

Although there is good reason to believe that Mr. Stephens had never read "Progress and Poverty" and that the conclusions he had arrived at with respect to rating on the capital value of land irrespective of improvements were largely the outcome of his personal observation, experience, and native common sense during the time he was Mayor of South Brisbane, yet there is little doubt that the teachings of Henry George (perhaps unconsciously) influenced him. For shortly prior to this time (1888 and continuously onwards to about 1892) there existed a Land Value Taxation League in Brisbane, consisting of a number of enthusiastic admirers of Henry George (amongst them being the present writer) who actively engaged themselves in publicly advocating and propagating the principles embodied in "Progress and Poverty."

(To be continued.)

THE SINGLE TAX AND NATURAL WEALTH.*

(For the Review.)

By PHILIP H. CORNICK.

* We pronounce no opinion upon this singularly able article, and leave to the economic sharps of our movement the anticipated criticism it will provoke.—EDITOR SINGLE TAX REVIEW.

Public opinion in the United States has been profoundly stirred within the past few months by reports of conditions that can be considered as nothing short of civil war in three widely separated mining regions: First, in West Virginia, next in Michigan and now in Colorado. The mine owners blame the Unions; the miners blame the mine owners. Federal, State and private commissions have prepared, and are still preparing, reports on the subject. One recommends suppression of Unions; another, a minimum wage law; still another, closer Government regulation of mines. The Conservationists, who remember how fiercely Colorado has fought them, take advantage of the turmoil to shout, "I told you so;" the Socialists, with redoubled energy, advocate immediate government ownership and operation of mines. The Single Taxers, appalled by these occurrences as all thinking men must be, are bending to their work everywhere with more determination than ever to put their plan into practice. They, alone of all the reformers, have laid the foundation of their plan on sound economic laws. And yet, is the Single Tax, after all, applicable to the mining industry?

That it will go a long way toward relieving the economic pressure that today make strikes in all branches of industry inevitable, no fair-minded student of the subject can deny. But will it solve the problems directly

connected with the development and extraction of our mineral wealth? Has not the emotional Socialist in his demand for government operation of mines, for once hit nearer the mark than the logical Single Taxer? Let us see.

WHAT IS THE SINGLE TAX?

Before entering into a discussion of the subject, it may be well to refresh our memories as to just what the Single Tax is. In Chapter II, Book VI of "Progress and Poverty," Henry George says: "This, then, is 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."

These words mark the climax of the work. In them, the clear, concise reasoning of the preceding chapters finds its culmination. In the same chapter we find also the words: "If the remedy to which we have been led is the true one, it must be consistent with justice; it must be practicable of application."

Succeeding chapters are devoted to a discussion as to how this great end may be achieved. In Book VIII, Chapter II, Henry George advocates the Single Tax on land values, or "the confiscation of rent," as the expedient by which land may be made common property, without "needless shock to present customs and habits of thought."

We observe, then, three distinct steps in Henry George's reasoning on the Single Tax: First, that the true remedy for the unjust and unequal distribution of wealth is the making of land common property; second, that the remedy, if it is the true one, must stand the tests of being consistent with justice, and practicable of application; and third, that the expedient by which the remedy may be applied is the Single Tax, or in other words, the confiscation of rent. Bearing these three points clearly in mind, we can now proceed with our own problem, which may be stated as follows: Are mineral deposits rent-producing in the same sense as building sites or farming lands?

HOW WILL YOU TAX A MINE?

I know of no better way to begin than by describing to you a certain mine that I know, so that you may see, as I saw, the extreme difficulty of arriving at a just and equitable mode of taxation for mineral deposits. The original owners of this mine had carried on development work for several years without finding anything at all except disillusionment, and the stockholders finally became discouraged and work was discontinued.

As the company had made certain improvements in the way of houses, etc., a watchman was left in charge of the property. Several years passed, during which the caretaker received not one cent of pay. At the end of

that time, he had become so extremely insistent that his wages be paid, that the board of directors of the mining company, having no money in the treasury, and being unable to raise any, transferred to him in fee simple the entire property, in liquidation of the debt to him; and no doubt, they considered themselves fortunate in getting off so cheaply.

