

SOCIALIZATION OF NATURAL RESOURCES

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The question being "Socialization of Economic Rent", it is well to note at the outset that any plan submitted for an increase in rate of taxation on land will generally meet an obstacle in the form of constitutional provisions limiting such rates. In New York State, for example, the tax rate to meet general budgetary requirements, except for debt service, is limited by Article VIII, Section 10, of the State Constitution, to 2% of the assessed value of the land. Before any plan can be adopted or a detailed method put into operation, it would, therefore, be necessary to remove such limitations, the method of removal dependent on the form or authority of limitation.

With this reminder of the necessity to remove an obstacle placed in the direct path of the proposed change, we are now ready to proceed to a consideration of a method of socialization of economic rent. But one who suggests change other than for the mere sake of variety, should first show the desirability, wisdom, and necessity for such change; and this statement, brief though it be, will commence with such justification of the plan proposed. For the sake of brevity, no complete economic analysis will be offered, but to achieve clarity and proceed logically, proof of each assertion and the reason for every suggestion made will be submitted as such assertions and suggestions are considered.

Our problem is one of general economic improvement, and includes removal of checks to production, on the consumer who is affected by a lessening of his real wages or purchasing power, or on

the producer who loses incentive to risk his capital; as well as equitable distribution and consequent avoidance of economic dislocation, lowering of the burden on home owners and lessees, and rehabilitation of blighted areas.

It is manifestly impossible within the limits of this article to establish the thoughts herein submitted as a general panacea for all of our social ills although the number of those who consider the socialization of natural resources as the remedy for the present world-wide economic dislocation, is steadily growing. It will suffice for the present if we observe the justice of the general idea and consider a method of adoption.

It must be evident that the economic problem which confronts us today is not one of production, for wants can more readily be satisfied as production increases, and the tendency with new and improved methods is towards such an increase. Surely when many lack the very necessities for existence and most are without recognized luxuries, the plaint of the Technocrats and of those who would limit production and otherwise "plow under" must be recognized as baseless: all of these would do better to direct their thoughts toward means of more properly distributing the products of industry, for the question to be solved is not that of production but of distribution.

In return for the use of the three factors in production, Land, Labor, and Capital, the produce should in justice to all be distributed in the form of rent, wages, and interest in proportion to the role played by each of the factors; and in the absence of monopolistic control, fair distribution will be made. However, to the extent that land is privately owned, such ownership gives to some a monopoly or right to direct and control the activities of those who

require permission to work and live on the land, and such control leads to an inequitable division of the produce in favor of the landowner. Not only is this diversion morally unjust, but it has serious practical consequences, for as less is left to be divided between capital and labor, they set to quarreling over the division of the crumbs left them, a condition popularly recognized in the form of strikes and other methods of industrial warfare. Nor are the consequences limited to such internecine strife, as smaller payments mean lessened purchasing power, decreased demand for the products of industry, and ultimately cessation of work and widespread depression.

Recognition of the injustice and practical consequences of monopolistic control points the way to the remedy: abolition of land monopoly. This can be accomplished without a general divestment of title or any startling procedural innovation. It is but necessary for the local taxing authority to assess land separately from the improvements thereon as is done, for example, in New York City, and then to fix a tax rate, variously estimated at between 5% and 6%, which will be equivalent to the entire annual rental value of the land. With socialization of rent, land will have no market price, its selling price normally being computed by capitalizing rent. To tax land values, however, valuations will be placed on all parcels of land (whether by capitalizing the rent to be derived from an average and normal use of the land or by whatever other method: land assessments are made today, and no change in methods is necessary); the tax rate to be imposed on these valuations should then be such as to take the entire rental value of the land, and in the writer's opinion,

can best be determined by starting at about 5 per cent, this being approximately the average interest rate, and varying the rate by the method of trial and error to determine the lowest point at which sub-letting or speculative withholding of land from use will be discontinued. With the free working of the law of ^{supply and} demand, ~~and supply~~, this point or interest rate will represent the level above which land will not be employed, and below which it will not be fully employed, permitting speculation and appropriation, by the few, of society-created values.

Full rental value taxation will effectively prevent any individual from appropriating any increase in value of land, which can arise only by virtue of the existence of society and should, therefore, go to all of the people. Such full taxation of land values will further limit speculative withholding of land from use such as is at present indulged in in expectation of an increase in land values, thus opening more and valuable resources to public enjoyment, and preventing monopoly of control.

This abolition of land monopoly will not only remove the primary cause of economic dislocation as well as the burden on home owners and the occupants of blighted areas, but greater incentive to those who would supply man's needs and satisfy his desires will be created by the simultaneous removal of taxes on earnings, on capital gains, on production, on possession and accumulation, tariffs and excise taxes, all restraints on and penalties for production. It may be well to note in passing that socialization or taxation of land values would not only be just and of great and direct benefit to society, but also that it offers definite practical advantages such as that it can more easily and cheaply be collected, it is certain and minimizes op-

portunities for evasion and corruption, it bears equally on all, taking from each only to the extent that he uses what society has created, and that it does not hamper production.

Considering further the practical workings of a system of taxation of complete land values, it would appear to be most desirable to have a given percentage of the local rents or taxes applied for the purposes of the State and national governments. Because the percentage so taken would be uniform, all users of natural resources would pay a fair and proportionate amount for the maintenance of local, state, and federal governments.

Since, at the outset, we noted the existence of local constitutional and statutory bars to taxation of full rent values, it is perhaps well ere concluding to point to the pertinent provisions of the Federal Constitution. Article I, Section 14, Paragraph 4, provides that no direct tax shall be laid except according to population, and Article XVI of the Amendments creates an exception to this provision by permitting taxes on incomes. Since those Articles relate to the powers of Congress, however, and do not in any way concern the powers of State and local governments, they do not affect adoption of the plan hereinabove proposed.

Similarly, the Fifth Amendment to the Federal Constitution with its provision against deprivation of life, liberty or property without due process of law, refers to acts of the Federal Government. Its counterpart, however, the Fourteenth Amendment, makes similar provision in safeguarding life, liberty and property against the acts of any State government, and it must, at present, be set down as a moot question whether an attempt by a State or any of its poli-

tical subdivisions to tax the full rental value of land would be construed as confiscation or deprivation of property even in the absence of a local percentage limitation.

While the writer has chosen to characterize this as a "moot question" in the sense that any proposition previously untested by the Courts cannot properly be otherwise referred to, it would appear that in line with the broadening of the powers of government to recognize and provide for the public welfare in a widening degree as industrial and social relationships and dependence are extended, socialization of natural resources, sponsored as a matter of public policy for the purposes of ending economic inequality and furthering the well-being of the community, would in the absence of direct provision to the contrary be sustained as not in contravention of the Fourteenth Amendment.