BOOK REVIEWS.

HENRY RAWIE'S DISTRIBUTION.

Although the writer has not felt competent to review "Distribution" he has taken the liberty of commenting on particular passages in it.

Various passages in "Distribution" indicate that the author's ideas of land-values and rent are not very clear. On page 104 he says:

"Admitting that the sums paid to landowners as rent for the use of land are a robbery of labor and capital, without justification or excuse, * * *."

Mr. Rawie doubtless did not mean to say that the "sums" were a robbery, but that they were the proceeds of a robbery.

Strictly speaking "Rent" is not paid for the *use* of land, but for that which is essential to its use, viz.: exclusive possession. A tenant may use, or hold out of use, land he pays rent for, unless it is stipulated in the lease that he shall put it to use.

Exclusive possession of land is essential to civilization. In civilized communities, therefore, landholders are secured in their possessions. But, for the reason that the distinction between ownership and possession has not been clearly seen, landholding has become landowning. Landholding is a privilege, which those who possess it can transfer to others, receiving in return, if leased, its equivalent. This equivalent is rent. The privilege of holding land being secured by the state, landholders, or landowners, as they are now commonly called, cannot reasonably be charged with committing robbery when they receive "rent" from their tenants. Landowners, therefore, not only have excuse, but justification for exacting "rent" from those to whom they lease their land, and treating such rent as their private property. The following statement from "Distribution" (page 75) further illustrates Mr. Rawie's confusion on the subject of landvalues and rent.

"Land commands a price on the general market as it gives its owner the power to take a share of the daily earnings of labor, * * *."

And again on page 95:

"The price of land is fixed by the sum the landowner may take each year" (in perpetuity) "from the earnings of labor without giving anything in return, * * *."

The claim that the sum the landowner receives as rent, is robbery, rests on the erroneous assumption that such sum is substracted or deducted from the earnings of labor. This is tantamount to saying that there is no such thing as economic rent.

That landowners give nothing in return for the rent they receive from their tenants is also a misstatement. Tenants would not be willing to pay rent unless an equivalent were given them in return. This equivalent includes not merely possession of a certain area of land, however great its natural productivity may be, but also, whatever advantages civilization has attached to its location. Some locations, barren rocks and sandbars, for instance, command enormous rents compared to what such sites would command if only their natural productivity were involved. This Mr. Rawie seems to be aware of from the following, from pages 93-94:

"Farm lands and forests have the same difference in situation and in relation to the market. Where lines of distribution cross each other from all directions, cities and towns will grow, because at such places exchanges may be made with the greatest saving of time. * * *. As a result of the natural advantages of some points of supply over other points there will be wide margin of profit, owing to the fact that demand will meet the price of the most difficult supply. This irregularity of natural conditions under the smooth surface of the market is something we cannot overcome by increase of knowledge or by invention, and there is no way by which we may compel a distribution of this advantage except by taking it by taxation and spending it for the common good."

Here it may be well to quote Mr. Rawie's conception of the common good, which will be found on page 88, and is as follows:

"The common good so much discussed, is common only in the sense that the good of nature is universal, but is not common in the sense that we are to share equally in all the benefits of civilization."

Certainly no new invention is needed "to compel a distribution of this advantage," as Mr. Rawie phrases it; but the obscurity of his language of itself is sufficient evidence of the need of an increase of knowledge as to the origin and nature of land values.

Briefly stated, "Land-values consist of the opportunities for acquiring wealth or otherwise satisfying human desires, which the community by its presence and activities attaches to certain locations. That land values are therefore a product of communal life, are always proportional to the density of population and the intensity of its activities, and are co-eval with society and commensurate with its growth." *

While it is evident that Rent must come out of the gross product of human labor, it is erroneous to suppose that it is subtracted from the earnings of the laborers. On the contrary, Rent is distinct from, and additional to such earnings. Had Mr. Rawie said that the land owner gives nothing of the product or results of his own individual exertions in exchange for the rent he receives, his statement would have been incontrovertible. Possibly that is what he meant to say.

