

The Taxation of Land Values

PRIZE-WINNING ESSAY BY ROBERT POLLARD FOX, RICHMOND UNIVERSITY, IN THE ANNIE C. GEORGE CONTEST, 1931

THE association of progress with poverty is the great enigma of our times. It is the central fact from which spring industrial, social, and political difficulties that perplex the world, and with which statesmanship, philanthropy and education grapple in vain.

The enormous increase in productive power which has marked the last hundred years has no tendency to extirpate poverty or to lighten the burden of those compelled to toil. Inventions of all kinds have given mankind powers which were not dreamed of a century ago. Wealth has been greatly increased. Material progress has certainly been made.

But just as a community realizes the conditions which all civilized communities are striving for, so does poverty take a darker aspect. Some get a better living, but others find it hard to get any living at all.

Evidently, beneath this common occurrence we must infer a common cause. All important as this question is, it has not yet received a solution which accounts for all the facts and points to any clear and simple remedy.

Political economy is the science which, in the sequence of certain phenomena, seeks to trace mutual relations and to identify cause and effect. By the methods of political economy the cause associating poverty with progress and increasing want with advancing wealth can be found and remedied.

Poverty is not due to overpopulation. It is not due to the weakness of productive forces. In the countries where poverty is deepest, the forces of production are evidently strong enough, if fully employed, to provide for the lowest not only comfort but luxury.

Increasing population increases rent (ground rent) without reference to the natural qualities of land, for the increased powers of co-operation and exchange which come with increased population are equivalent to an increased capacity to land. The increased power which comes with increased population brings out a superior power in labor, which is localized in land.

Let us imagine an immigrant coming to the frontier to settle. He has an abundance of rich virgin soil, and all that nature affords. He has what would make him rich if he were in a populous district, but he is very poor. He has none of the advantages which a community offers. Soon other immigrants come until there is a community in which labor has an effectiveness which it could not approach in the solitary state. There are now present industrial, social and intellectual advantages.

If one would go to the first settler now and offer to buy his land for the full value of all the improvements, the settler would naturally refuse to sell. Although his land will not bring any more or better crops, it brings far more

of all the other necessities of life. The presence of other settlers—the increase of population—has added to the productiveness, which gives it a superiority over land of equal natural quality where there are yet no settlers. The value or rent of this settler's land will depend on the advantage which it has from being at the center of population.

Population continues to increase, giving greater utility to the land, and more wealth to the owner. This community becomes a city, and productive power which density of population has attached to this land is equivalent to the multiplication of its original fertility by the hundred fold. Rent, which measures the difference between this added productiveness and that of the least productive land in use, has increased accordingly. This settler or whoever has succeeded to his right in the land is now a rich man. He is rich—not from anything he has done, but from the increase of population. This increase in the value of land due to no effort on the part of the owner, but to the growth of society, is called an "unearned increment." It is a creation of the community.

Another cause which explains the influence of material progress upon the distribution of wealth is the confident expectation of the future enhancement of land values, which arises from the steady increase of rent, and which leads to speculation.

"The reason why, in spite of the increase of productive power, wages constantly tend to a minimum which will give but a bare living, is that, with increase in productive power, rent tends to even greater increase, thus producing a constant tendency to the forcing down of wages."—(Henry George, *Progress and Poverty*).

Since land is necessary to labor, and since it is reduced to private ownership, every increase in the productive power of labor increases rent—the price that labor must pay for the opportunity to utilize its power; and thus all the advantages gained by progress go to the owners of land, and wages do not increase.

The recognition of these relations explain this association of poverty with wealth, low wages with high productive power, and virtual slavery with political liberty.

The present law of taxation provides for the taxation of three kinds of property: land, improvements, and personal property. By this method a man is taxed or penalized for making improvements, while the man who leaves his land idle receives an increasing value, and is rewarded for doing nothing. A house and the lot on which it stands are alike classed as real estate, and are alike property as being the subject of ownership. Yet in nature and relations they differ widely. The one is produced by human labor and is styled wealth. The other is a part of nature and is styled land.

As labor cannot produce without the use of land, the denial of the equal right to the use of land is necessarily the denial of the right of labor to its own produce. The fundamental law of nature, that her enjoyment by man shall be consequent upon his exertion, is thus violated.

