

SHALL WE TAX LAND-VALUES?
THE APPEAL TO JUSTICE.

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"The tendency of popular discussions to take an ethical form has a cause. It springs from a law of the human mind; it rests upon a vague and instinctive recognition of what is probably the deepest truth we can grasp. That alone is wise which is just; that alone is enduring which is right. In the narrow scale of individual actions and individual life this truth may often be obscured, but in the wider field of national life it everywhere stands out."

—HENRY GEORGE.

MOST opponents of the Taxation of Land-Values boldly venture to appeal to justice, and broadly to condemn this means of raising the necessary public revenues as "based upon injustice," "founded on false economics," and "only commended to the unthinking by delusive promises of plunder." Advocates of this method of taxation willingly, nay gladly, bow to this arbitrament and accept this test. If the condemnation be just, then, indeed, is it to be hoped that the movement "will end in dead ashes." For, in truth, "unless its foundations be laid in justice the social structure cannot stand"; and, so long as it endures, it can only yield fruits like those everywhere manifest to-day, such as would make all ethical-minded men earnestly desire that it should not be allowed to continue.

However, before blindly accepting any such condemnation, let us briefly examine for ourselves what these land-values really are against the special taxation of which the self-constituted defenders of the rights of property protest so furiously, if not convincingly. Let us try to ascertain for ourselves to what causes they can be traced, to whose activities they are due, and to whom they, in justice, can be shown to belong. For manifestly, in justice, only those to whose presence, needs and activities they can be traced, can have any claim to appropriate them, and to be advantaged and enriched by them. We are not here concerned with the question whether the unrestricted private ownership of land — which, since the decay of what is known as the Feudal System, has grown up in England, as elsewhere — is right or wrong, just or unjust, beneficial or injurious to the community at large, expedient or inexpedient. What we are here solely concerned to ascertain is whether these land-values can equitably, and, therefore, beneficially, be allowed to accrue to the landholders, or whether they can equitably, and, therefore, beneficially, be appropriated for the common benefit of all, and used to defray the necessary public expenditure.

No two separate holdings of land being exactly alike, land-values naturally and inevitably spring into existence wherever a community of men may settle down. Some portions of the land will either be more fertile, or more rich in minerals, or more advantageously situated than the rest. And it is to such natural advantages, either of fertility or situation, that land-values are primarily due. Moreover, as the community increases in number, the demand for land — on which alone it can live, from which alone everything it produces can be derived — increases also; and hence the community has to have recourse to less fertile or to less advantageously

situated land. With this process the use, and consequently also the control, of the more fertile or more advantageously situated land tends to increase in value. Thus, land-values are due primarily to the presence of the community, and tend to increase with its increase in numbers, with its advance in the industrial and social arts, with everything, in fact, that tends to make our country a more desirable home, a more productive workshop, or a more prolific and accessible storehouse.

Moreover, with the presence of the community, certain common or public needs arise, and to meet them, the necessity for a common or public fund. With the growth of the community, not only land-values, as already shown, but the public expenditure also tends steadily to increase. Hence it would seem that the natural process would be for the community to appropriate the one to defray the other. But would this be just? Would it be in accordance with the dictates of morality, the demands of justice? This is the question we have yet to answer.

Each member of the community necessarily has to use land, either for housing, agricultural, mining or trading purposes. If each were utilising, or engrossing, a holding of equal value, then it seems as if there could be no doubt but that, in justice, each could be asked to contribute equally to the necessary public expenditure. But where citizens are utilising or engrossing holdings of very different values, as is the case in most communities, would it then be just to demand that each should contribute in proportion to the value of the holding he was being privileged to utilise or to engross? This is the question raised by the Taxation of Land-Values;* this is the question that some of its opponents, greatly daring, venture to answer with a decided and emphatic negative.

On the other hand, Adam Smith, the father of the English School of Political Economy, answers this question with an equally decided affirmative. In his first Canon, or Principle of Taxation, this great authority says:

"The expense of government to the individuals of a great nation is like the expense of management to the joint tenants of a great estate, who are all obliged to contribute in proportion to their respective interests in the estate. In the observation or neglect of this maxim consists what is called the equality or inequality of taxation."

"That men *should* be taxed according to their means of payment," to quote oft-used words, is manifestly no principle at all. By no possible sophistry can it be reconciled to the demands of justice. Other things being equal, it would simply mean to put a premium on idleness and prodigality, and to discourage industry and enterprise. To fine men, for any such taxation amounts to a fine, in proportion to their industry and their thrift, in proportion to the use they are making of their abilities and opportunities, would, obviously, be most unjust. On the other hand, equally obvious is it that we can justly demand that each individual citizen shall contribute toward the necessary public revenues in exact proportion to the special advantages he is enjoying. This would cover all special privileges granted to individuals, or to groups of individuals, by the community. In the absence of other special privileges, this would mean that each would be called upon to contribute in proportion to the value of the land, of the natural sources, forces and opportunities, he was being privileged to utilise, to control or to engross. In other words, it would mean that all would contribute in exact proportion to their respective interests in the estate in which, in truth and equity, as in the eyes of the English Constitution,

they are all equally joint tenants. Thus, and thus only, and not by any arbitrary system of graduated income taxes and "easily avoided" death duties, can our methods of raising the necessary public revenues be reconciled to the dictates of morality, to the demands of justice. Thus and thus only, can we hope to secure that "equality of taxation," which was the high ideal of the great founder of the English School of Political Economy, as it should be of all who attempt to follow in his footsteps.

