

THE "VESTED RIGHTS" ARGUMENT

By Professor Harry Gunnison Brown

The real objection of conservative economists to the single tax—or any considerable steps toward the single tax—flows from their respect for "vested rights." Says Professor Fairchild in his *Essentials of Economics* :—

"The present owners of land have come into possession in good faith under the present rule. Many of them have paid for their land its full present value. To proceed now to take from them the whole or a part of the value of their land or to impose upon them discriminatory taxes would be an injustice. If there is to be land nationalization it can be accomplished justly only by purchasing the land at its fair value from its present owners. Any other procedure is like changing the rules of a game, while the game is in progress, to the disadvantage of one contestant."

HAVE LANDLORDS SPECIAL RIGHTS ?

By the same logic it would appear to be unjust to regulate downward the high prices or rates of public service or other monopoly companies after purchases have been made of their stock, in the expectation of the continued receipt of unregulated returns, by other parties than those who established the monopolies. If the originally responsible persons have died, or have sold out and cannot be found, or have sold out and dissipated their gains, it must then be the duty of the public to go on paying, indefinitely, rates that yield 20, 30, or 40 per cent on the value of the necessary plants for conducting the businesses—or else to buy out the monopoly concerns at values arrived at by capitalizing their large anticipated returns.

But, in general, teachers and writers of economics do not seem inclined to insist *as strongly* on respect for other vested rights as on respect for vested rights in land. Thus, there appears to be a willingness to have monopolies regulated even after innocent investors have bought stock in the expectation of large dividends. There appears to be, also, a willingness to see tariff changes even although industries have been established at considerable cost on the basis of existing tariffs. There is an apparent willingness on the part of many that price levels should be stabilized for the future, if government can be brought to adopt the policy, even although some persons have made their investments in the expectation that society would permit them to profit from fluctuations they believe they can foresee—and even although other persons have invested largely in their own education on the peculiarities of the cycle in order that they may gain from the changes that occur rather than lose. The Eighteenth Amendment must have seriously damaged the property interests of many persons whom society had permitted to buy and to build specialized property for the brewing of spirituous liquors, who had "come into possession in good faith" under the then existing rule. But the writer can recall no protest against this change in the economics textbooks of any of the current writers. Nevertheless, this also, to use the phrase adopted by Professor Fairchild, is "changing the rules of the game, while the game is in progress, to the disadvantage of one contestant."

LABOUR AND VESTED RIGHTS

There are various other ways in which society has been guilty of "changing the rules of a game, while the game is in progress." Thus, the establishment of trade schools has tended to do this. Prior to the establishment of trade schools, the craftsman had to learn his trade by a long period of apprenticeship. The

time required tended to limit competition. But the establishment of trade schools operates to increase competition in the trades for which they are provided, by bringing in new workers who are more quickly trained. Thus the establishment of trade schools may prevent the receiving of the wages, which their sacrifices and their long apprenticeship would have otherwise brought them, by workers already in the field. Ought not economists to protest against the establishment of trade schools by the public as an infringement on vested rights? But perhaps the vested rights of wage-earners are not as important as the vested rights of property-owners! A change which lowers the wages of an artisan does not lower the *capitalized saleable value* of anything, since its prospective income is not saleable as a whole!

What shall we say, then, regarding the rent of land? Is that particular kind of income more sacred, more inviolable, than the other types of income we have been discussing? In this connection it will perhaps be argued that the private receipt of land rent has a longer and less-questioned prescriptive sanction than the private receipt of monopoly gains, of income from the manufacture of spirituous liquors, etc. It should be borne in mind that the claim which must be held inviolable as against the single taxers or other advocates of increased land-value taxation, is a claim to a future rent which shall never be reduced by taxation in such a way as to lower the saleable value of land. Society is held to be under a moral obligation not to reduce the saleable value of land by one iota. To do so is like "changing the rules of a game, while the game is in progress, to the disadvantage of one contestant." The owners of land are said to have bought it in the faith that "the rules of the game" will not be changed. And this appears to mean in the view of many, if not, indeed, most writers of economics texts, that the present taxation system should not be changed *at all* in the direction of heavier taxation of land. Has society, directly or by implication, pledged itself that it will not raise these taxes? Nobody seems to think that a tax on automobiles cannot legitimately be increased after people have bought automobiles not expecting such increase. And nobody seems to think that other tax rates, *e.g.*, on tobacco, may not properly be changed if to change them seems expedient. Is it only land-owners against whom any increase of taxation is a violation of faith? Is it only landowners to whom society guarantees no discriminating tax increase? Or would it be reasonable to argue that landowners, like other persons, make their contracts and buy their property with *no guarantee that public policy will not change*, but merely with the practical certainty that such important changes in public policy as occur will not be precipitate or without the warning of years of agitation preceding the changes.

IS THERE A HALF-WAY HOUSE ?

The natural reaction of some economists will perhaps be to say that society does have a right to increase taxes on land, but that it has no right deliberately to set out upon a policy which leads eventually to the single tax. Yet such a position cannot be logically defended. For, once it has been admitted that any definite increase whatever of land value taxation is permissible, the mathematician can point to a smaller present increase plus future additional increases, the

application of which would lower the present saleable value of the land no more.

