

# A Single Tax

## Upon the Value of Land

A Sufficient Source of Municipal Revenue

2-350

By WALTER FAIRCHILD

I SHALL briefly state the fundamental principles of what we who advocate it call the Single Tax. We propose to abolish all taxes save one single tax levied on the value of land, irrespective of the value of the improvements in or on it.

What we propose is not a tax on real estate, for real estate includes improvements. Nor is it a tax on land, for we would not tax all land, but only land having a value irrespective of its improvements, and would tax that in proportion to that value.

Our plan involves the imposition of no new tax, since we already tax land values in taxing real estate. To carry it out we have only to abolish all of that which now falls on buildings or improvements, leaving only that part of it which now falls on the value of the bare land, increasing that so as to take as nearly as may be the whole of economic rent, or what is sometimes styled the "unearned increment of land values."

That the value of the land alone would suffice to provide all needed normal public revenues—municipal, county, state, and national—there is no doubt.

### Some Advantages of the Single Tax

To show briefly why we urge this change, let me treat (1) of its expediency, and (2) of its justice.

From the Single Tax we may expect these advantages:

1. It would dispense with a whole army of tax gatherers and other officials which present taxes require, and place in the treasury a much larger proportion of what is taken from the people, while by making government simpler and cheaper, it would tend to make it purer. It would get rid of taxes which necessarily promote fraud, perjury, bribery, and corruption, which lead men into temptation, and which tax what the nation can least afford to spare—honesty and conscience. Since land lies out-of-doors and cannot be removed, and

its value is the most readily ascertained of all values, the tax to which we would resort can be collected with the minimum of cost and the least strain on public morals.

2. It would enormously increase the production of wealth:

(a) By the removal of the burdens that now weigh upon industry and thrift. If we tax houses, there will be fewer and poorer houses; if we tax machinery, there will be less machinery; if we tax trade, there will be less trade; if we tax capital, there will be less capital; if we tax savings, there will be less savings. All the taxes therefore that we should abolish are those that repress industry and lessen wealth. But if we tax land values, there will be no less land.

(b) On the contrary, the taxation of land values has the effect of making land more easily available by industry, since it makes it more difficult for owners of valuable land, which they themselves do not care to use, to hold it idle for a large future price. While the abolition of taxes on labor and the products of labor would free the active element of production, the taking of land values by taxation would free the passive element by destroying speculative land values and preventing the holding out of use of land needed for use. If any one will but look around today and see the unused or but half-used land, the idle labor, the unemployed or poorly employed capital, he will get some idea of how enormous would be the production of wealth were all the forces of production free to engage.

(c) The taxation of the processes and products of labor on one hand, and the insufficient taxation of land values on the other, produce an unjust distribution of wealth which is building up in the hands of a few, fortunes more monstrous than the world has ever before seen, while the masses of our people are steadily becoming relatively poorer. These taxes necessarily fall on the poor more heavily than on the rich; by increasing prices, they necessitate a larger capital in all businesses, and

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EDITOR'S NOTE: The author is a well-known New York attorney, for many years associated with the American Single Tax movement. He is a teacher at the Henry George School of Social Science. In this article he has made free use of the language and writings of Henry George.

change in policy. The New Zealand Government borrows from the bank and finances itself by debt exactly as before. A nationalized banking system is the same old system under government ownership and does not perform the one thing needful to destroy the credit-monopoly, namely, issue a certain amount of debt-free money direct to consumers. Yet, all over the world, to the question, how do you propose to end the money-monopoly, labor returns the same unenlightened answer: we shall nationalize the banks.

It is true that the heavy borrowing by the Government from the Reserve Bank of New Zealand has temporarily increased the purchasing power of the people, but at the same time it has increased the debt-load, and this means increased taxation for liquidation purposes. Labor parties are in fact believers in redistribution of the national income by taxation. But just how redistributing by taxes a total *insufficient* income will raise that income to the point where it will claim total production is never explained. Labor theorists sometimes maintain that if you cut the cake in a different way, it will make the cake larger—which is nonsense. Or they argue that the national income is sufficient to buy total production, only it is mal-distributed. But it can be shown conclusively that under the present financial system the national income cannot meet the total price value of production in the same period, even with profits eliminated.

Caught in the up-and-down swings of the trade cycle, labor governments first observe an inflationary trend, then resort desperately to price-fixing, and finally veer toward a deflationary policy, or the whole process may be vice versa. We must carefully distinguish price-fixing, as in New Zealand, from price-regulation under which the ratio of actual consumption and actual production is the controlling price factor. Moreover, deflation, popular with urban and industrial workers, is opposed by the traditionally inflationary farmers. Deflation increases unemployment and puts every worker's job in jeopardy. The ranks of labor are always split when either inflation or deflation is in process.

### Breaking Shackles of Orthodox Finance

On the testimony of the Labor M.P. in New Zealand, Mr. John A. Lee, from whose pamphlet I quoted earlier, the Government has not extricated itself from the quandaries and dilemmas imposed by orthodox finance. Referring to the Reserve Bank of New Zealand Amendment Bill, he notes that "certain of the bank's powers have been used from the moment of the bank's establishment. These

are the powers that conform to orthodox practice." Referring to the Bank's Dairy Industry Account, Mr. Lee is constrained to say: "It would be scarcely accurate to describe this advance as the creation of new money. . . . The Reserve Bank's advances would be just about equivalent to those made by the private banks to finance dairy produce sales in other years." Later Mr. Lee remarks that "the one great danger about a Labor Party pursuing a developmental policy associated with State issues of money is the tendency to restrict governmental activity to the sphere of the production or improvement of social utilities. . . . To use a money machine only to create capital works and leave consumption goods to private finance is dangerous." In passing, he notes a mild tendency for prices to rise, and he fails to mention a considerable jump in taxation; not only have the rich been taxed more heavily but taxation of small incomes is higher. Finally, Mr. Lee is aware that "in the half-way house of Socialism-Capitalism, the evils of both systems are likely to afflict us if we are not careful."

