

## The Critics Criticized

By JACOB SCHWARTZMAN

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SINCE Professors Ely and Seligman use identical arguments in their objections to the Single Tax, I will criticize them jointly. Each has expressed his opinions in two separate books, making four in all: "Principles of Economics," by Edwin R. A. Seligman (Longmans, Green and Co.); "Essays in Taxation," by the same author (Macmillan); "Outlines of Economics," by Richard T. Ely, assisted by Profs. Adams, Lorenz and Young (Macmillan); and "Elements of Land Economics," by Profs. Ely and Edward W. Morehouse (Macmillan).

(Richard Theodore Ely was born in 1854. He received degrees from Columbia University and the University of Heidelberg. He was professor of economics in Johns Hopkins University, the University of Wisconsin and Northwestern University. Among his numerous honorary titles were President of the Institute for Economic Research and School of Land Economics, member of the Maryland Tax Commission, member of the President's Conference on Home Building and Home Ownership, co-founder of the American Economic Association, first President of the American Association for Labor Legislation and President of the Institute for Economic Research. He wrote numerous books on economics.)

Edwin Robert Anderson Seligman was born in 1861 and died in 1939. He, like Prof. Ely, was one of the distinguished names among modern economists. He taught at Columbia University and was president and member of innumerable committees and conferences. Among his titles were the following: Member of the President's Committee on Statistical Reorganization, chairman of the Mayor's Tax Committee, member of the N. Y. State Tax Commission, financial adviser to Cuba, member of the President's Unemployment Conference and expert to the League of Nations Committee on Economics and Finance.)

The arguments follow:

1—Monopoly cannot well be predicated of land in general.

(a) From the worthless to the priceless land there is a continual graduation, and it is impossible to say where relative abundance and competition stop and monopoly begins.

(b) However, even if the fact of privilege is substantiated, land cannot be singled out. Many other privileges are granted by modern society. Patents and copyrights are exceedingly valuable, even if temporary privileges, and so are the institution of inheritance and certain corporate franchises.

2—It is completely fallacious to assert that land value differs from other values in that it is a social product while the value of other things is an individual product. All value is a social product. Take, for example, the workman fashioning a chair. The wood has not been produced by him; it is a gift of nature. The tools that he uses are the results of the contribution of others; the house in which he works, the clothes he wears, the food

he eats, are the result of the contribution of the community. His safety is dependent on the ceaseless cooperation of the society about him. If it be maintained that he pays for his tools, his clothing and his protection, it may be answered that the land purchaser also pays for his land.

3—The contention that the landowner does nothing while a carpenter does something, can only apply to the absentee owner. Under the modern form of corporate investment, even this distinction is robbed of much of its importance. A person today may invest in land or in capital, do nothing in either case, and receive dividends.

4—Land, as a productive factor, is the result of stored-up effort, and is, therefore, for all practical purposes, a form of capital. Land can be said to exist only insofar as it is brought into use by man, and, in this sense, the supply of land, like the supply of any form of capital, is susceptible to increase in response to demand.

5—One of the cardinal defects of the Single Tax is its lack of elasticity. In every source of taxation there should be a reserve on which to draw in case of emergency. The Single Tax as such could not be increased.

6—The Single Tax would be a precarious source of public revenue, even in normal times. While it is true that, in large cities, land values increase in certain localities, it is equally true that they decrease in other sections of the city.

7—Voltaire pens a very brilliant satire to show how the farmer would suffer under the Single Tax. The poor farmer would have to pay part of his income, but the millionaire who is not a landowner would have to pay nothing at all.

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My refutations follow:

(1)

(a) Merely because it is hard to tell which is, and which is not, monopoly, is certainly no reason to disregard it. If difficulty were the only reason for failing to go ahead, then we would seek no cure for disease, and microbe hunters would vanish from the earth.

But, as a matter of fact, one does not have to explore the quality of the soil to determine its relative value. Rent does the trick, without the need of great research.

(b) The fact that other monopolies exist is no reason for us to ignore the land monopoly. A prisoner at the bar of justice could with scant logic plead leniency because other criminals escaped.