It may now be said, however, that the objection to the single tax or to heavy taxation of land is not meant to be an objection to *gradual* change. But if their objection is only to *sudden* change, most economists have deftly concealed the fact. Nearly always there is no intimation that even gradual change is permissible. Indeed, one recent writer, Professor J. E. Le Rossignol, definitely expresses his view of the "injustice and impracticability" of the adoption of the single tax "whether done at once or gradually."

A comment on the foregoing argument, received by the writer from a specialist in the field of taxation, of high reputation, seems to indicate the necessity for further explanation. The comment was, in part, that "monopolistic rates and charges are regulated only for the purpose of holding the monopolist to a reasonable return" and that "the average landowner is getting only a reasonable return," that "investors in land realize no greater return than investors in other forms of property" and even "realize less" if his "observation and experience are correct."

To say that abolition of slavery, or regulation of monopoly charges, or increased taxation of land values operates to lower the return on money invested in slaves, monopoly or land by purchasers, below the average or ordinary rate in other investments, below a "reasonable" rate, amounts to the same thing as to say that such a change in policy *lowers the saleable value of the property* of such purchasers. It is merely a different way of expressing the fact that "vested rights" are infringed.

DECREMENT AND INCREMENT

Economists sometimes refer, in this connection, to the fact that land may fall in value as well as rise, i.e., that there may be a "decrement" instead of an increment, as if such a fact were somehow relevant to the problem. In truth, a fall in the value of land merely means that land owners are able to get less rent than before, albeit, usually, still *something*, for advantages due not to them but to nature, to population growth, or to civic improvement.

NATURAL RIGHTS

It is customary to attempt the annihilation of the "single tax" case partly by alleging that it is based on a doctrine of "natural rights." Yet this chief objection—vested rights—commonly raised against it seems also to be based upon "natural rights" or something fundamentally similar. For just as in the view of the orthodox single-taxer, everyone has a natural right to the use of land, so in the view of many writers of text-books on economics every landowner has a kind of "natural" right not to have the saleable value of his land lowered by taxation. We are dealing here, apparently, with an intuitive ethics. Economists do not say that the proposed tax reform is wrong *because* of injurious consequences anticipated to the general welfare, but merely that it is *wrong* or *immoral* or *unjust*. In this matter they seem to experience a sense of *shock* at the mere proposal, which prevents any really free *objective* investigation of cause-and-effect relations. Hence the discussion of the subject by many economists presents the appearance, not so much of a search to discover whether the general effects of single tax would probably be beneficial or the reverse, but of an attempt to prove the policy wicked. One rather gets the impression, then—is it a false one?—that in the minds of most writers of economics texts ideas of sacredness cluster about property in prospective land rent to a more marked degree than about various other kinds of property. And Professor Robinson has said—could

he, by any chance, have been right?—that "if a thing is held to be sacred it is the centre of what may be called a defence complex" so that "a reasonable consideration of the merits of the case will not be tolerated." The sense of proportion of many economists has been hopelessly dulled by their making of the doctrine of vested rights a veritable fetish. Otherwise, the insistence that society, which makes frequent changes of policy in other matters, is under a binding implied pledge and obligation *never* to move, *no matter how gradually*, towards the eventual taking in taxation of the major part of economic rent would be clearly seen to be, as in fact it is, utterly silly.

Occasionally, however, the objection is made to heavy increase of land-value taxation that this would destroy the sense of security and weaken the incentive to accumulate! Do any economists seriously believe that a gradual substitution of land value taxation for taxation which penalizes activity and thrift would have any such result? Is there any evidence that such a consequence has been experienced in Pittsburg and Scranton, Pa., in North-western Canada and in other places where steps have been taken in this direction? Has the development of the policy of regulating the rates of public service monopolies brought about any such undesirable effect? Or is the presenting of the contention merely one more bit of evidence that conservative economists are determined to find *some* argument—*any* argument against the increased taxation of land values?

Many professional economists, it is suspected, have never permitted themselves to think long and without bias on the subject, examining carefully, and not merely to discredit them in debate, the arguments of the single taxers. With some exceptions, they seem to have accepted the views of their conservative teachers as expressed in current texts. That the single tax is unsound because it is based on a doctrine of "natural rights," that it cannot be levied so as to distinguish at all fairly between bare-land values and labour-produced values, that there is no such difference anyway because everything is in large part a gift of nature, that there are other unearned incomes and increments besides land rent and land values, and that, anyhow, any change is unjust, are contentious generally familiar and quite commonly accepted. And where economists whose voluminous writing, or whose apparent familiarity with all that has been previously written on taxation, or whose high academic position in long-established institutions gives them reputation, are called upon to render "expert" advice regarding taxation, they are not unlikely to advise something other than, or to advise definitely against, higher taxes on land values. And the graduate student or young teacher who has memorized the arguments summarized above feels no special inducement further to investigate the views of a school of writers—the single-taxers—who are largely outside the academic fold, who are supposed to adhere to an eighteenth-century ethical standard from which academic economists believe themselves emancipated, and the acceptance of whose conclusions even with qualifications would brand him as a heretic.

The Times, 30th May, 1935—Agony column:—

AN AMERICAN IN ENGLAND, noting the N.R.A. decision, has cabled to President Roosevelt: "Why not adopt the Henry George Code, the only just and effective one?" This Code is Land Value Taxation. A letter to *Land & Liberty*, 94 Petty France, S.W.1, and you can learn all about it.

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