its" *silence* as regards "its" *intention* to change, has *implied* that "it" will *never* change the system and has thus "encouraged" such purchase of land. "Society" has thus, by implication, "pledged" that "it" will *never* change to the system of taking land rent in taxation for the public in place of other taxes *even* by the most *gradual* steps. For such a change would be likely to reduce, at least in some degree, the sale price of land and, too, though some landowners, even, would definitely gain, others would undoubtedly pay higher taxes and receive lower net incomes. Thus "society" would have done them injury by this change in the tax system and would have been guilty of a "violation of good faith."

Just what is this "society" which, in a world of continual change, has impliedly pledged that there will be no change in the tax system such as to increase even slightly the taxes on owners of land in comparison with taxes on others? And is "society" similarly estopped from making changes of policy detrimental to any other class? Does this mean that "society" violated an implied pledge if in the United States, after control by the Republican party from 1861 to 1885, a triumphant Democratic party adopted a new policy which reduced relatively the welfare of some who had counted on a continuing control of government by the Republicans? Does it mean that, in Great Britain, "society" will be violating some implied "pledge" of consistency in economic policy if the Labor party, which is a relatively new party not even in existence throughout hundreds of years of Parliamentary history, and which has never hitherto had a clear majority in the House of Commons, should now introduce and pass legislation not favored by any previous British Parliament, and which would change in any way or in the slightest degree the relative wealth and income of different classes or individuals?

Will not *some* conservatively minded economist be so frank as to declare himself unequivocally on this matter of an implied "pledge" by "society" and assure us that no party long out of power and, above all, no *new* party which has *never had* power, has any *right* to change the policy of the party or parties *previously* in power, when such change of policy is likely in any way or in any degree to reduce relatively the income or the value of the property of any class or individual—*unless* that class or individual is fully "compensated" with funds taken from other classes of persons? Certainly it would be most refreshing to hear or see a statement by at least one economist of conservative persuasion, that he *does* or that he *does not* subscribe to that view!

What, after all, does it mean to say that a particular change in policy—*e.g.*, a change in taxation—cannot be fairly made because “society” has impliedly “pledged” that the existing set-up will continue? Just who (or what) constitute “society”?

Human affairs are full of complexities. Policies may be determined by a king and some advisors, by a king or an emperor with his mind on the danger of antagonizing a feudal aristocracy, by a Fascist party subject to a tight discipline and (perhaps) limited in numbers, by a “democratic” parliament which in turn is swayed especially by the most selfishly alert and blatant pressure groups, and so on. And often—one is tempted to say *always*—*some* members of “society” disapprove of institutions and policies that others favor. Does the fact that those who disapprove of slavery, monopolistic extortion, tariff restrictions on exchange, or other such economic policies, have long been in the minority or, for some other reason, out of the seats of power, mean that if and when they get into power it is a *sin* for them to abolish these evils against which they have been protesting, unless they *buy* (“compensate”) from those who derive income therefrom the “right” to abolish the evils!

If part of “society” is being exploited by another part—by monopolists, slave owners, owners of the earth who can charge others for permission to work on it and live on it, or by any other privileged class—how *can* such exploitation be ended *without* taking *something* away from *somebody* and so making “society” violate an implied “pledge”? How, for example, can slaves be freed without such a “violation of good faith”? If they are freed directly by means of an emancipation proclamation, property value is certainly taken from the owners. If the owners are fully compensated, something has certainly to be taken from others *who might similarly claim* that “society” has been guilty of “bad faith” toward them!

Will our conservative economist friends, then, be frank enough to say, without equivocation, that if slaves are to be freed, not only must their owners be fully compensated but that this compensation *must rightly come chiefly or only from the slaves*? Will any one of these text-writing economists have the *frankness to say either that he does believe this or that he does not*?

