

Land Value Taxation and the Rights of Property

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I

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HIGH LAND VALUE TAXATION tends to force good land into use and thus to make the rent of land lower. It offers more incentive to saving and to investment in the production of useful capital. It encourages increase of capital in the land-value-tax communities. It thus better provides labor with both land and capital, thereby makes labor more productive and tends toward higher wages. It lowers the expense of housing for those who must be tenants and lowers the sale prices of homes for would-be home owners. It makes easier, because less expensive, the providing of children's playgrounds and public parks. Why do our teachers and textbook writers in economics, with relatively few exceptions, either attempt to discredit the theoretical case for this reform while ignoring the impressive supporting data from Australia,¹ or else completely ignore the theory, the data and the subject?

In this connection it may be especially appropriate to examine an objection to the land-value-tax policy, which seems to have been the one most stressed by the textbooks. The objection in question to introducing additional taxes on land values or to increasing taxes on land values relatively to other taxes, is that to do so would be "unjust." A common way of putting the thought, has been to say that for a state or community to retain the rent of land might have been right and proper if this had been done from the very beginning. It could have been right, in this view, only if the policy had been begun when there was *no land rent* and when *no one* had paid for *any land* a sum based on *any future expectations* which the introduction of such a tax would—or might—prevent him from realizing. But, it is said, when men have purchased land on the assumption—based on custom and perhaps on very long custom—that it will not be taxed more heavily in relation to other property values or incomes in the future than it has been in the past, then the introduction of a land value tax system or of any relative increase of taxation of land values is "unjust" and, therefore, inadmissible.

In general, teachers and writers of textbooks in economics seem to have followed in this matter the lead of Francis A. Walker who was a contemporary of Henry George. Walker referred to Henry George's pro-

¹ For a summary of the data, first presented by A. R. Hutchinson of the Land Values Research Group of Melbourne, Australia, see my pamphlet, "The Challenge of Australian Tax Policy," obtainable from the Robert Schalkenbach Foundation, 50 East 69th Street, New York 21, N. Y.

posal as "this precious piece of villainy"² and added: "I will not insult my readers by discussing a project so steeped in infamy."

Contemporary textbook writers who are, in practical effect, seeking to indoctrinate their student readers with the Walker viewpoint—or to assure their conservatively-minded fellow professors of their own safely conservative attitude?—are indeed, as a rule, somewhat less truculent in their phraseology. But the essential thought is still there. Thus, Professor Shorey Peterson says:³ "Confiscating rent would destroy the value of land; and its present owners, for the most part, are not the ones who held it when it acquired its value." What is meant by this statement if there is not at least an implication that it is *wrong* to adopt a land value tax policy *after* early owners have sold land at a profit to later owners? And is there not the same implication when Professor Ralph H. Blodgett, after noting the contention that many landowners "have managed to escape with the booty," concludes his discussion by asserting that "a number of ethical and practical obstacles would stand in the way of a program for socializing economic rent."⁴ Certainly there is nothing in Professor Blodgett's presentation to suggest to his student readers that he could effectively, or would wish to, defend the land value tax policy. The view of objectors—really the Walker view—has "the last word."

So far as one can judge, neither Walker nor the many teachers and writers of economics who are his present-day prototypes, would be willing to concede that any increases in any other tax or taxes, or any other changes in public policy, weaken in the slightest the case for their presumption that taxes on land values will not be and must not be increased relatively to taxes on real estate improvements and other capital. To them the frequent and, often, considerable relative changes in other taxes, do not create a reasonable presumption that land value taxes might sometime be relatively increased. These changes do not suggest to them that buyers of *land* should be regarded as having bought *it* on any such presumption. Instead they retain the firm conviction that no other change in taxation policy or in any other public policy, creates the slightest presumption that this *particular* change will ever be made or that it can, justifiably, ever be made.

In 1913 the Pennsylvania legislature established the Pittsburgh and Scranton graded tax system, providing that the city tax rate on buildings should become, in 1914, only 90 per cent of the tax rate on land; that in 1916 it should become 80 per cent; in 1919, 70 per cent; in 1922, 60 per

² *Political Economy*, New York, Holt, 1887, p. 418. (The text reads ". . . price of villainy," obviously a typographical error.)

³ *Economics, revised edition*, New York, Holt, 1954, p. 674.