To sum up the conclusions we have here arrived at as concisely as possible: We hold that if the individual citizen has a right, in justice, to demand that he shall be secured the fullest possession and enjoyment of anything and everything due to his individual industry, enterprise and thrift — which is the only and all-sufficient justification of the institution of property — then the community as a whole has an equal claim to be secured the possession and enjoyment of what is due to its presence, needs and collective activities, viz., the unimproved value of the land on which it lives and works. That to allow these public values to accrue to individual landholders is necessarily unjust, and consequently injurious to the community as a whole. That to appropriate these public values for public purposes would be just, and consequently beneficial: that it would enable us to defray the necessary public expenditure without infringing on the earnings, or trespassing on the rights, of a single member of the community. And that, consequently, this natural method of raising public revenues, of providing for public expenditure, cannot, save by an abuse of language, be properly described as "confiscation," even though this term may with propriety be applied to any other system that the ingenuity of man can devise to take its place.

To elucidate these points, a little time will not be wasted in comparing the difference between the effects of the taxation of land-values and of other methods of taxation. As every economist knows, every tax on commodities enhances the price of those commodities — *i.e.*, the cost of labour or of money at which they can be acquired — and falls, not on the temporary owner of such commodities, but on the consumers: it creates, as it were, a sort of fictitious "capital," the cost and interest of which has to be borne by the consumers. Thus, if we tax tea, such taxation falls, not upon the grower, or the importer, or the retailer of the tea, but upon those who drink it, the consumers. If we tax coal, such taxation falls, not upon those whose labour draws forth the coal from Mother Earth, nor upon those who own or rather control the use of our coal lands, but upon the consumers of the coal, whether it be for manufacturing or household purposes. In the one case, however, when used for manufacturing purposes, the tax is passed on to others in the increased price of the commodities produced; in the other, when used for household purposes, it has to be borne by the direct consumer, since there is no other to whom he can pass it on. Thus, too, if we tax houses, this simply discourages the building of houses, tends to make houses scarcer and dearer, and falls, not upon the owner of houses, but upon those who live and work in them — *i.e.*, upon the consumers of the houses, if we may use this term. All such taxation falls, then, upon consumers; and falls upon them in proportion to their needs, and in inverse proportion to their ability to pay. For, as everybody who has studied the subject knows, all such taxation falls most heavily and most crushingly on those least able to bear it, viz., on the masses of our wage-earning population, male or female, skilled or unskilled.

As regards death duties, it need only be said that, though defensible, perhaps, as an addition to, these cannot be regarded as a substitute for any definite and calculable source of public revenues.

Moreover, *other things being equal*, they, too, place a premium on extravagance, and operate as fines on thrift and prudence. As regards income taxes, it need only be said that it is not the incomes that are earned, but those that are unearned, that there is any justification for taxing in proportion to their amount. And the main source of such incomes would be reached by the taxation of land-values. Moreover, there is obviously some need for distinction between incomes derived from privilege and those derived from wealth employed in carrying on the industry, the trade and commerce, of the community. Some of our opponents suggest that we should place incomes derived from Consols, from our national and municipal indebtedness, on the same footing as the incomes derived from land-values. This sounds very plausible. But manifestly such taxation would, indeed, be a boomerang that would recoil on ourselves. For all such indebtedness has constantly to be renewed; and when we came to renew our liabilities, or to borrow again, it might be found that for the accommodation we should have to pay, in addition to the ordinary rate of interest, an amount at least sufficient to cover any special tax imposed upon such interest. Hence it is that "Smith, who derives his £100 a year from Consols," need not fear any such taxation. Nor need poor Brown, who "derives £100 a year from freehold ground-rents," worry much about the taxation of land-values, since this ground-rent has no necessary relation to the economic rent of the ground, but is, in reality, a charge, and a first charge, on the whole of the property erected upon it.

The effects of the taxation of land-values can also be briefly summarised. In the first place, it would appropriate for public purposes what is essentially a public fund. To use the words of Henry George, "It would simply take for the community what belongs to the community — the value that attaches to land by the growth of the community; leave sacred to the individual all that belongs to the individual." In the second place, it would place all our landholders on an equal footing. Today we encourage a man to hold his land idle, and, to relieve him, fine the owner who builds and improves his and the public estate. Thus, let us suppose two holdings of equal unimproved value, the one covered with palatial shops, warehouses, hotels, &c., the other vacant or covered with wretched slums; or the one well equipped for mining, the other held idle and unused; or the one used for grazing, the other for agriculture and market gardens. Imagine anything you please, providing only that the sites are of equal potentiality, of equal unimproved value. Under the taxation of land-values, sites of equal value would be called upon to contribute equally to the necessary public revenues, irrespective of the use to which each was being put. Today, on the other hand, each landholder is taxed, not according to the value of the privilege he is enjoying, but according to the use to which he is putting it. Let each reader decide for himself which is the more equitable, which is more in accord with the demands of justice.