The new owner may or may not have had an idea that there was a valuable ore body in his holdings; he realized at any rate that in its condition at that time, the property, with the exception of the lumber in the buildings, was absolutely valueless, from an exchange standpoint; and that if he ever hoped to realize any money from it, either from the development of ore, or from the sale of the mine, he would first have to do some more work on it. So, like his predecessors, he decided to take a chance and in twenty feet of tunnelling, he encountered what proved to be a million dollar ore body.

How would you assess the taxes on such a mine? It would hardly have been fair to collect a flat rate on each ton of ore extracted, for while the ore from this mine during its bonanza days ran from 4,000 ounces of silver per ton to practically pure silver, other mines in the neighborhood were producing ore that yielded only from 20 to 100 ounces per ton. Neither would it have been fair to impose a tax on the number of ounces of silver extracted, for the total expense of mining and marketing an ounce from this mine was probably less than five cents, while other mining companies in the vicinity that had to concentrate their ores before shipping to the smelter, or else extract the silver by chlorination or cyanidation, were expending well over forty cents for every ounce extracted. It would be just as unfair to assess a tax on the gross value of the ore in sight at any given time, as some mines are operated in a hand-to-mouth manner without ever having any ore reserves, while in other mines, ore reserves are blocked out for years ahead. In many properties, furthermore, bodies of mineralized vein matter are blocked out, that cannot now be considered as commercial ore, either because the percentage of their mineral content is too low, or because their character is too complex, to allow the extraction of the mineral content at present on a commercial basis. Next year, however, such bodies may have become commercially available because of new inventions, and if they happen to be sufficiently large in extent, their exploitation may react on the value of all other ore bodies of the same metal. On the other hand it would be ridiculous to attempt to impose a tax on the net daily or monthly or annual output, for such a tax would still allow proven or presumptive ore bodies to be held out of use.

An editorial on this subject that appeared in the *Public* for February 13th of this year, suggests that "a mine would be valued for taxation exactly as a buyer in the market would value it." There are, possibly, a few iron and coal-bearing sections in the world, where the values of the land from a mining standpoint are fairly even, and where the buyer in the market has something on which to base his valuation.

However, even in the apparently simple case of the Colby iron mine at Bessemer, cited as an illustration in the *Public's* editorial, it would be difficult if not impossible to arrive at an equable mode of taxation. Regarding that property we are told: "The ore lay so close to the surface that it could be loaded in cars by means of steam shovels.* * * * The ore as mined was worth \$2.80 per ton. In this phenomenally rich mine, the total returns to Labor and Capital amounted to 12½c. a ton, while the return to land amounted to \$2.67½ a ton". Under the Single Tax, then, the Government would have been entitled to the last named sum for every ton mined. We must not forget, however, that this information regarding the average value per ton of the ore, and the average cost of extraction, was available only after that particular deposit had been worked out. Assuming that the deposits were today untouched, and that the Single Tax were in full operation, how would we tax the owner on it? We would have no way of knowing how many tons of ore there were in the deposit; no way of knowing just what the grade of the ore was, or how much per ton it would cost to extract it, unless the Government first put in a system of borings on which to base its estimates. After the Government had made its estimates, how would it proceed? Would it collect the entire tax of \$2.67½ for every ton in the land at once? If the owner of the land were able to raise such a fabulous amount immediately, it would simply mean that he had bought outright a certain amount of iron ore. The Government could most certainly not attempt to collect a similar tax on the ore again the next year. The land owner, therefore, would be in position to sit quietly down until the available supply of ore in the vicinity had been diminished, or until the demand for ore had increased, at which time he could sell the ore at a profit. On the other hand, the Government could hardly afford to wait patiently until the owner saw fit to extract the ore, and then collect the tax on each ton as it was mined. In such case, the ore could be held out of use at the whim of the land owner, or else it could be mined in such quantities as to glut the market, and thereby diminish the legitimate returns to the Government without affecting the returns to Capital and Labor. A third course—that of charging the land owner each year a percentage of the total value of the ore sufficient to make him extract his ore, and at the same time limiting his annual output—would require for its equable application a system of amortizations so complicated as to remove it from the realm of practicability.