⁴ *Our Expanding Economy*, New York, Rinehart, 1955, pp. 439-40.

cent, and in 1925, 50 per cent. In the view of those economists who follow the lead of Walker, the Pennsylvania legislature thus committed a sinful act. Will they now say that this law itself created no presumption that further laws of the same sort might sometime be passed and could reasonably be passed?

In the view of Walker's contemporary followers—who seem to be the dominant group among economics teachers and textbook writers—buyers of *land* purchase it with an implied "pledge" that the particular change to a very heavy land value tax will never be made either suddenly or gradually. The followers of Walker hold this view regardless of the multiplicity and magnitude of other tax and policy changes. And they hold this view even though there are some cases of increase of land value taxation itself, as in the cases of Pittsburgh and Scranton. They do not seriously entertain the idea, whatever risks are taken by *others* in our economic set-up, that any buyer of *land* can be fairly regarded as "taking a risk" of his future net rent or the future price of his land being lowered by an increase, relatively, of the tax rate on land. To subject *him* to such a risk, they feel, is "unjust," is "a precious piece of villainy" or, as one widely known economics teacher and writer expressed it to me in a private letter, "pretty raw."

II

DESCRIBING "Pittsburgh's Graded Tax in Full Operation,"⁵ Percy R. Williams (later chief assessor of Pittsburgh) said that, in "a typical residential district," this plan of taxing the land more heavily than the buildings involved a lower tax burden for 99.2 per cent of the homes than if the city had raised the same revenue by taxing at the same rate both buildings and land. The owners of homes in this district were, it appears, definitely benefited. Ought they to have received, also, "compensation" because of the higher tax on their land? Or was the lower tax on their improvements a sort of compensation?

A land value tax system does operate in the direction of lowering the sale price of land. Hence a home owner, even though his annual tax burden has been reduced, might argue that if he were to sell his land, he would have to accept a lower price for it. But on the other hand, if he sold his home *in order to buy another* home, also in the land value tax jurisdiction, he would be able to *buy* at a lower price than if land value taxation were not in effect.

Should the evidence from Australian experience begin to influence American opinion toward a similar policy, we can be very sure that such

⁵ *National Municipal Review*, 14 (December, 1925).

a policy would not be put into effect completely and at once all over the United States. It would be tried sooner in some cities, counties and states, not so soon in others; also, the policy might be applied in much or all of some states before it was applied in any parts of other states. And this probability may have a bearing on our problem. For the rather extensive data from Australia seem to indicate that capital investment flows into—and it certainly increases in—the cities, districts and states where land values are taxed rather than buildings, machinery, orchards (the extra value over that of the bare land), trucks, fertilization of land, and other man-made capital. In those cities, districts and states, the total value of improvements for (on an average) each land taxpayer is vastly greater. In those cities, districts and states there has been a great deal more construction of dwellings and of buildings in general and less land held from use.

Of course landowners, purely *as landowners*, have to pay higher taxes in the jurisdictions where land value is taxed more heavily and where the capital that men make is not taxed. But those among them—the majority—who own capital as well as land, are largely compensated and may, in many cases, enjoy a sizable net advantage, because their improvements and other capital are not taxed at all.

If it is contended that the owners of vacant land would, in general, suffer a net loss from the adoption of a land value tax system, it can also be said that the holding of good land out of use brings increased cost of housing, increased congestion and economic loss to the community. Can we effectively prevent the waste and loss from this speculative holding, if we insist that neither through our tax system nor in any other way must we visit upon those who thus hold land from use, any significant penalty?

It is possible, however, that advantage will sometimes accrue from the adoption of a land value tax policy in a city, county or state, *even* to an owner of a vacant lot who has no improvements on it at all and has been hitherto impeding the growth and development of the community by holding it out of use. For the removal of taxation from improvements and all other capital means that the net per cent income from improvements and other capital in that community compared with the net income they yield in communities still operating under the old system, will be, at least for a time, definitely higher.