If "society" is under a moral obligation, by virtue of an implied "pledge," not to change any existing and long continued economic institution or tax system without full "compensation," are the *victims* of that institution or tax system properly to be regarded as a part of that "society"? If, for example, in a slave state, the slaves are thus to be regarded as part of the "society" and so as morally responsible for "society's" implied "pledges," and if the slaves eventually become numerous enough and strong enough, or get enough sympathizers to help them, so as to be thereafter the *dominant force* in the "society," what are their "rights"? Are they guilty of a *sinful act* in case they stage a revolution, establish a new government and become free *without* contributing anything in future taxes to "compensate" their former owners?

Will some conservative professional economist please be so kind as to tell us, without equivocation, that he *does* or *does not* accept this view?

Then let him go further and confide to us his view that the freed slaves would be—or that they would not be!—still *more* sinful if they should go so far as to make their former masters pay taxes to compensate the one-time slaves for their various handicaps in education, health, etc., stemming from their long years in slavery!

Analogously, should landlords compensate the landless instead of vice versa!

But what if the slaves themselves, never having enjoyed any

other condition of life and having been duly proselyted (or "converted") into the religion of their masters, have accepted or (anyhow) pretended to accept their masters' "ethical" judgment that they—the slaves—are *rightly* slaves, that their enslavement is part of "the divine plan." Might not the conservative economics professoriate then contend all the more vigorously that the slaves, by their long "acceptance" of their status, are clearly *participants* with the other classes of "society" in the "responsibility" for the maintenance of property rights in slaves? Would such conservative professorial economists say, therefore, that the slaves have some "obligation," along with the rest of "society," to help see that no change is made in their status *unless* with full compensation to their owners? For must not such economists logically insist that there can be no obligation on "society" *unless* there is an obligation on the *component parts* of such a "society"?

Again, what if some slaves have inherited their slavery from forebears who were sold into slavery by their own parents, so that, if the present slaves have not "accepted" the institution in their own persons, they may still be said to have "accepted" it through acceptance by their ancestors who may even have profited by thus selling their children! (But it is not inconceivable that these ancestors were themselves exploited in some other way, *e.g.*, by landlordism, and felt obliged to sell some of their children in order to be able to feed the others!) Would our conservative professorial textbook-writing economists say, therefore, that the present slaves, vicariously through their ancestry, may properly be regarded as "responsible" along with the rest of "society" for the "institution" of slavery so as to make it their "duty" to oppose any steps toward their emancipation without compensation? Would such conservative professors say that, under such circumstances, the slaves must continue to suffer—and "justly"

—from the actions of their ancestors, since “the iniquity of the fathers” is visited “upon the children unto the third and fourth generation”?

In precisely what sense are the victims of the present land system “responsible” for it so that they *ought* to insist *either* on its continuance in perpetuity *or* on being themselves taxed to provide “compensation” for the to-be-henceforth-more-heavily-taxed landowners? Has the present land system been *agreed to*, consciously and understandingly, by its victims? Are we to conclude that they have vicariously—and hence bindingly!—agreed to it if any of their ancestors have ever approved it? What shall be said of the fact that, throughout the history of landlordism, the rich and influential have mostly favored it, that arguments against it and in favor of the socialization of land rent have rarely appeared in the public press, that university professors of economics have *mostly* either ignored it in their textbooks or have *attempted to discredit it* while giving *only cursory attention* to the case for it, and that the victims of the present system have, therefore, had very little chance to know the basic cause of their unhappy predicament? If interested groups, with the aid of ignorance and prejudice, succeed in establishing institutions that exploit the masses, must we conclude that the longer these masses have suffered, the more they are under an ethical obligation to continue to suffer?

Will conservative college and university economists take issue with these statements and insist that those who are handicapped by the existing landlordism *have* had a good and adequate chance to learn and to understand the cause and effect relations involved, that it *is fair* to assume they *should have* understood it long ago and that, therefore, since they have not previously changed it, for them to change it now would be *wrong*?