The privilege of exclusive possession of land is more or less valuable, for which the possessor should give an equivalent. Landowners, so-called, therefore, do no wrong in exacting an equivalent from those to whom they lease their land; that is, in exacting Rent from their tenants.

The wrong that exists, and a very great wrong it is, does not attach itself to the land owning class, but to the community itself of which they are a part, for the reason that the community does not exact from this class an equivalent of the value of the privileges it confers on them, and secures them in the possession of—which equivalent is the rental value of the land they hold. This is the basic injustice which, while it is not in itself robbery, leads to the robbery which Mr. Rawie mistakenly attributes to land owners; for the reason, that the community failing to secure its rightful income, "Rent," is compelled, in order to secure the means of performing its own functions, to tax the earnings of the laborers. This constitutes the robbery, the community itself is the robber, and the robbed are all those who produce wealth or render other service.

Before proceeding to give Mr. Rawie's plan for putting an end to his assumed robbery of laborers by land owners, and at the same time to relieve the laborers of what he claims is a monstrous debt, some reference to his conception of "debt" is in order. His conception is certainly peculiar, and opposed to that generally accepted, which is, that a debt is "an obligation to pay a fixed sum at a specified time, for value received." His peculiar conception of debt is expressed in the following from pages 94-95 of "Distribution:"

"The price we must pay for land is a perpetual debt, which when once established can never be paid, when one man sells the land the debt is redeemed, and when the other man buys the debt is reinstated."

How, the price *paid* for land *is* a debt?

How, *paying* a price for land *establishes* a debt?

How, when one man *sells* land a debt is redeemed?

How, when the other man *buys* land, the debt is re-established?

The ordinary mind finds difficulty in comprehending the above, for which reason Mr. Rawie might consider it expedient to explain its meaning in a revised edition of "Distribution."

In regard to debt and the price of land, Mr. Rawie further says:

"That the entire sum of our land values constitute a monstrous debt," which the poor and oppressed "are never to be allowed to pay." So he proposes to relieve the poor and oppressed, from its impoverishing effects in a novel way; by, as it were, a stroke of the pen. Subjoined is what might be called his emancipation proclamation which is quoted from 116-117 of "Distribution."

"The change we propose, is to change sixty or more billions of dollars from the

* From a Single Tax Catechism prepared by the editors of "The New Earth" and published in it 189

debt side of the national ledger to the credit side at one stroke, and then to allow the natural law to bring about individual correction. We propose to so obstruct one wide channel of distribution as to prevent all flow of wealth in that direction, and to destroy the prices of property dependent upon this flow. And at the same stroke, and by the same instrument, we will open up thousands of other channels so that wealth may follow its natural outlets, that other property may gain the prices that property in land loses. We may easily accomplish this radical change without disturbing any individual in his ownership of property by a simple change in taxation."

Continuing, Mr. Rawie says:

"We may change the location and distribution of billions of dollars worth of property by merely changing the income upon which the value depends, and we may transfer the value of land to other property by taxing land values and by taking taxes off other property. If, for example, forty billion dollars worth of land, lots and mines will sell for such sum, because they return a net income of two billion dollars a year, we may drive away this fifty billion dollar price by taking the two billion dollars a year in taxes, and by remitting two billion dollars of taxes on other property. We furnish a transfer of value and the price of land will change into the price of other property."

The foregoing Mr. Rawie asserts is:

"A concise and simple statement of the effect that will follow upon the adoption of the Single Tax which has been so ably presented in the writings of Henry George and Thomas G. Shearman."

Students of the economic writings of Henry George and Thomas G. Shearman are convinced that the effects that will flow from the adoption of the Single Tax principle will be as forecast in their writings, for the reason that both of the above named writers, each in his own way, arrived at their conclusions by co-relating cause and effect. "Great oaks from little acorns grow." And for the same reason, it will be seen, that Mr. Rawie's predictions as to the effects of the adoption of the Single Tax will never be fulfilled—for "Grapes do not grow on thistles."