To illustrate, suppose that the yield from capital (before subtracting taxes) has been averaging 8 per cent and that the tax on it has taken 3 per cent, leaving only 5 per cent to the investor. But now capital in the land value tax community is no longer taxed and owners who improve their land can hope to receive the entire 8 per cent. But investors in commu-

nities where capital is still being taxed as before, can hope to make only 5 per cent after taxes; and for the most part they are not likely to recognize quickly the better opportunities suddenly opened in the land value tax community. (How can they be expected to recognize such facts quickly if their economists have never called attention to the probabilities and if they have heard mostly the propaganda against this tax reform? A young graduate student at a mid-west university whom I met only recently, told me of his being warned by one of his economics professors to give up his sympathetic interest in it or "you'll only blackball yourself.") Hence our vacant landowner in the community which has now adopted the land value tax policy, if he cannot himself save enough to improve his land, may borrow at 5 per cent or not much over 5 per cent, from someone living where the old tax system is still in effect and to whom anything *over* 5 per cent looks *really* good.

Throughout Queensland and New South Wales in Australia, all local governments must follow a land value tax policy, which means that improvements and other capital are not taxed. In South Australia and Victoria some districts follow a land value tax policy and some do not. It is interesting to note that the local adoption of a land value tax policy in South Australia requires a poll of landowners. *Only* landowners can vote on the matter.⁶ The system cannot be introduced unless (1) three-fifths of the landowners voting favor it and unless (2) one-half of the *total number* of landowners *including* those who *do not choose to vote*, favor adoption. Nevertheless nearly a third of the population of South Australia live in jurisdictions having this system. It would seem, therefore, that very many of the *landowners themselves* in South Australia definitely prefer that their local governments raise from taxes on land values alone, as much revenue as would, under the old system, be raised by taxing both land and capital. Of course this is not to say how many of them would prefer a system—if they *had the choice*—that would entirely exempt *them* from *all* taxes and put the tax burden on persons who owned no property!

Would those who contend that any change in the direction of a land value tax system is "unjust" to landowners and an infringement on their "vested rights," insist that if a majority of landowners prefer a tax on land to a tax on all property, any dissenting minority among them must be protected from the majority by (say) some sort of constitutional prohibition?

But if the introduction of a land value tax policy in a particular community—or communities—might be advantageous even to most of the

⁶ *Land Value Taxation Around the World*, New York, Robert Schalkenbach Foundation, 1955, pp. 10-11.

landowners in that community or those communities, it could still be disadvantageous to many—or perhaps all—landowners in adjacent communities. For capital would flow—if other conditions were equally satisfactory—from the non-land-value-tax communities into the land value tax communities. Industrial concerns would prefer—other things equal—to build new plants in the land value tax communities rather than in the others. The opportunities for workers, thus better supplied with capital—and land, too, since the holding of good land out of use would be substantially penalized—would be better. Demand for land in the non-land-value-tax communities would be less. Landowners in the non-land-value-tax communities would be poorer than if the land value tax communities had not adopted the new system. It might be appreciably more difficult for (say) even owners of improved residential land to find tenants.

Shall we say, therefore, that the communities which have adopted the land value tax policy have infringed on the vested rights of landowners in non-land-value-tax communities and have thereby been guilty of injustice? If we do say this, must we not, to be consistent, say that it is wrong or unjust for the people of any community to seek *in any other way* to make their community so productive and prosperous, or so clean, well landscaped and beautifully shaded in the summers, that it attracts residents from other communities and thus lowers the demand for and the value of land in those other communities?

Could it be, perhaps, that with an increasing number of jurisdictions abolishing their taxation of improvements and other capital and, instead, taxing land values much more heavily, many of the landowners in the other jurisdictions would indeed become increasingly interested in having their own cities and counties do likewise? For industrial plant construction and increase of capital of other kinds would probably, as Australian experience indicates, take place in the land value tax jurisdictions. Workers, therefore, would be likely to find themselves better equipped with capital—as well as with land—in those jurisdictions, and hence more productive and able to earn more there. This could make it increasingly difficult for owners of land in nearby non-land-value-tax jurisdictions, to find tenants for their houses and their store buildings.