Or will our academic text-writing economists follow a different line? Will they admit that the victims of the system have *not* had, in the past, a good opportunity to reach understanding and that their lack of understanding of the matter may be partly the result of the very bias and the antagonistic propaganda of the system's beneficiaries? And will these conservative economists then say that if and when the victims of the system do gain understanding of it and come to dominate the political scene, these victims still cannot ethically change the system except as they arrange for "compensation" to be provided by the victims?

Why cannot our conservative friends in the economics professoriate meet the issue frankly and tell us either that they *do* believe or that they *do not* believe that the victims of a bad economic system cannot ethically demand relief *except* as they give "compensation" to those from whose exploitation they wish relief? Why hide forever behind the vague term "society"?

No doubt it can be pointed out that some persons who own no land may have been able, through land rents received by their parents, to enjoy an education in (for example) law or medicine which they could not otherwise have had and because of which they are now able to receive above-average incomes—*though not without working*. Also, it can be urged that there are some persons not now landowners who have gained from the present system—by which, in general, common folks have suffered—through sale to others of land which community development has caused to increase in value. But *few such will have reinvested the proceeds without again becoming owners of land*. In most cases they will not have purchased buildings, etc., without purchasing the land on which these rest. And no thoroughly *competent* economist can conscientiously contend that if such sellers of

land have invested in the stocks of corporations, they no longer own land—*unless the corporations own no land.*

But those professorial economists who are forever seeking some objection, *however microscopic*, to the land value tax program, must surely realize that there is no way of proving what persons, not now landowners, have indirectly gained from the landlord system or how much these have gained, and so of making *them* provide the desired “compensation.” Such economists must surely understand, if they are at all able to analyze the matter objectively, that in any system of “compensation” which could in practice be adopted, the “compensation” would, in fact (unless paid by those to be “compensated”!), be largely even if not entirely extracted from those who had been—and who thus would still be—victims of the landlord system. To assert that “society” would provide the compensation *merely serves to prevent us from inquiring* into the question of who precisely would provide it and whether the *victims* of the system would mostly provide it.

And so it is difficult to avoid the suspicion that the presenting of these various considerations is a bit disingenuous, that they are not presented with any serious idea of finding a satisfactory way of getting to the land value tax system but rather with a desire to make any such reform appear so complicated and difficult as to be not worth attempting.

Since our conservative economists claim that it is “wrong” or “unfair” or “unjust” for “society” to change its tax system toward public appropriation of land rent, *however gradually* and *after however long discussion*, unless there is “compensation,” must they not logically contend that it is equally “wrong” for previously uncomprehending victims of the present system to support or *urge in any way* this “wrong” or “unjust” policy? Might not some of these economists

truly feel that "society" should do "its" best to *suppress* any such "dangerous" agitation?

IV

THE FACT IS that the notion of any "pledge" by "society," making it a "violation of good faith" to change the tax system, is fundamentally preposterous. The implied "pledge," if it could be said to have any reality, would be nothing more than a long continued economic policy or custom, a sort of community habit. But taxation has changed in such numerous ways as to suggest, rather, the *lack* of any consistent taxation policy or custom and to give the notion of an implied "pledge" very much the appearance of a *myth!*

Tariffs on trade between countries have been subject to alternating increases and decreases. Taxes on the production of specific commodities have been successively introduced, increased, decreased, abolished and again introduced. Property taxes have been the main source of revenue, have been then supplemented by other taxes, have been increased and have been decreased. Federal income taxes have been introduced, abolished (by decision of the Supreme Court), reintroduced, increased, decreased and again increased. States which had previously taxed property but not incomes as such have added income taxes. These income taxes have been levied at a fixed per cent (above exemptions) and at graduated per cents according to the amount of the income taxed. Our Federal income tax has at one time been levied at the same rate on incomes of a given size, regardless of source and at another time has been levied at a higher rate on income from property than on income from labor. Taxes on inheritances and bequests have been introduced and raised to very high levels after long immunity from such taxation had given the impression to accumulators of property that all of this property could be bequeathed to and be enjoyed by their heirs.