AS TO THE PRICE OF LAND.

Price is not value, but the valuation of value expressed in terms of money. Exclusive possession of land is a privilege, secured to the possessor by the community; and the price of land is the valuation of this privilege. The price of land—the sum it will sell for in the open market—is its untaxed rental value capitalized, and not as Mr. Rawie insists, the capitalization of the sum the land owner can squeeze out of his tenant's earnings. He may not be able to see the distinction, nevertheless it is there.

By the removal of a cause, its effect ceases. Should the cause of the price of land be removed its effect would cease. The cause of land price being the private appropriation of its rent, the public appropriation of rent would leave no rent with the land owner to capitalize.

But should the price of land die a natural death, as it would if the full rental value of land were appropriated by the community, not a change from the debt side to the credit side of the national ledger (if such a ledger exists) or vice versa, would be the effect of such decease. Nor would any individual debt for land, labor, the products of labor, or services of any kind be changed into a credit by such decease. Change of price, of land or anything else, does not change the relation of debtor and creditor.

A reasonable inference to be drawn from Mr. Rawie's assertion that land fetches a price because it yields its owner a net income even if he derives such income by using it himself, instead of letting some one else use it, is, that land which yields no income does not fetch a price. That such an opinion is erroneous, is proved by abundant evidence. City and suburban lots which yield no income to their owners are continually bought and sold, that is, fetch a price. The acquisition of unused mineral lands, half a million acres or there about, of the Tennessee Coal and Iron Co., by the United States Steel Corporation, yielding no income, fetched a price. To take by taxation from land-owners the income they derive from land, and to leave untaxed the valuable land that yields no income, would enable the owners of such land to hold it out of use, until those who wanted to use it were willing to pay a price commensurate with its income-yielding potentiality.

It would be interesting to know what Mr. Rawie means when he says:

"We may change the location and distribution of billions of dollars worth of property by merely changing the income upon which the value depends, * * *."

Also what he means by: "changing the income." Is it to decrease or increase it?

And again, that the value of land depends upon the income it yields, or vice versa? And further, that by merely changing the income of property, its location—that is the location of the property—may be changed? Is the reader to understand that an orange grove in Florida can be transferred to the North Pole? Such an interpretation of his language does not seem unreasonable.

But while the above statement is involved in obscurity, the reader is not left in doubt as to what Mr. Rawie expects will be accomplished through the Single Tax—as he understands it.

"We may transfer the value of land to other property by taxing land values and by taking taxes off other property."

By doing so he says also:

"We furnish a transfer of value, and the price of land will change into the price of other property."

By so doing, that is, by the public appropriation of land values by means of taxation such values would be transferred from individual to communal ownership, and land would cease to have a price, consequently there would be neither land value nor land price to transfer to the value or price of "other property." That land values cannot be owned individually and collectively at the same time, is as true as that two physical bodies cannot occupy the same space at the same time.

It will be noticed that Mr. Rawie's plan for destroying the price of land on the one hand, and on the other, changing the price of land into the price of "other property," is not simple, but duplex. The imposition of two billion dollars a year in taxes upon land values must be accompanied, he claims, by the remission of a like amount of taxes on "other property" to accomplish that object. Of course, Mr. Rawie does not mean "remit,"—taxes or fines must be imposed before they can be remitted; doubtless what he meant to say, was that, simultaneously with the imposition of a tax on land values, "other property" should be exempted from taxation.

While Mr. Rawie informs the reader how the price of land would be affected by taxing its value, he leaves him in ignorance as to how the price of "other property" will be affected by freeing it from taxation. But, as elsewhere in "Distribution," he asserts that "low prices are inseparable from poverty, distress and idleness," and that "times of high prices are times of wide general prosperity." It may be reasonably inferred, that he confidently expects that the prices of "other property" will not fall when relieved from taxation, but will be increased by the addition of the dead price of land.