III

BUT IT IS PERHAPS HIGH TIME for us to turn from these various side issues (as they may be called) and concentrate on the logical implications of the Francis A. Walker viewpoint. Let us examine this viewpoint carefully, seeking a really tenable ethics, a really tenable philosophy of society and

of individual rights and duties in society in so far as they relate to the justice of substantial increase of land value taxation. In making such an examination, we must raise a number of rather fundamental questions:

1. If "society" is under an obligation—a "pledge"—to make no changes in tax policy which would be detrimental to landowners as such, just what is the precise *nature* of this "pledge?" It does not seem to be contended, in general, that "society" has made any *formal* pledge that the tax system will never be changed in this direction, although there may conceivably have been, at one time or another and at some place or other, some group or "bloc" temporarily in power which has *assumed* thus to speak for the entire "society." The thought of those who hold to the doctrine of an obligation or "pledge" appears rather to be that the *long* continuance of a system of leaving to private owners the major part of the rent of land, has somehow created a *presumption*—an irrebuttable presumption?—of its *permanent* continuance. "Society" has allowed the system to continue for generations; men have purchased land, supposedly on the assumption that no change would be made (ever?) and at higher prices than they might otherwise have been willing to give; "society" has, thus, "encouraged" such purchase of land, by the very fact of not having changed the system over a "long" period; and by "its" *silence* as regards "its" *intention* to change, has conveyed the *implication* that "it" will *never* change, even by the most gradual steps, to the system of taking land rent in taxation for public needs. Hence, for "society" to institute such a change and thus be false to this implied "pledge" would mean that "society" would be guilty of "a violation of good faith,"—of a "precious piece of villainy." Is not this the view to which Walker adhered and to which a good many contemporary economists adhere?⁷

2. Does this principle that "society" is bound by an implied "pledge" not to change "its" policy, apply to other matters than the increase, relatively, of taxes on land values? Does it mean, for example, that after having followed for years a protectionist policy, "society" is under an implied "pledge" to continue that policy and that, therefore, any substantial reduction of tariff duties—unless with "compensation" by subsidies or other privileged income—would be "a violation of good faith" and an action "steeped in infamy?" Does it mean that if a particular state in the United States has, because of political pressure, bribery or mere carelessness and neglect, allowed its public utilities to go unregulated or ineffectively

⁷ For a critical analysis of this view as it was expressed in various textbooks of a generation ago, see my book on *The Economic Basis of Tax Reform*, Columbia, Mo., Lucas Brothers, 1932, pp. 288-308.

regulated for years or for decades, the final institution of effective regulation would be "a violation of good faith?" Would it be fair to citizens using the service, for the courts (*e. g.*, the United States Supreme Court) to forbid such effective regulation, on the ground that it might "deprive of their property without due process of law" purchasers of stock in such a monopoly who had bought this stock at higher prices than they would have been willing to pay had they anticipated later effective regulation? And is there a difference in the extent to which any such implied "pledge" is a real obligation, based on whether it is a custom of fifteen years, fifty years or a hundred and ninety years? And just how long must a system have continued in order that *any* change ought to be regarded as utterly inadmissible?

3. Since we are told, in effect, that "society" has made an implied "pledge," may we not fairly ask just who—or what—constitute "society" and whether all members of a "society" can properly be held responsible for this "pledge?" Often—perhaps one could properly say almost always—*some* members of a "society" disapprove of institutions and policies that others support. Can it, then, be reasonably contended that, if those who in the past have disapproved of slavery, of monopolistic extortion, or tariff restrictions on exchange, or of allowing private enjoyment of the rent of land, have long been in the minority and thus forced to accept these institutions and policies, they cannot rightly abolish them even if and when they get into power, without violating an implied "pledge?" In other words, shall we say that, since "society" must not violate this "pledge," therefore those members of society who in the past disapproved and even, perhaps, fought against these (as they believed) evils, but without success, are committing a sin if, when they have the power, they abolish or partially abolish them? And if it is truly "a violation of good faith" and, therefore, *wrong*, for "society" to abolish them, is it not necessarily wrong—a "sinful act," an act "steeped in infamy"—for a *minority* to *urge* the majority thus to *do wrong*? Must not contemporary Walkerites logically insist that there can be no obligation on "society" without a similar obligation on each and all of "its" component parts?

4. Assuming a time honored system of exploitation of some by others—whether by monopolists, by slave owners, or by owners of the earth who can charge others for *permission* to work on it and to live on it—just how *can* such exploitation be ended except by taking *something* away from *somebody* and thereby causing "society" to be guilty of "a violation of good faith?" Consider, for example, the abolition of slavery. If the slaves are freed by an emancipation proclamation, has not "society" violated "its" implied

"pledge" to their owners? And if these owners are fully *compensated*, must not others be taxed *extra* to provide the compensation; and could not *these others* fairly contend that "society" has violated "its" implied "pledge"—based also on long custom—not to take income or property *from them* in order to compensate slave owners? Or should the slave owners be, indeed, compensated, but only by making the *slaves* pay them the compensation,—*i. e.*, by making the slaves *buy* their freedom?