The Federal government and the various state governments have levied excise taxes on specific articles, such as intoxicating beverages, cigarettes and gasoline and, later, many of the states have introduced, also, the general retail sales tax. One state legislature, that of Pennsylvania, has enacted the "graded tax law" applying to cities of the "second class" in Pennsylvania and providing for higher rates of taxation on land than on the buildings thereon. This is the system described above in this paper in connection with Pittsburgh. In various other sections of the United States campaigns have been waged and—sometimes—a substantial number of votes have been cast for a land value tax system. Not a few cities in Australia, Northwestern Canada and New Zealand tax sites and not improvements on them, or tax sites at a higher rate than improvements. Steps have been taken toward this system in Denmark and in British South Africa and the policy has been debated at length in Great Britain where a good many cities, through their local governments, have formally requested Parliament to make possible for them the system of (as they express it) "rating on land values."

Surely, then, those who insist that "society" has made even an *implied* "pledge" not to change the tax system *or* not to change it in any particular direction *or* not to change it in *this* particular direction, are the gullible victims—though gullible, probably, largely because of their prejudices—of a fatuous myth.

Indeed, in many of our economic policies other than taxation, change has been frequent and, therefore, is reasonably to be expected. We first allow the manufacture of intoxicating beverages, then prohibit it, then allow it again. We allow monopolistic businesses to be free of prosecutions and of regulation and subsequently apply one or both of these devices. We permit young men to spend years of apprentice-

ship mastering a trade and later set up trade schools, or curricula in the regular public schools, in which we train other young men to compete with them. We establish a monetary system through which the general price level sometimes rises and at other times falls. Some of our policies have been, indeed, unwise and unfair but, if so, it is because they are intrinsically bad and lead to bad results and not because they violate an implied "pledge" to make no changes. In the world in which we live, it is more accurate to say with the poet, Longfellow,⁴ that

All things must change
 To something new, to something strange:
 Nothing that is can pause or stay:
 The moon will wax, the moon will wane,
 The mist and cloud will turn to rain,
 The rain to mist and cloud again,
 Tomorrow be today.

In such a world of constant change, *including change in social and economic policies*, surely it is a *ridiculous* assumption that human beings are committing a *sin* when they try to change one particular line of policy—involving land rent and its taxation—of which they feel many are victims. Surely it is reasonable to presume, rather, that men purchase their property or make their other commitments knowing that tax policies and taxed objects have changed, do change and are likely again to change, and assuming this risk when they purchase. Surely it is a fair presumption that purchasers of property have, if anything, even less right, and certainly no more right, to block a *desirable* change in tax policy or to be "compensated" because such a change is made, than to block any of the various changes to *worse* systems or from one bad system to another!

Each substantial effort to educate the electorate to the

⁴ In *Keramos*.

advantages of the public appropriation, by taxation, of the major part of the rent of land, is a notice to landowners that they may not always be able—or that the next generation of owners may not be able—to live on the rent of land. Each step in substituting land value taxation for various other and relatively undesirable taxes constitutes a notice to owners of land to prepare for a time when they can no longer live by charging others for permission to work on those parts of the earth where work is relatively productive or for permission to live on those parts of the earth where life is relatively pleasant or for permission to draw from the earth subsoil deposits placed there by geological forces.

Let those who themselves understand the evils of the present system strive, then, to spread understanding among others as widely as possible, to the end that adoption of a land value tax program be not indefinitely delayed. For *the slower we are in getting this program adopted fully, the longer will the victims of the present system continue to be victims.*

But if some of our number are disturbed lest rapid progress of the reform—without which, as indicated above, present evils must continue correspondingly longer—cause sudden and substantial loss to any owners of land for whom their sympathy may be aroused, let them reflect that the change cannot proceed faster than an increasingly informed and interested public opinion will permit; that even revolution, *unless* there has come to be such an informed public opinion, would almost certainly proceed in a quite different direction and on the basis of an entirely different ideology; and that those owners of land about whom they are concerned will have ample time to become adjusted to the land value tax system and certainly need not be both greatly and suddenly injured by it.