The one receives without producing; the others produce without receiving. The one is unjustly enriched; the others are robbed.

The value of land expresses in exact and tangible form the right of the community in land held by an individual; and rent expresses the exact amount which the individual should pay to the community to satisfy the equal rights of all other members of the community.

Thus, if we concede to priority of possession the undisturbed use of land, taxing rent into the public treasury for the benefit of the community, we reconcile fixity of tenure which is necessary for improvements with a full and complete recognition of equal right of all to the use of land.

By making use of existing machinery, we may, without jar or shock, assert the common right of land by appropriating rent by taxation. We already take some rent by taxation; therefore, we have only to make some changes in our modes of taxation to take it all.

In form the ownership of land would remain just as now. For rent being taken by the State in taxes, land, no matter in whose name it stood, or in what parcels it was held, would be really common property, and every member of the community would participate in the advantages of its ownership.

Now, inasmuch as the taxation of rent, or land values, must necessarily be increased just as we abolish other taxes, we may put the proposition into practical form by proposing—"To abolish all taxation save that upon land values."

It can easily be shown that a land-value tax is better than an equal tax on all property. The foundation upon which the equal taxation of all kinds of property is commonly insisted upon is that it is equally protected by the State. The basis of this idea is evidently that the enjoyment of property is made possible by the State—that there is a value created and maintained by the community, which is justly called upon to meet community expenses. Now, of what value is this true? Only of the value of land. This is a value that does not arise until a community is formed, and that, unlike other values, grows only with the growth of the community. It exists only as a community exists.

The tax upon land values is, therefore, the most just and equal of all taxes. It falls only upon those who receive from society a peculiar and valuable benefit, and upon them in proportion to the benefit they receive. It is the taking by the community of that value which is the creation of the community. It is the application of the common property to common uses. When all rent is taken by taxation on land values for the need of the community, then will the equality ordained by nature be attained. Then, but not till then, will labor get its full reward, and capital its natural return.

Some have declared taxes on the rent of land to be impolitic and unjust because the return received from the

natural and inherent powers of the soil cannot be clearly distinguished from the improvements and meliorations, which might thus be discouraged. But admitting that it is impossible in some few cases to separate the value of the land from the value of the improvements, is this necessity of continuing to tax some improvements any reason why we should continue to tax all improvements?

But the value of land can usually be readily distinguished from the value of improvements. In many of the States the value of the land and the value of improvements are habitually estimated separately, though afterward reunited under the term of real estate. Frequently the land is owned by one person and the buildings by another, and when a fire occurs and improvements are destroyed a clear and definite value remains in the land.

The advantages of the Single Tax will appear more important the more they are considered. The present method of taxation operates upon energy, industry, skill, and thrift like a fine upon those qualities. To abolish these present taxes would be to lift the whole enormous weight of taxation from productive industry.

To shift the burden of taxation from production and exchange to the value or rent of land would not merely be to give new stimulus to the production of wealth; it would be to open new opportunities. For under this system no one would care to hold land unless to use it, and land now withheld from use would everywhere be thrown open to improvement.

The selling price of land would fall; land speculation would receive its death blow; land monopolization would no longer pay. Everywhere that land had attained a value taxation, instead of operating as now, as a fine upon improvements, would operate to force improvements.

Consider the effect of such a change upon the labor market. Competition would no longer be one-sided. In stead of laborers competing with each other for employment, and cutting down wages to the point of bare subsistence, employers would be competing for laborers, and wages would rise to the fair earnings of labor. For into the market would have entered the greatest of all the competitors of labor—the demand for labor itself.

To relieve labor and capital of all taxation, and to throw the burden upon rent, would be, as far as it went, to counteract the tendency of inequality of wealth, and it went so far as to take in taxation the whole of rent, the cause of inequality would be totally destroyed. Rent instead of causing inequality, as now, would promote equality. Labor and capital would then receive the whole produce, minus that portion taken by the State in the taxation of land values, which, being applied to public purposes, would be equally distributed in public benefit.

Some land holders take the alarm when the Single Tax on land is mentioned, but this proposition commends itself to all whose interests as land holders do not exceed the interests as laborers or capitalists, or both, and although the large land holders may lose relatively, yet even in the

case there will be an absolute gain. For the increase in production will be so great that labor and capital will gain much more than will be lost to private land ownership, while in these gains, and in the greater ones involved in a more healthy social condition, the whole community, including the land owners themselves, will share.