In the overwhelming majority of undeveloped mining properties, there is no such thing as a market value in the commonly accepted meaning of that term, and a purchaser, if he buys outright, is merely trusting to his luck. This is proven by the fact that the large, successful mining companies of the world who are always in search of new mines, rarely if ever buy an undeveloped property; and when they buy a developed or partially developed mine, they show extreme reluctance in paying any amount in excess

of the value of the ore actually blocked out, no matter how promising the chances may be for developing more ore. In certain cases, an experienced mining man may enter into a contract to purchase partially developed properties on some such terms as the following: He makes a small cash payment for the option; he agrees to prosecute within a stated period a certain amount of development work; he further agrees to pay the owner a certain percentage of the gross value of the ore he may extract during the life of the contract, such payment to be applied on the purchase price of the mine. On the expiration of the contract, if he has developed enough ore to warrant such a step, he pays the owner the balance of the purchase price due under the original agreement. If, on the other hand, no notable new ore bodies have been developed, he allows the mine to revert to the owner, and his only loss is the difference between the value of his share of the ore that he extracted during the course of development work, and the cost of that work added to the generally negligible cash payment he made at the time the contract was signed.

It would seem then, that the Single Tax, in so far as mining lands are concerned, fails to meet Henry George's test for his remedy. For such lands, it is not consistent with justice; it is not practicable of application. We know, however, that it does meet those tests in the case of farming lands and building cities. Can it be that Henry George was in error in classing mineral deposits as land?

ROOT OF HENRY GEORGE'S ERROR.

At this point I beg leave to digress for a moment to explain my own position. I well realize that the belief in Henry George's infallibility is firmly rooted in the minds of many Single Taxers. Few men have received from their followers the unqualified love and respect and loyalty which have been vouchsafed him; few men have so well deserved such homage. His simple honesty, his lack of bias, his capacity for reasoning clearly, his deep desire for absolute truth and justice, set him apart from the common run of men. However, it must be remembered that it is given to no one man to see all the truth. Into the most devoted and conscientious work, if it be carried far enough, some error must enter. Beyond the truth which even the wisest man sees, lie other truths still to be declared. To deny this would be to concede the divine attribute of Omniscience to a human being. When I speak, therefore, of errors into which I think Henry George fell, I want it understood that my only motive is that same desire for truth that led Henry George himself to question the conclusions of Adam Smith and John Stuart Mill.

The root of Henry George's error may be found, it seems to me, in his analysis leading up to his statement of the law of rent. The law itself he grasped clearly. However, in his study of the law as expounded by Ricardo,

he found that that economist, as well as some of his successors, had erred in the belief that the law was operative only in farming land; or in other words, in land in which the productive forces of nature are active. When Henry George saw that the same law operates also in the case of building sites, in which land is purely passive, he, in his desire to avoid Ricardo's error, went to the opposite extreme and proceeded to define land as the passive factor in production.

In "The Science of Political Economy," Book IV., Chapter VI., he says, in speaking of land: "The economic sense of the word is that of the natural or passive element in production, including the whole external world with all its *powers*, qualities and *products*, as distinguished from the human or active element, labor, and its sub-element, capital." There is, in this statement, a contradiction of terms, in that he concedes to the passive element in production, not only powers but also products.

LAND AND NATURAL WEALTH.