Whatever other views may be held by the economics profes-

soriate of the new generation, let us hope they will not hold the *utterly silly* view that, in a world of constant change, some vague inchoate "society" is under a moral obligation *never* to change, no matter how slowly, towards the realization of a tax system which would appropriate all or nearly all of the rental value of land to public use. Let us hope that, with a new generation of teaching and text-writing economists, the *fatuous myth* of a binding implied "pledge" of this sort, on the part of "society," will finally be visited with the ridicule it has long deserved. Let us hope that to this new generation of professorial economists the claim of landowners to future rents undiminished by any greater relative taxation of land values than now will not be the *sacred crocodile* it has apparently been to many or most of the text-writing economics professoriate of the last several decades. Let us, in short, fervently hope that the new generation of text-writing professors of economics—and teachers of economics—will approach the land and tax problem not only with sympathy for the great majority, who are victims of the existing system rather than beneficiaries of it, but also *with a modicum of common sense*.

Some Paragraphs from A Dilemma of Contemporary Keynesism

The Advantages of Land Value Taxation

LAND VALUE TAXATION, as such, draws only from the geologically produced and community produced annual rental value of land (including sites, tracts and subsoil deposits). It is in no sense a tax on the necessities of the poor. It does not penalize the efficient worker and thereby lessen the incentive to efficiency. It does not penalize saving and the construction of capital. It does not involve any burden or penalty on so-called "venture capital." It does not discourage—but encourages—the flow of savings and of capital from other areas to the land-value-tax areas. It does not, through lowering the net return on capital, discourage investment in new capital construction and conduce to the hoarding of money rather than the investing of it. That is to say, it does not bring about or accentuate any "propensity to hoard" or "liquidity preference." It does make unprofitable the speculative holding ("hoarding"?) of good land from use, with consequent reduced effectiveness of both capital and labor. A comparative study of areas in Australia where land values are taxed rather than other property, appears to indicate that the amount of good land held out of use is definitely less in the first, that the amount of building is greater in proportion to available land, that the number of residences constructed is greater per 100 marriages, that the incomes of persons deriving their incomes wholly from labor average higher, that the movement of population is away from the other jurisdictions and into the land-value tax jurisdictions, etc.⁵ The evidence, factual and theoretical, appears to indicate that, within the limits of the amount of revenue it is capable of yielding, a land-value tax system is more advantageous even to workers of low incomes than a steeply graduated income tax, and that this is true even though these workers are completely exempt from such income tax.

Furthermore, it can be argued most plausibly that the land-value tax proposal is especially adapted to meeting the Keynesian dilemma. And yet I have seen not the slightest evidence that it appeals at all to any Keynesian. Why?

⁵ In "The Challenge of Australian Tax Policy," published in this *Journal*, July, 1949 (Vol. VIII, No. 4), I summarized the significant studies of the Land Values Research Group of Melbourne, of which Mr. A. R. Hutchinson is Director of Research. In doing so, I referred to a series of articles by Mr. Hutchinson in the Australian magazine, *Progress*, and to a partial republication of these in a thirty-two page booklet entitled "Public Charges upon Land Values," Melbourne (published by the Henry George Foundation of Australia), 1945.

It must be said, however, that teachers of economics almost never mention land value taxation in their professional papers on taxation or tax reform or (except for a few words, ending on a derogatory note) in economics textbooks prepared for the use of college—or high school—students, or in their class lectures and discussions. Land value taxation is *the subject of the great silence*. And so one hardly expects any of the Keynes-Hansen-Hayes group to take it up favorably, even if it does seem as if made especially for them.

