

# Land and Freedom

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## Comment and Reflection

IN the October number of *The Tax Digest*, of Los Angeles, is an article by Paul Shoup, president of the Southern Pacific Company, who indicates many important truths. He states that it is unfortunately true that people will vote for bond issues, mortgaging their homes and other property, "who would not consider such proposals were they brought to them as a direct obligation they were incurring."

THE reason is plain. The average citizen thinks only of taxes when he begins to pay them. They creep on him out of the night. And the surest way to saddle him with tax burdens is under the form of bond issues, for the preparatory steps before the assessor swoops down upon him are more smooth and insinuating than would be a direct or immediate imposition. Then perhaps, too, unless he is a homeowner and thus a direct taxpayer, there is the vague feeling that taxes tend to depreciate land values and thus to keep down rents, while lower taxes mean little or nothing to him. He must often think to himself that even if the place in which he lives were a taxless town it would not mean a great deal to him.

MR. SHOUP tells us that taxes have increased twice as fast as the national income. He says that the company with which he is associated pays out more in taxes than it does in dividends, and he adds that this leaves little incentive to progress. He also warns us that prosperity is not to be gained from public works, and he punctures a few other economic fallacies.

THEN he comes with this thought. It would seem almost that he had had a vision. Surely this thoughtful and careful thinker deserves to be encouraged along the road he has traveled with such promising results:

Suppose you could say to any one of the great industries of the United States—agricultural, mining, transportation or manufacturing,—“You are to be free from taxation during the next three years;” and suppose that you said to that industry, “This will be accompanied by an obligation on your part to help yourselves, and perhaps in some instances to go forward with constructive work in some multiple of the taxation from which you have been relieved.” Keeping in mind that the incentive to human activity is gain, do you not believe that there would be an immediate response that would be felt through every

channel of business activity in the United States? I appreciate this is perhaps not a practicable suggestion, but to the extent that it is possible to lend our efforts to the reduction of taxation, instead of its increase, we can help toward that end.

WE assure Mr. Shoup that his suggestion is entirely practicable. Every industry might be made free of taxation, having not a penny to pay beyond the site value of the location, which has already been paid in selling price or now in the form of rentals. Not a penny in taxes need industry pay, Mr. Shoup, for rent is not a tax but only the price of superior advantage of location—the normal rent which under any and all circumstances industry must pay. Will he conceive of the advantages of such a system, not only for the one industry he instances but for all? And this rent—the annual ground value of location—going then not to the enrichment of a few but for the benefit of all in public improvements, for which there need be no other charge. Looks like Utopia, Mr. Shoup, doesn't it? But you have given us the illustration, and though you say it is “perhaps” not practicable, we reply that the word “perhaps” is out of place, though we thank you for it.

NOW, Mr. Shoup, you may hesitate at the practical application of what you suggest. You may indeed halt at what you perhaps will regard as the questionable morality of the proposal. So let us try it by ethics. The industry you cite, together with all others, and the population these industries put there and their resultant activities, are reflected in the value of land. With every revolving wheel, with the gathered momentum of the progress of invention, with every device that lightens labor and increases its efficiency, the natural fund that would permit us to abolish taxation and make your suggestion practicable increases, providing at all times what is needed for public revenue.

TRY it by the results which reason and imagination suggest, or by the sterner test of its ethical justification. *Meum et tuum*, and between us what is ours jointly. Who made the land values of a community? Not those who under present conditions receive it. If labor be the title to property, there is no such title, for no man made the land. If it is the value of land that is claimed, no man made that. Land value is clearly the creation of the com-