I might point out that inheritance and copyrights should not be taxed. Inheritance, by itself, is not a monopoly. A person has the right to give or to will anything, granting that he has title to such property. Land, on the other hand, is not property, and cannot justly be given, willed or sold. A copyright is a title to a specific mental product and should

be personal in nature. It is not to be confused with a patent which falls into the category of monopolies. (See previous articles.)

## (2)

All value may be a social product (although there are arguments against this which it is not necessary to take up here) but that is not the factor which differentiates between land and the products of land. It is title. As man belongs to himself, so does the result of his work belong to him.

Ely and Seligman admit that nature lavishes her gifts upon individuals. Nature as such, or land, as we call her in political economy, cannot be owned or possessed. Any one can obtain the products of land, the only price being labor.

It isn't the fact that man pays for something that entitles him to own such an object, for slaveowners would then always own slaves, "fences" would always own stolen property, and landlords would always own land. The fact is that in buying wood, tools, clothing, food, etc., the carpenter buys something which has been produced by other people's labor. Therefore his title to such products is clear. But how can we "buy" land any more than the sun and stars? Who produced them?

Irrespective of how value arises, if man had original title to a product, he is entitled to its full or subsequent value. Since man has no individual title to land, no matter how high the value may soar, man can partake of no part thereof.

## (3)

Does it make any difference whether a landowner is an absentee owner or not? How ridiculous this contention is! As far as the community is concerned, every landowner is an absentee owner. It is only in his capacity as a capitalist or a laborer that he performs anything upon the land.

Again, the fact that a man may receive dividends depends upon his investment. If he buys and lets land, he produces nothing, and is only allowing it to be productively used by others. He is not entitled to his dividends, or rent. But if he invests in capital, he purchases title from some one who originally had a right thereto, and, therefore, is permitted to reap future benefits, even though he does nothing thereafter.

## (4)

If a person produces wealth, and then, by thrift, keeps part of it for future production, rather than consumption, he thereby creates a factor of production known as capital. Man can not "produce" land. He may keep it out of use, and then give it back to production when the demand satisfies his speculative desire, but he would not be "making" it available. Land always existed, and always will exist. It lies waiting for all men. Efforts in finding land are not considered labor, economically speaking, any more than are efforts in stealing wealth.

## (5)

The "Single Tax" is merely another way of designating rent. Rent fluctuates with people's needs. When the needs

grow greater, rent increases. When needs wane, rent decreases. Thus, there is a corresponding rise and fall. It is the most elastic of social measurements (see 7).

Granting that an unforeseen emergency arises, and there is need for other means of taxation, a single tax would not be a rigid tax which would prevent temporary measures from being taken for such emergency! Even the Constitution of the United States, which is a document most difficult to change, was amended to allow income taxation. Would people object to a temporary addition to their common expenditures? (We may also assume that in a free society, people would know why taxes are levied, and would not be as hopelessly resigned as they are today.)

I might point out in passing that "emergencies" in a free regime would be extremely infrequent.

## (6)

Rent varies with people's needs. If the value of higher rents merely shifts from section to section (as it frequently does due to the changing desires and migrations of people) then the total value remains practically the same, and such value today is more than sufficient to cover social expenditures, even including many wasteful efforts.

If the total value of land declines, then people's needs for land and the products of land evidently diminish, and there is then less rent in keeping with such lessening demands. If people's demands rise, rent would rise, and thus equal the rise of expenditures.

As a matter of fact, the "Single Tax" is neither a tax nor a fiscal measure. The main purpose is to free land, push up the margin, and raise wages and interest.

## (7)

As far as Voltaire's classic example is concerned, under the Single Tax, a "poor" farmer will have to pay little or no tax on his land value (for that would probably be nil), while being freed from all other taxes which today plague him. The fallacy is in confusing a *land value* tax with a *land* tax generally. Under the latter, the tax is imposed on the area of the land, irrespective of its value, and this of course is a tax on production, the very reverse of land value taxation.

A millionaire, whether landowner or otherwise, would probably not exist, for, as George says, how many millionaires have made their millions honestly? Even in the example given, the millionaire inherited his fortune, which probably was gained originally in the ownership of land or some other monopoly. (If it is true that the millionaires do not gain their fortunes from land ownership, and have, therefore, nothing to lose when the "Single Tax" is adopted, why are they so bitter in its denunciation?) At any rate, it would make no difference to the people concerned how much wealth others have if they themselves are permitted to keep everything they earn.