The farmer would be a great gainer by the Single Tax, because the taxation of land values would fall with greatest weight, not upon the agricultural districts, where land values are comparatively small, but upon towns and cities where land values are high. In sparsely settled districts there would be hardly any taxes at all for the farmer to pay.

The Single Tax would have a great beneficial effect upon social ideals. Poverty, the relentless hell, which lies beneath civilized society would disappear along with all of its degrading consequences. Give labor a free field, and take for the benefit of the whole community that fund which the growth of the community creates, and want and fear of want would be gone. The springs of production would be set free, and the enormous increase of wealth with a more equal distribution would give the poorest ample comfort. Men would no more worry about finding employment. The progress of science, the march of invention, the diffusion of knowledge, would bring their benefits to all. Equal privilege would be given to all and special privilege to none.

YOU are holding a tract of land out of use on speculation. A long continued depression finally makes you despair of getting your price. You decide to accept a much lower offer from a man who would employ others in using this land. You are about to close the deal when you hear from what you believe a reliable source that "better times are coming next week." Will not your natural reaction be to call off the deal unless next week's price—or what you believe to be next week's price—be paid? And will not the probable effect of this be to prevent the sale and leave the men who were about to be employed in the jobless ranks? Then are such pollyanna predictions as led you to stop the sale a good or bad thing for business? When believed are they likely to bring better times or postpone them? Would it not help more to face the truth and admit it?

PITY our poor statesmen and professional economists who have to face the terrible problem of how to feed the unemployed. What makes it particularly hard to solve is that at the same time the country is suffering from "overproduction." And then on top of all comes the news that farmers are still raising immense crops of wheat and the question of what to do with this wheat is piled on them before they have found a way to feed the starving. How can any group possibly have brains enough to solve all these knotty problems?

Alexander Hamilton In British Columbia

EXCERPTS FROM ADDRESS BY HIM BEFORE
THE HENRY GEORGE SOCIETY OF
VICTORIA, B. C., JUNE 19, 1931

IHAVE recently returned from a visit to Eugene, Ore. I addressed a meeting in the Congregational Church Forum there on the partial application of Henry George's principles in British Columbia. I also spoke in Portland and in Seattle, at the Commonwealth Club, the Lyel Club, and to the Municipal League.

Eugene, the capital of Lane County, Ore., is a fine city of 20,000 people, situated in the upper Willamette Valley. Many of the streets are paved, beautifully boulevarded and planted with shade trees. There has been no snow all winter and flowers have been blooming gayly. The chief industries of the neighborhood are farming, fruit growing and lumbering. Being a university city and having some liberal churches with forums, one can listen at any time to addresses on social, psychological, scientific, economic, religious and kindred subjects. * * * Prices of commodities average much less than on the Canadian side of the line, so that Eugene may be quite truly called a city of cheap living and high thinking, and altogether a most desirable place in which to live.

The Oregonians have an advantage over us in the matter of keeping their politicians in order. They have a referendum law that works; we have one that is unworkable. Eight per cent. of the voters may demand a referendum. Here we require 25 per cent. If their representatives attempt to raise their own salaries or give undue privileges to corporations or such like, the referendum can easily be invoked to head them off, while we have to take that sort of thing lying down. When direct legislation became law too many questions were "referred" for settlement at each election and cluttered up the ballot, but the measure is now considered well past the experimental stage.

I have referred to the fact that living is cheaper on the south side of the international boundary. Protectionists, of course, claim that this, like all other good things, is to be credited to the policy of high tariff. It will be news to some people to hear that free trade is the actual cause, but such is undoubtedly the case. It is true that Americans have a very high tariff wall against the outside world, but here is a world within itself. Forty-eight great commonwealths, many of them large and prosperous enough to be classed as nations, unlimited natural resources, variety of climate and products, 120,000,000 progressive, inventive and hustling people and unrestricted reciprocity—absolute free trade across all boundary lines. Trade is free coming and free going. * * *

The United States of America constitutes within herself the greatest experiment in free trade the world has ever seen. I do not say they would not benefit immensely