

THE SINGLE TAX REVIEW

A Record of the Progress of Single Tax and Tax Reform
Throughout the World.

OUR DOCTRINES CLEARLY STATED.

EXTRACT FROM ADOLF DAMASCHKE'S BOOK, "BODENREFORM" (LAND
REFORM) PAGES 56-65 OF 6th EDITION, PUB. JENA 1912.

(Translated for The Review by Grace Isabel Colbron.)

(The German Bodenreformers do not always get as close to the orthodox Single Tax doctrine as Mr. Adolph Damaschke does in the admirable statement that follows. The American Single Taxer would state it in terms not essentially different. If Mr. Damaschke does not give it a wider application it is because he is confining himself to one phase of the teaching. His presentation of such phase leaves nothing to be desired. Just a word of qualification of paragraph in which Mr. Damaschke says regarding the tithe paid for the use of land and water: "It was in a certain sense wages paid to him for his protection of the laborer from outside foes." In case of attack from neighboring feudalities it was the laborer who did most of the "protecting."
—EDITOR SINGLE TAX REVIEW.)

Before we formulate the answer which Land Reform has to offer to the social problem, we must sharply define the terms to be used. Much misunderstanding in the field of economic science is due to the indefinite and often times contradictory use of many words.

Three factors are necessary in all production; land, labor and capital.

For the land reformer the term "land" includes all created natural resources, all creation in fact, with the exception of Man himself. It is the field on which alone man can employ his labor; it is the source of supply from which he must satisfy his need; it is the raw material which his labor shall turn into the finished product.

Under "labor" the land reformer includes all work, manual or mental, the entire sum of all manual and mental activity which is occupied in the production of wealth, or of powers intended for the production of wealth.

More difficult it is to define the idea of "Capital." The leading economists, Smith, Ricardo, Stuart Mills, Marx and others, differ widely in their definition of this word. Land reformers have the clearest definition in that they say: "Capital is that part of the wealth produced by the application of labor to land, which is not intended for immediate consumption but which

is utilized either as raw material or as tools of production, in the production of other wealth. Capital, therefore, is not a natural source of wealth such as land and labor, but it is a tool of the human mind by means of which labor may be made easier and more productive. Capital is a stored-up result of labor, intended to be utilized in future labor. It is therefore impossible to consider land as Capital. As a general thing, we may include under the term capital: places of work, raw material, tools, machines, &c.

Land reformers understand that this sharp differentiation between capital and land is not fully understood today to any great extent. But they have a right to demand that the definition given by them should be respected, and that their arguments should be understood to be based upon this definition. Land and labor are essential to all human occupation, and in modern economics capital enters as third factor.

Labor, land and capital therefore, divide between them the result of all human endeavor. The portion given to labor is known as wages. In this sense it is immaterial whether we speak of manual or of mental labor, whether the wages be paid by an employer or be the actual result won by a man working for himself. In the economic sense wages is the term for the return accruing directly to labor of any kind, in contra-distinction to the return for use of the land.

That part of the wealth which is given in return for the use of the land or of other natural resources, is known in this connection as ground-rent. It must be understood clearly, in this connection, that any return for improvements to the land, for buildings, etc., is not ground-rent but belongs to the return for use of capital.

The return for the use of capital, of raw material and of tools, is known by the term interest. This term also is liable to misunderstanding, as the colloquial use of the word has quite another meaning. But to understand our further arguments it is necessary to keep the difference in the meaning of these three terms very clearly before our mind. That which is ground-rent can never be either Wages or Interest; and that which is Interest can never be either Wages or Ground Rent.

The social problem, the pressing problem of today, can therefore be formulated in the economic sense, into the question: "Is the division, or the distribution of economic wealth into its component parts, ground-rent, wages and interest, a just and natural one, or is it unjust and unnatural?"

How is this division of economic wealth brought about today? Of course, we must understand that in a great many cases the owner of labor and capital, or of capital and land, or of labor, capital and land, may be one and the same person. But to understand the theory correctly it is necessary in every case to make a sharp distinction: For labor—wages; for capital—interest; for land—ground-rent.

How is this division made today?

A concrete example will give us the clearest answer. Let us imagine ourselves a thousand years back in history. Where our proud city of Berlin

risers today there once stood a little village of the Wends. The Wendish peasant employed his labor either in fishing or in tilling the soil. His capital was his boat, his net, his plow, his house, his raw material. For his work he received wages in the form of a livelihood for himself and his family. The interest that accrued to him for the use of his capital, was, we may be sure, sufficient to keep this capital in good condition, that is to mend his nets, his plows, etc., so that they were capable of continuing to assist him in the production of wealth.

For the use of the land and the water, he was obliged to pay a tithe to the community or to the feudal lord. But the latter was responsible for military service, so that the tithe paid to him could hardly be called pure ground-rent. It was in a certain sense, wages paid to him for his protection of the laborer against outside foes.

A thousand years of human work, a thousand years of wonderful progress, lie between that little fishing village and the great city of today. The productivity of human labor has increased to an extent beyond the wildest visions of a former age to conceive. And the result? What have labor, capital and ground-rent won for themselves in this great advance?

He who is dependent upon the wages of labor alone, finds himself in scarcely better position today than he did a thousand years ago. In fact we might say that he is not as well off today as then, because of the uncertainty in the opportunity for employment of labor such as was never known in a former age. And consider also the housing conditions which are the lot of hundreds and thousands of those who live by the labor of their hands alone in this city today. There are 41,991 dwelling-places consisting of one room alone, in which live at least five and sometimes more people—by this we can see that labor has inherited very little of all the tremendous advance in human civilization.