The grass growing on our praries is one example of such a product; a natural forest is another; and a mineral deposit, whether of petroleum, coal, iron, copper, lead, zinc, tin, aluminum, silver, gold or radium is a third. There is, however, a wide difference between these three classes. The grass grows from year to year. As soon as man's needs demand, he can plow it under and, within a year, can cause it to be replaced by a more valuable crop of corn, wheat or cotton. When man deserts his farm or even a city, some form of grass is soon growing again on the site of his recent activities. A forest cannot in all cases be replaced by a more valuable product. On the deep fertile valley lands, it is true, wheat, corn, cotton, or other crops are of greater service to man than a forest is. On such lands, furthermore, a new forest can be brought into being, should man so desire, within his own lifetime. But, on the precipitous slopes of our great mountain ranges, it has taken the active forces of nature thousands of years to produce a forest. First, tiny lichens grew on the bare rocks of which the mountain was composed, slowly disintegrating the surface and building up here and there in crevices a thin layer of soil. In this soil, plants of a higher grade took root, helping further to disintegrate the surface of the rock, and at the same time holding the newly formed soil from being washed down the mountain side. At length, with passage of the centuries, came the time when trees could get a foothold—and lo, the forest!

What happens when man removes such a forest? The same natural forces which so slowly produced it will quickly wash the comparatively thin layer of soil off the surface of the mountain, so that neither trees nor other plants of value to man will grow there. And what far reaching effects follow in the train of such denudation! Rain waters which, because of the presence of trees, roots, leaf-mould and soil, have trickled down the slopes,

or else have been checked and turned into underground channels to feed springs and wells below, now rush down off the barren mountain sides in torrents, at one season inundating the farmlands in the valley, and burying them under rock and gravel and leaving them parched and dry at another. Evidently then, when nature produced such a forest, she produced two distinct things valuable to man: one, the trees themselves; and the other, the forest as a whole, which as a protection for a water-shed has a value quite separate and distinct from that of the timber alone.

The active forces of nature are still at work making forests. In some localities, were man to withdraw, they would produce forests of a kind within one generation; in other localities, many generations would come and go, before new trees could even begin to grow, but in time, the new forest would be a reality. Not so, however, with mineral deposits. These she has been not thousands but probably millions of years in forming. While, for the sake of argument, it may be conceded that the same forces, or at least some of them, are still at work depositing bog iron ore, forming peat, or even impregnating certain areas of rock with gold, silver, copper, or other metals, these actions are so slow, that for all practical purposes, they may be left out of consideration in this discussion. Certain agencies, moreover, that were active in the past, have now ceased to act. Never again will nature on this planet of ours, produce any new coal measures or oil bearing strata.

In other words, to revert to one of Henry George's figures of speech, the ship on which we are sailing through space, and on which our descendants must continue to sail through space for many and many generations to come, has below the hatches certain stores that are exceedingly useful on our voyage. We have no inventory of the exact amount on board, but we know that those supplies must perforce be limited. We know from experience that every ore body has certain more or less definite walls, and that it must some day, in the natural course of events, be exhausted. For every ounce of gold or silver or platinum, and every ton of iron or copper or lead or zinc or tin or coal, or every barrel of oil, that we bring up from below those hatches, we know that we have decreased our available supply by just that much.

How are we going to classify such natural products? Henry George is very careful to include them with the land. He has so drawn his definition of wealth as to exclude them from that category. "Wealth," he says, "as alone the term can be used in political economy, consists of natural products that have been secured, moved, combined, separated, or in other ways modified by human exertion so as to fit them for the gratification of human desires."

According to this definition, a tree which has been planted by man is wealth. The same kind of a tree growing wild only a few feet away is land, and becomes wealth only after it is cut. A mass of impure "blister copper"

produced by the reduction of some form of copper ore, is wealth. A mass of native copper in the mine a short distance away, purer and more nearly ready to gratify human desires, is land until it is removed from the spot in which nature deposited it. A diamond produced in a human laboratory is wealth. A larger and more perfect diamond produced in nature's laboratory cannot be considered as wealth until it is in some way modified by human exertion, even though that exertion consist only of the act of a Kaffir boy in stooping to pick it up. It is evident, then, that two objects absolutely identical in form, substance and fitness to minister to human wants, would have to be classified according to Henry George's definitions, the one as land, the other as wealth, merely because at some time a human hand had touched one and not the other. One could easily conceive of a case, in which an affidavit would be necessary from every person who had ever been in the vicinity of a certain object, before it could be properly classified.