Analogously, how about compensation to *owners of the earth* who are in a strategic position to make others pay them for their *permission* to work on and to live on the earth, in those locations made desirable by *geological forces* and by *community growth and development*, and to draw from the earth subsoil deposits? If this condition is ended by the adoption of a land value tax policy, those who argue for "compensation" to the to-be-henceforth more heavily taxed landowners, certainly do *not* get to the *heart* of the question when they assert that "society" should provide such compensation. Inquiry is needed as regards just *who* should or would provide it. Insofar as landowners do not themselves provide for their own compensation by (collectively) paying from one pocket into another, the compensation must be provided by the victims of the landlord system. Victims? Why? Because this system has *reduced* their net income from capital the existence of which their thrift has made possible, *lowered* their wages, *made harder* the transition from tenancy to ownership, and *increased* rents and congestion. To say glibly that "society" must provide compensation is to *avoid facing* the question of just *who* would have to provide it and whether the *victims* of the landlord system would have to provide much, or most, or all of it. If the *victims* provided *less than all*, would not the Walker view have to be that there had been "injustice," "villainy," and "a violation of good faith" towards landowners? Why do so many of the teachers of economics and the authors of economics textbooks *completely ignore* such considerations?

5. Are the victims of an evil economic or social institution under an ethically binding "pledge"—because they are a part of a "society" which is assumed to be under an implied "pledge"—even though they never consented to such an institution understandingly but only through the misleading propaganda of its beneficiaries? And are those also under "pledge" who never consented to it at all but consistently opposed and protested against it? Is it not, indeed, a fact that, throughout the history of landlordism, the rich and influential have mostly favored it, that arguments against it and in favor of the land value taxation policy have but rarely appeared in the public press, and that most teachers and textbook writers in econom-

ics have either ignored the land value tax policy or have attempted to discredit this policy while giving but superficial consideration to the really impressive case for it? Is it not a fact, therefore, that the victims of the present land and tax system have had very little chance to know the basic cause of their unhappy predicament? And shall we conclude that if interested groups and "blocs," with the aid of ignorance, prejudice and propaganda, succeed in establishing an exploitative institution, then the longer its victims have suffered, the more they are under an ethical obligation or "pledge" to continue to suffer?

6. Are the victims of a socially undesirable institution or set-up, under an implied "pledge" not to abolish or essentially change it without contributing to the "compensation" of its beneficiaries, even though this institution was established before they were born and even though it was ignorantly—and perhaps only tacitly—consented to by some of their ancestors? Does such vicarious "consent" morally bind the present victims not to support any change that will lower the incomes or the property values of any of those who own the property in question?

7. On the Walker assumption, and that of all those economics teachers and textbook writers who contend that when a particular kind of property has long been "sanctioned" by "society," those who have bought such property with their "honestly earned savings" have "an indefeasible right" to its future income and sale value, undiminished by any change in public policy—on this assumption would it not be *sinful*, a "precious piece of villainy," for slaves to *run away* without *reimbursing* their owners? Would it not be, on the Walker assumption, especially sinful if the slaveowners had indeed *bought* their slaves with "honestly earned wealth"? And would it not be a sin for the slaves to abolish slavery and their own servitude without giving compensation to those whose slaves they formerly were? Could it not even be argued that, in some parts of the world, the slaves have—or have had—a vicarious responsibility for the existence of slavery, because their ancestors approved of it and, possibly, sold their own children—or some of them, perhaps to obtain food for the rest of them—into slavery? And, to repeat a suggestion of four paragraphs back, if the funds for compensating the slaveowners were to be taken from others than the slaves themselves or their owners, would this not be an "injustice," *i.e.*, "a violation of good faith," towards these others, who presumably acquired their *non-slave* property on the basis of an implied "pledge" that none of it would be taken from them for the purpose of abolishing a long established system of slavery and abolishing it at the expense, wholly or in any part, of innocent owners of *non-slave* property who bought this property with *their* "honestly earned savings?"