Capital, which serves labor in the form of machines, tools and raw material, when we consider the risks which it has to carry today, has also won for itself a scarcely greater portion of the wealth produced than it did in a former age. Any large enterprise of today yields to capital alone a comparatively small profit in return for the tremendous risks to be taken.

Where then is the difference? What is it that has absorbed the tremendous increase in wealth and productive power? The answer is easy. The economic factor, ground-rent, has absorbed all. This little piece of flat sandy soil, on which the city of Berlin stands today, soil that a thousand years ago was absolutely valueless, has now an actual value of six billion marks. Now if we should take the ground-rent at a rate of 4%, we have the result that the human beings living and working on this soil today are obliged to raise 240 million marks ground-rent yearly,—which means 800,000 marks for every working day in the year. Not until this ground-rent has been raised and paid, can interest be taken for the up-keep of improvements, buildings of all kinds, machines and tools. And from the little left over after this is done, the wages of labor are paid.

This ground-rent today is paid to the chance owners of the land, mainly a few stockholders in the great mortgage banks and land companies. But the ground-rent paid to them is by no means a result of any labor on their part. If we could imagine all the inhabitants of Berlin leaving the city, settling somewhere else, and these stockholders of the mortgage banks and land companies alone remaining behind—would the land of Berlin be then worth the six billion marks?

Ground-rent is the wealth earned by the labor of the entire community.

This then is the theory, the teachings, of the Land Reformers: the ground-rent shall be won back for the use of the entire community, of the community which alone produces it. To each, that which is his. To the individual, that which is the result of his own labor should remain free from any hindrance, from any tribute paid to the community, even for the good of the community. But on the other hand that which belongs to the community itself should be returned to the community. That which labor has produced should not be given to any one, without service on his part.

This is the middle road of Peace between Socialism and Individualism. The ground-rent is social property. Capital and labor belong to the individual and should be left free and unhampered.

This social property, of which ground-rent is the natural source, would make the community rich enough to do away with all involuntary poverty, and would give to every human being born into the community the opportunity of developing his capacities to their full extent. As in any rich family, every child has an equal right to the same education, to the same physical care, so in this rich community which takes unto itself the wealth produced by itself, its ground-rent, every child has an equal right to educational benefits, to mental and moral health.

And in such a community, free from the drag of poverty, capital and labor would be left unhampered to occupy themselves, individually or in co-operation. What new and wonderful developments in productivity might we not see—then when it is possible for every individual to develop his powers in freedom!

The doctrine of Land Reform must not be understood as a solution of the social problem in the sense that after its introduction there would be nothing more to improve, to fight for, to hope for—this would be a condition of stagnation. But the solution which it offers is the first requirement for every correct, organic development of our economic national life.

Mammonism, communism, land reform! The division between the three grows greater daily—they are the banners of the battle of the future. No one who understands that we, all of us, hold the responsibility for the sins of our time can remain impartial in this conflict.

In each camp of course are individuals with honest conviction. Understanding is given to us according to our lights. It is not a matter of knowledge, however, but a matter of conscience, that one should endeavor to understand one's position amid the pressing problems of our time. More than ever

the truth of the old law of Solon holds good today: he is an unworthy citizen who does not make clear his position in the conflict that divides the nations.

Once we have understood how great is our responsibility for conditions today, then comes the great decision, as to how we will take our place amid the social forces. A great many well-meaning people content themselves with the so-called "practical work": coffee or soup kitchens, foundling asylums, sanitariums, or a few low priced tenements. Now of course we acknowledge that any deed, even the slightest, done from the impulse of an honest heart to help others, brings its blessing in itself. But there is great danger that the representatives of the so-called cultivated classes will find such deeds the means of buying off their own conscience. For our duty towards the most important question of today is not so easy.

We must find the basic principle on which to take our position. Here alone do we free ourselves from that miserable indecision which allows so many to follow the cry of the day in the market-place and to waste their good-will in useless loss of energy, ending always in disappointment. In this indecision lies the greatest danger to the proper development of a State, a community. Goethe's word of the dangers of indecision, and the truth that "He whose own mind rests firm on the Truth, builds up the world around him" is as true today as it was when he wrote it out of the store of his rich experience.

With the vision clear before the mind's eye the individual gains strength, courage, power. But only the dreamer and the fanatic will be content to think of the definite goal alone, and to forget the practical going-ahead step for step. As necessary as an understanding of the goal, is the understanding of how to reach it, the understanding of the path that must be taken, of the obstacles to be removed, of the false moves to be avoided. Those are the leaders, who even in the pettiest details of the daily work can still hold the vision before them clear and sure. In their strength of endurance lies the power that encourages and aids others to follow them. With unity in the understanding of the truth must go individual freedom in unessential details—and above all a true comradeship.

At a luncheon given to Joseph Fels in Toronto (Canada), "the tariff issue was discussed with some spirit, but when Mr. Fels switched to open advocacy of the Henry George system of taxation he had the closest attention and universal cheers"—so reports a writer in the *Christian Science Monitor*—one who was there. Canada will lead us yet.—*San Francisco Star*.

WHY TAX A MAN

More for improving land than for neglecting it?
 More for erecting than for destroying?
 More for busy-ness than for idle-ness?