On the contrary, my guess is that if I could pin advocacy of land value taxation on them as the only way they could avoid inconsistency and self stultification, and could *make it stick*, I would thereby do more to get contemporary Keynesians to scurry apologetically away from Keynesism than by the most cogent and convincing argument from monetary theory and statistics!

Some Paragraphs from The Challenge of Australian Tax Policy

At the University of Missouri we have many students who have done their first two years of college work elsewhere. *Almost without exception they have been taught nothing—or next to nothing—about this really fundamental and important reform* which, if either theory or the data we have from Australia mean anything, promises much in prosperity, and in hope for common folks, to any country that will adopt it. Are university and college students of economics *never* to have a reasonable chance to *learn anything about it in their college economics courses?* And then, if, *as a result* of such a condition, no movement for the public appropriation of the rental value of land or most of it, develops, will the economics professoriate adopt the added excuse that the reform is “politically impossible” here—notwithstanding what has been done in Queensland!—and therefore not worth while explaining to students? Will there continue to be *practically no chance to learn about it in college*—where, of all places, its study is most appropriate—so that college boys and girls will usually not learn anything about it unless they just happen to drop into one of the classes (taught as a labor of love by volunteer teachers who have other jobs to make a living) of the Henry George School of Social Science?

If there is occasionally a teacher who is eager to present the subject fully and fairly, he is quite likely to be limited in his opportunities of doing so by the prejudices of colleagues. Texts are selected and assignments arranged which all must use and follow. Dull and, from the point of view of the general welfare, *relatively inconsequential* topics are dwelt on for weeks. *The situation is much as it would be in a college of medicine if the lecturers on cancer and on rabies were forced to devote their time chiefly to the subject of poultices and dressings and were allowed hardly any time for the explanation of surgical techniques, radium and X-ray treatment, and vaccination.* Thus, in economics, because important truth is denied or ignored, the students—and the public—are cheated. No amount of money spent from the income of large endowments, to hire instructors or “tutors” to stimulate discussion in dormitories or other small groups, can compensate for leaving out of the work in economics *the most exciting and vital topics on which it can shed light.*

The Challenge of Australian Tax Policy

Many textbooks in the "principles" of economics—and some, even in public finance—*make no mention at all of the subject*. Indeed, the recent text on "The Elements of Economics" by Prof. Lorie Tarshis of Stanford University, does not have the word "land" or the word "rent" or the name of Henry George in the index. The publishers claim it is in use at Columbia, Harvard, Yale and other universities. The same statement can be made regarding "*The Economics of Public Finance*" by Prof. Philip E. Taylor of the University of Connecticut. Such cases remind one of the limerick which relates that

A college economist planned
 To live without access to land
 And would have succeeded
 But found that he needed
 Food, clothing and somewhere to stand.

Recently a college teacher of economics told me that the economics students where he is teaching tend to accept "a mixture of Keynesian economics and traditional socialism." Other economics teachers, including one of considerable years and experience with whom I have discussed the matter, agree that this is probably a general condition in American colleges and universities. Certainly there appears to be reason to believe that in most of our institutions of college rank, students of economics who are inclined to social idealism—as many are—*tend toward one or another form of socialistic philosophy*. This, I believe, is *because they do not get, from their courses in economics, the vision they might get of what a system of free private enterprise would mean to common folks, if it were so reformed as to make it consistent with the principles appealed to by those who essay to defend it*. Such reform would, indeed, include much more than reform in our land and taxation system *but this it must certainly include*. There is tragedy in the fact that among those who have been lured into communistic activities, and even into betraying the interests of their own government to those of an alien power, are some *who followed communism because of their own social idealism and who might have been saved from this personal tragedy had the influence of our economics professoriate not been in the direction of discrediting and bushing up all serious advocacy of the public appropriation of the annual rental value of land*.