Is it an evidence of intellectual penetration when economics teachers and textbook writers ignore such considerations?

Surely the Francis A. Walker type of argument is not philosophically tenable. It is not part of a tenable ethics. And yet it has long served, together with a variegated lot of economic confusions and fallacies,⁸ to block serious consideration by the majority of economics teachers and writers, of one of the most promising of economic reforms, a reform consistent with, and tending to promote the incentives of, the free private enterprise system.

IV

BUT NOW LET US TURN from this discussion of logical implications and philosophical fundamentals, as such, and inquire regarding their relevancy to the practical situation. And first, in this connection, is there really any implied "pledge" by government or by "society" not to change the tax system or not to change it in the particular direction of a heavier tax on land values? The fact is that taxation has changed so often and in so many ways as to suggest, not a long continued and "hallowed" custom but the lack of any consistent pattern or policy of taxation. Thus the notion of an implied "pledge" takes on very much the appearance of a myth. And this is true even with regard to the introduction of a land value tax policy.

Higher taxation of land than of improvements has not only had for decades the active support of a considerable number of persons; it has been actually introduced in a large part of Australia, in New Zealand, in parts of Northwestern Canada, in Denmark, in South Africa, and (through state legislation) in Pittsburgh and Scranton, Pennsylvania, and legislation looking to the possible extension of a similar policy to smaller cities has been passed in this state. Surely, too, despite the usual silence on the matter—when there is not definite antagonism—in academic circles, there have been voices raised elsewhere to protest vigorously against the land and taxation system of the past, a system substantially and fundamentally wrong.

Then why is it not common sense to say that a purchaser of land does not purchase with any "pledge" that there will be no relative increase in the taxation of land, but that in purchasing he must be presumed to know that this particular type of tax reform is possible as well as other tax changes and that he assumes this risk when he purchases?

Again, though it is indeed unreasonable to ask the *victims* of a bad economic system to "compensate" those by whom they are victimized (how-

⁸ *Ibid.*, pp. 253-88. See also, "The Challenge of Australian Tax Policy," *op. cit.*, pp. 9 and 15.

ever innocently and even though the exploiter of Smith has *purchased* from Jones the latter's position as Smith's exploiter), the change to a land value tax system does, of itself, naturally and justly give to many landowners in higher returns on their capital or in greater productivity of their labor or both, substantial compensation for their loss of land rent. Even if they do lose *as* landowners, some of them will actually be more prosperous than before.

Let us again notice, here, the point raised earlier in this paper, that in a considerable number of local jurisdictions in South Australia where only landowners can vote on any proposal to substitute land value taxation for taxes on land and capital both, landowners have themselves voted to do this. Let us note again the considerable advantage to many landowners in doing away not only with taxation of their present improvements and other capital but also with taxation of any future additions to their capital. Let us note again, too, how the adoption of this system in some communities may draw investment and labor away from other communities and thus keep down the demand for land and the price of land in those other communities. And let us ask again whether a policy the adoption of which furthers the development of industry and promotes the prosperity of the communities which adopt it—even, perhaps, of most of the landowners in it—must be frowned upon if it could reduce the income of (and the value of the land owned by) landowners in adjacent communities which continue to follow the old system and which thus cannot offer equal inducement to industry and to workers?

It appears from the comments they have made, that opponents of the adoption of a land value tax system often greatly exaggerate the extent and suddenness of loss to some landowners, likely to follow adoption of such a system. Such opponents have, it would seem, pictured in their imaginations, widows, orphans, and aged persons no longer able to work, who own nothing at all but some vacant and unimproved land—or land the improvements on or in which belong to others—and who are made suddenly and unexpectedly penniless (not even social security?) by a sudden and country-wide adoption of this reform.