On the other hand, certain objects classed as land in Henry George's definition, are fundamentally different in their very nature from such objects as farming land, building sites, water power, etc. Sow and reap a crop of wheat on a field, and you can next year repeat the performance. If the land is properly handled, it will be just as capable of producing wheat in a thousand years from now as it is today, and will in the meanwhile have produced each year its quota of wheat or corn or beans or clover as the case may be. Occupy a site in the heart of a great city, and every year until men shall cease from commerce, it will yield you, if you desire them in that form, those "flowers of a grant of land," which Henry George quotes from a Hindu title,—*"white parasols and elephants mad with pride."* However, when you take out the contents of a vein of ore, whether you consume one year or one hundred years in the process, you leave only a yawning chasm where that ore was. Never, by any conceivable exercise of natural forces or human ingenuity, can you cause more ore to be replaced in that vein.

Harness a water power, and you may convey its energy to far distant cities, today, tomorrow, and for all that we know to the contrary, until the mountains shall have become level with the plains and waters shall cease to run. When, on the other hand, you cut the timber from the forest on a mountain water-shed (which, if you employ enough men, you may do in one year) you leave only a bare pile of rocks that will remain unproductive during your life time, and the life time of your sons for many generations.

In short, a building site, a farm or a water power is a factor in production, and its value is due to the action of certain human agencies or natural forces that are active at present, and that, we are morally certain, will continue to be active for an indefinite time in the future. A natural forest or a mineral deposit, on the other hand, is a natural product capable of ministering directly to human desires. The former do not decrease in value because of use; the latter can only be put to use by being consumed. The former produce rent; the latter cannot, by any stretch of the imagination,

be considered capable of producing rent, in the economic sense of the term. Is it consistent with logic, therefore, to group both of these classes together under the economic term land?

In order to obviate the inconsistencies we have just observed, I propose the following definitions:

Land, as a term of political economy, includes all those parts of the planet on which we live, through which natural forces that may be controlled, directed or utilized by man, manifest themselves; such as the solid surface of the earth, whether used for agricultural purposes or for building sites, and the waters on, under and around it.

Wealth includes all natural products useful to the gratification of human desires, whether in their raw state or modified by human exertion, and whether produced by the action of nature alone or under the control and direction of man; such as forests, mineral deposits, agricultural products and all forms of animal life useful to mankind, exclusive of man himself, in all their various forms and states of modification.

EFFECTS OF CHANGE.

These definitions clash with the fundamental laws of distribution as expounded by Henry George in no single essential point. In the one case, mineral and arboreal wealth would be considered as common property on the ground that they are part of the land; in the other, for the reason that, as they were produced by nature alone, no one man can have any better right to them than any other. The only difference is this: that mines and forests, instead of being allowed to remain in, or else pass into, private hands under the Single Tax, as farm lands, building sites and water powers will be, would be administered by the Government in the same manner as those other forms of wealth which from their nature must be considered common property; such as railways and public utilities of all kinds. That such a plan would be consistent with justice, I believe we have already proven. It still remains for us, however, to prove that it would be practicable of application.

IS THE METHOD PRACTICABLE?

In the case of forests, it is necessary always to bear in mind the two forms of value which they may possess; the value of the trees alone, and the value of the forest as a whole as a protection to a water-shed. In a forest that is not essential to the preservation of a water-shed, the Government could, whenever conditions made such a course advisable, sell the standing timber to the highest bidder, and afterwards allow the land on which the forest stood to pass into private hands under the Single Tax. A modified form of this plan is in operation today in Western Canada. Forests on water-sheds, on the other hand, would of necessity always have to

remain under the control of the Government, because of their influence on the rent-producing capacity of all farms, water powers or building sites affected by that water-shed. In such forests, mature trees and other trees whose removal would improve the condition of the forest, could be sold off from time to time to the highest bidder or else could be logged by the Government itself. Forests of this nature that have already passed into private hands can be purchased by the Government under the right of eminent domain. This plan is today being followed by the Department of the Interior with excellent results for the people as a whole.