It seems incredible that any one can believe that a tax on products of labor (which of course is what Mr. Rawie means by "other property") does not increase their cost. Possibly those who claim that "the foreigner pays the tax" may do so. But that shibboleth, which has fooled so many in the past, has lost its talismanic power, and most people are now willing to concede that a tax on a product of labor adds to its cost and is ultimately paid by the consumer. The effect then of freeing productions from taxation, must necessarily be to reduce the cost of the product and thereby to reduce its price to the consumer. And in spite of appearances to the contrary, "all taxes" embodied in the prices of goods would pass out of them, should we cease to tax goods.

It is true, however, that tax-free products might not decline in price in proportion to their relief from taxation, for other influences would become operative co-incidently with the cheapening of production by relief from taxation, which would tend to increase their cost. For instance, lower prices would stimulate demand for products, which would stimulate demand for producers, and this would tend to increase wages. Again, by the opening up of natural opportunities to laborers, an outlet for the unemployed would be formed, which would result in increased production tending to increase wages. Thus the influences tending to lower the cost of production would be checked and in a measure offset by counter influences tending to increase it. At what point these opposing tendencies would meet and produce a natural equilibrium of prices can't be foretold, and need not be discussed; and it is useless to attempt to foretell what proportion of the gain the workers will receive in consequence of the taxation of land values, conjointly with the exemption of industry in all its forms from taxation, as higher wages, that is, more money for services rendered; or what proportion will come to them through lower prices of products, that is, by getting more for money received. Let it suffice that the gain to the laborer must come to him by these means in varying proportions. Whatever the price of products, and the wages of labor might then be, they would be natural prices and wages.

But it may be well to keep in mind that under present conditions the laborers' share of the product is what is left of it after Rent and Taxes have been deducted.

The Single Tax by insuring equal freedom to the source of wealth, that is, to land, would restore to all opportunity to earn *natural wages*, viz.: all that one could produce from land possessing no rental value; and by freeing industry from taxation, freedom of exchange would ensue; and thus unrestricted competition would prevail, which is essential to the equitable distribution of wealth.

The aggregate earnings of all laborers would under such conditions, be the full product of their labor, *minus* "Rent." And each individual's earnings would be the product of his or her labor, *minus* "Rent." And every occupant of valuable land or space—and all do occupy land or space—would pay to the community either directly as landholder or indirectly as tenant through a landholder, the rental value of the land or space occupied by them. No one could escape.

But as the "Rent" paid by each and all would reach the community's treasury and be expended for communal purposes, which each and all would have equal right to the benefits of, the gain thus enjoyed would be the equivalent of the "Rent" paid; which benefits combined with the earnings of the laborer, would constitute the equivalent of the full product of his labor. More than this he could not get.—John Filmer.

A SIGNIFICANT REPORT FROM THE INTERNATIONAL TAX CONFERENCE.

It is a splendid report that was adopted by the Special Committee on the Causes of the Failure of the General Property Tax at the recent Fourth Annual International Tax Conference which was held at Milwaukee, August 30th to Sept. 2nd, of this year.

This report is all the more significant in view of the personel of the committee, which comprised Oscar Leser, Edwin R. A. Seligman, James C. Foreman, Nils P. Haugen, and Frederick N. Judson. Following is the most gratifying portion of this wholly excellent report:

"The attempt to tax all property at a uniform valuation and at the same rate, regardless of its special characteristics, earning power or the benefits derived from government, violates the primary rules of just taxation and offends the natural sense of justice.

The two theories of taxation most widely acepted by economists are; one, that each individual should be taxed in proportion to his ability to pay; the other, that taxes should be levied in proportion to benefits or privileges received from government. However the advocates of either theory may differ, they will agree that at least taxation should conform to one of these theories in order to approach fairness. The general property tax conforms to neither. It establishes an arbitrary measure for taxation that bears no relation either to ability to pay or to benefits received.

Apart from these theoretical objections, there is a practical injustice inseparable from strict inforcement. The fact that the