That a large number of landowners would become poorer than if the reform were never put into effect is of course to be expected. But to say this is quite different from saying that any class or, necessarily, any individual will become suddenly penniless. For even if the actual and complete adoption of the land value tax system were almost instantaneous over (say) the entire United States—and this is utterly improbable short of a violent revolution, which would almost certainly go in an entirely

different direction—there could be no *beginning* of the reform prior to there being a widespread demand for it. And during all the years while this demand was growing, owners whose land was in use by themselves or others, would continue to draw their accustomed rents. And though, as the reform came to be nearer and more certain, the sale value of land would presumably fall, yet until near the time of its complete adoption there would still be *some* value remaining, even of a good deal of vacant and unused land, which could be realized by sale.⁹

Surely, most objectors must know very well that any adoption which is both sudden and nation wide, is ridiculously unlikely. Though many proponents may work ardently for this, adoption will come—if it does come—now here and now there, in some places relatively soon and in others more slowly. There is no practical justification, even if there could be a theoretical justification, for worry about the distressful state to which widowed, orphaned and aged landowners might be reduced. There is far more practical justification for worry about the widows, the orphans and the aged who have been and are handicapped by the current form of landlordism. There is little or no need to be concerned lest the reform come too fast. *There is much reason for concern lest it never come at all.*

There is cogent theoretical analysis relative to the effects of a land value tax system on housing, on tenancy, on wages and on the economy in general. There are impressive inductive (statistical) data on much of this, comparable to the evidence from a controlled experiment in medicine, such as the recent experiment to test the efficacy of the Salk vaccine. A change in tax policy which would tax land values at an increasing rate and reduce—perhaps, ultimately, abolish—taxation of real estate improvements and other capital, would clearly be favorable to capitalist incentive. It would, as we have noted, tend to increase the productivity of labor and to raise wages. It would both lower the rents charged tenants and make easier the transition from tenancy to ownership. It would strengthen and tend to perpetuate the system of free private enterprise.

But these advantages of increased reliance on land value taxation are

⁹ A proposal which has, apparently, intrigued a few economists is that no tax subtraction be made from the rent of land *during the lives of present owners*, but that all or nearly all the rent be appropriated by government after the present owners have died. Such a plan would by no means silence those who consider any increase of land value taxation "unjust" or "a violation of good faith." On the contrary, those defenders of the *status quo* would—and must, if consistent—protest that the plan would make it impossible for an aging owner to sell his land, however good and well located, for anything like the price it would sell for if the private enjoyment of rent from it were not to cease with his death.

Furthermore, such a plan overlooks the important fact that *corporations* own much of our most valuable land,—and *corporations do not die.*

not obvious even to those who would gain the most from them. The investor seldom thinks of a distinction between capital and land as of any importance relative to tax policy. The worker who has no income at all except from his labor is never—or almost never—aware that, *within the limit* of what a land value tax will yield, it is better for him than the most drastically graduated income tax even though he is himself completely exempt from the latter. Indeed, his prejudices are likely to lead him to prefer the income tax. The dweller in a tenement seldom if ever has the slightest idea that a high land value tax with no tax on improvements and other capital would be of any advantage to him. The tenant who is eager to acquire ownership of a home, a farm or other real estate, does not in the least understand that such a change in tax policy would in any way help him. The child of the slums, starved for a place to play, certainly does not understand that—or why—the current tax system tends to restrict the number and size of playgrounds by keeping the price of land high.

There is need of leaders who can and do understand, or else these advantages will *never* be realized. Without such understanding, whatever changes do come are likely to be in a wrong direction, as has happened during this century over a considerable part of the world. And where shall we get these leaders if the colleges will not help? Where shall we get them if some of the textbooks most widely adopted and which are recommended by professors whom the publishers quote in their advertising circulars, as "distinguished," "superb," etc., fail to mention that anyone, anywhere, at any time has even suggested any steps in this direction?¹⁰ And where shall we get our leaders if other widely used textbooks continue to impress on the minds of the students who read them, the idea that any plan or proposal to work for this really promising reform must be rejected as "unethical"—yet never so much as hint at a single one of the objections to this view which have been presented herein?

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¹⁰ Among very recent textbooks to which this comment is applicable are George Leland Bach, *Economics, an Introduction to Analysis and Policy*, Englewood Cliffs, N. J., Prentice-Hall, 1954,—also second edition, 1957; and Burns, Neal and Watson, *Modern Economics*, second ed., New York, Harcourt, 1953.

In contrast with these—as also with the other textbooks referred to in this chapter—is the presentation by Mitchell, Murad, Berkowitz and Bagley in *Economics: Experience & Analysis*, New York, William Sloane Associates, 1950, pp. 457–65. Cf. Bye and Hewett, *The Economic Process, its Principles and Problems*, New York, Appleton-Century-Crofts, 1952, pp. 684–7.