In the case of our mineral wealth, which has already passed largely into private hands, the question is somewhat complicated. In areas where the coal or iron underlying thousands of acres is being held out of use today, the value, in so far as the holder is concerned, is largely speculative. If the Government were to take back the mineral bodies underlying such lands, leaving the surface rights in the hands of the present owners under the operation of the Single Tax, the owners would lose nothing beyond the profits they had hoped to make. In cases where such mineral deposits have changed hands since the original sale by the Government, arrangements could be made, were it deemed advisable, to re-imburse the innocent third parties for their actual loss.

Regarding developed mines, an unnamed correspondent, whose letter is quoted in the editorial in the *Public* already referred to, says: "A mine is no more an opportunity bestowed by nature than is a factory or an office building. The difference is that a mine is constructed under the ground instead of upon the surface, but it is just as much a construction as the factory or the office building is." A mine (that is, the man-made part of the mine) is undoubtedly a construction, but the correspondent errs in his choice of the particular construction he chooses for the comparison. What is more obvious than that the shafts with their hoisting machinery and the tunnels with their cars of trains propelled by men, mules or electric power, are merely *under-ground transportation systems*?

The Government could acquire the mine-workings just as it is planned that it shall acquire the railways—by purchase at the exact physical valuation. It would be under no more obligation of paying for the ore in sight in a mine, than it would be of paying for the amount of corn or wheat that a railway expects to haul, or for the trade area tributary to the railway. Just as it would be under no obligation to purchase a railway that had been constructed by wild-cat promoters in a section where there was no freight to haul, just so it could hardly be expected to purchase mine workings in a barren or unpromising mineral area where there was no ore to hoist.

Having acquired the mine workings, the Government could then extract the coal or ore for its own account (as would probably always be advisable in the case at least of the higher grade ores of those precious metals which are used as standards of value in the various monetary systems of

the world); or it might advertise that it would receive bids for the sale of such and such bodies of ore, containing so-and so many tons of such and such grade and character. A contract of sale having been given to the highest bidder, the purchaser could then break his ore, and turn it over at the entrance to his stope or entry, to the Government transportation system which would convey it to any reduction plant he might indicate.

Meanwhile, under the supervision of expert geologists and mining engineers the underground transportation system could be extended so as to keep sufficient ore reserves on hand to insure the steady operation of that particular underground system, very much as is done today by the well managed mining companies themselves.

And now, I can hear the protesting chorus of all the mining men and promoters: "Yes, but who will do our prospecting under such a system?" As this question is already a pressing one, even under our present system—so pressing indeed, that one of the prominent mining journals has recently published a symposium on it by some of the most famous mining engineers all over the world—it is hardly pertinent. However, I should say that the United States Geological Survey, duly enlarged and extended, could attend to this duty a great deal better than is being done under our present haphazard system. Although there are no reliable figures obtainable on the subject, it is probable that our prospecting for gold, silver, copper, lead, etc., and our work on properties that turn out to be unproductive, cost us more than we extract from the small percentage of properties that eventually develop into producers.

The Survey is already doing excellent preliminary work along these lines, recommending certain areas to the public as being of promise. There is no reason why its work should not be extended to making a system of borings in promising sections, just as the large private development companies are already doing. Then when the existence of newly discovered mineral deposits had been proven, and the demand for the opening up of new supplies warranted, it could begin the work of constructing the new underground transportation systems, and the blocking out of the mineral bodies for submission to sale by bids as outlined above.

I am confident that the foregoing plan for the handling of the mineral wealth and the forests of the nation and the world, can be defended on sound economic grounds—and that it is, furthermore, the only plan that can be so defended

LANDLORDS do not pay the taxes. Landlords pay taxes only on such land as is unimproved and out of use, held usually for speculation, in which case the tax rate is ridiculously low. Landlords unload taxes on their tenants, and most tenants are the landless. Landlords not only pay no taxes, but make a profit on their tenants. Tenants pay the landlord's taxes.