The manifest effects of such a system of taxation would be to make land cheaper, and more available to land-users. For under such conditions no one would care to claim to control the use of a single acre of land unless he wanted to use it, and, what is of even more importance, to put it to the best use of which it is capable. To give but one

instance, and every reader will be able to multiply it by thousands: Some few years ago one of our most important Northern towns required further dock accommodation. To this end the use of some barren, sandy land, near to the old docks, was necessary. For this the owner demanded some eighty thousand pounds sterling. Of course, he was an honourable man, so presumably if the land had not been worth as much, he would not have asked it. But if it was worth so much, then why should it not have contributed toward the public expenditure in proportion to this value? If this had been the method in vogue, this land, which at the time was bringing in nothing to anybody, and to make which productive required the expenditure of a vast sum of money, would soon have passed at a very different price into the hands of those who would put it to use. Today, as even our opponents know well enough, the industry of the whole community is being hampered, as well as exploited; the activities of our great municipalities are being checked, nullified, and made more costly; the employment of labour is being made more precarious and uncertain; the reward of labour is being forced down below, and far below, the subsistence level: these and other more evil results follow from the want of that equitable system of raising public revenues known, though the name is by no means an appropriate one, as the taxation of land-values.

Under this system the land would be taxed, not in proportion to the value it had a few hundred years ago, but according to the value it has today. Next year, or next century, it would be taxed according to the value it will have then; and so on to the end of time: each generation appropriating for its common benefit the value which its presence and activities yearly re-create. But, say our adversaries, "land has been treated as a merchantable commodity in this country for centuries." Well, what of that? It may still continue to be so treated. Other "merchantable commodities," with far less reason and justice, have been and are being subjected to taxation. Why should land be the one "merchantable commodity" to be exempted? As a matter of fact, however, what it is proposed should be taxed is, not land, but land values: i.e., the value accruing to land owing to the presence, needs and activities of the community. And it is the established privilege of being the man allowed to appropriate these values, which is the "individual property" that would be affected, and the selling value of which would be reduced, if not swept away, by this long-delayed measure of Justice.

But, our opponents argue, any such measure, or as some of them express it, "this sweeping measure of confiscation," would not prevent the holding up of land. They admit that today some land is being held up "for a rise," and in "the hope of future profit," to the injury of the present and at the cost of future generations. But they ask us to believe that men would still cling to this hope, and, therefore, act in the same anti-social manner, even though they were annually asked to contribute to public

revenues in exact proportion to the value of the land they were thus "holding up," and knew that in every succeeding year they would be called upon to do so : the amount they would have to pay increasing with any appreciation, decreasing only with any depreciation, in the unimproved value of such land. Well, there is no knowing what men might be foolish enough to do. Under such conditions, however, there would clearly be far less inducement to such action than there is at present — when land not in use is practically exempt from taxation, no matter what may be the price its holder demands for it. Such holders would soon find any such action to be very unprofitable, and to tend to impoverish rather than to enrich those who indulged in it. It may, then, be taken as certain that this natural and equitable method of raising public revenues would, in fact, tend to put an end to all withholding of land from its full and proper uses, as well as to all gambling in our natural and inalienable national inheritance. Moreover, it would tend to reduce the present inflated monopoly value of land, due to this power "to hold up" land, to its true natural or economic, value; thus making the natural outlets to the national industry available to the labour, enterprise, and capital of the people on easier and more equitable terms, and tending to increase not only the productive power of the nation as a whole, but also the earning power of each individual citizen who assists in such labour, or who renders service to those so employed.

Behind every political question there is a moral, an ethical, question. The ethical question behind the taxation of land-values is, obviously, to whom in equity should these values accrue, to some or to all? This is the one question we have attempted to answer in this article. And in conclusion I would fain remind our opponents that "this question cannot be answered so as to satisfy the moral sense of the nation" either by sneering at Henry George, or by inventing fanciful metaphysical analogies between property in land and property in commodities, or between incomes derived from industry and incomes derived from privilege. Such confusing of the issue can deceive only those who wish to be deceived. Moreover, I would remind them that "confiscation," "plunder," and "robbery" are very harsh terms, which, though necessary, perhaps, to special pleading, do not in reality strengthen weak arguments. In truth, such terms can, with far greater justice be applied to the present system of the exploitation of the fruits of the activities of the community by land monopoly, a system which the taxation of land-values would help to change for the better. However, no radical change is possible without some vested iniquity suffering; and, therefore, the special pleaders for those who have expected to benefit by its continuance, may, perhaps, be excused for indulging in a little hysterical shrieking. Still those who would take part in this great controversy would do well to remember dear old Punch's pertinent words:

"Differences exist, no doubt;
Let us calmly fight them out.
But to call each other names,
In the vulgarest of games."