What American labor can learn from New Zealand is to take the forward step of resolving to do something about the money question and to avoid the backward Sabine steps of confining its attention only to administrative changes in the banking system. The New Zealand Government has made a number of interesting administrative changes, but it has not made the slightest alteration in financial policy. It has been damned by the approval of the most orthodox of journals, *The Economist* of London, which on August 5, 1937, smugly observed that "the results of Labor's policy are so far reassuring. It is true that Reserve Bank has been brought under State ownership and control . . . but the money and banking operations of the past year disclose no sign of the departure from orthodox monetary methods that was widely expected."

With the example of New Zealand's ineffective administrative change in mind, will American labor search for a real way out from debt-slavery, even though the search may take it in such unorthodox directions as Douglas Social Credit? If it does, it will emancipate the consumer and the future will belong to it.

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### \$25,000 PER HOUR

The Japanese invasion of China has been costing American business and labor \$25,000 per hour, according to the Export Managers' Club of New York. For the first year of the war, the U. S. loss in trade, investments and property damage was placed at \$200,000,000.

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consequently give an advantage to large capitals; and they give, and in some cases are designed to give, special advantage and monopolies to combinations and trusts. On the other hand, the insufficient taxation of land values enables men to make large fortunes by land speculation and the increase of ground values—fortunes which do not represent any addition by them to the general wealth of the community, but merely the appropriation by some of what the labor of others creates.

Sales taxes, gasoline taxes and other taxes including taxes on homes which we would abolish, fall most heavily on home owners, and on the poorer agricultural districts. Such taxes tend to drive population into the great cities. The tax on land value which we would increase would destroy that monopoly of land which is the great cause of crowding people too closely together in the cities. Families live on top of one another in cities because of the enormous speculative prices at which vacant lots are held.

When we tax houses, crops, money, furniture, capital or wealth in any of its forms, we take from individuals what rightfully belongs to them. But when we tax ground values we take from individuals what does not belong to them but belongs to the community.

Money spent for public improvements and services makes land valuable throughout the area served. Land value is a differential value and rises as population concentrates and falls as people move away.

### Present Tax Burden on Improvements

The concentration of land value is much greater in commercial areas than it is in home neighborhoods.

The average home building costs \$5,000 built on a lot worth \$1,000 and is now taxed on 5 units of building for one unit of land value.

The average office building costs about as much as the land on which it is built and is now taxed on one unit of building for one unit of land value.

The average home owner pays three times his share of taxes.

He pays three times as much as he would pay if all taxes were shifted from buildings and personal property to land value.

The excess taxes thus taken wrongfully goes to

owners of commercial sites and speculators in vacant lots and slum sites.

Land value is the only true measure of the differential advantage which one site enjoys over another in making use of the public expenditure of money. By taking all of the differential site value into the municipal treasury annually to be spent for the common benefit, the cost of government as well as the advantage of site values are shared equally by all.

The total public budget is approximately equal to the total annual land value. All legitimate public expenditure can be met out of land value without touching private personal property.

The annual ground rent of New York City land for ordinary real estate, excluding improvements, exceeds \$600,000,000. Added to this is the value of franchises, pipe lines, railroad, telephone, gas, electric and other utilities amounting annually to about \$150,000,000 more.

In addition to this local advantage, we must remember the national heritage of coal, iron and other mines, oil wells, water power, timber, etc., royalties from which would be enough to pay the cost of the national government.

We propose to take all of this value for public use.

For the municipality to take less or to take private property by taxing incomes, inheritances or sales (or by increasing the public debt—twin evil of indirect taxation) to pay for public works and services, so long as any part of the land value resulting from public works and services is left in private hands, takes money out of the pocket of the producer and puts it into the pocket of someone else who did not produce it.

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## 1934 Youth Congress, in Perspective

By VIOLA ILMA

(Continued from last month)

I want to state at the outset that I am aware of elements of confusion surrounding my motives in organizing the Youth Congress, which I have explained in detail earlier in this article. I had no clear social or economic views, and believed in Youth *versus* Age. I had known people in the reactionary as well as the liberal camp. I had gone to Europe to attend the Geneva conference, with credentials from the New History Society, and also visited Germany where I used a letter of introduction from Dr. Rumely, well known for his association with reactionary causes, to Putzi Hanfstaengl, known in 1933 as a close friend of Hitler. I met Goebbels casually together with numerous journalists at a press conference in Geneva, as casually as I met hundreds of newspapermen, lawyers, artists, and public figures during my trip through Europe. I met the diplomatic representatives of various countries, including France, England and the Soviet Union. Some of these impressions I recorded in my book *And Now — Youth!*, including my superficial enthusiasm for Nazi sponsorship of the German youth movement, and the respective views of young Rivera in Spain and Bertram de Jovenal in France with regard to youth problems, as well as my praise for the place of youth in construction of the new social order in the Soviet Union. It was a crazy melange of youthful opinion, without basic understanding of the gigantic and conflicting forces at work. In the last analysis I disclaimed loyalty to anything but "New Deal" Americanism—which did not have the larger scope for democratic progress that it possesses today.

Convinced anti-fascists, alarmed at the rise of fascism in Germany and the suppression of all democratic and civil rights, and the reflection of the same dangerous trend in America, partly within the operations of the New Deal, sought to focus attention on fascists and potential fascists everywhere. Because of my confusion during that early period, and because I took the initiative in the organization of the Youth Congress in a manner that was largely individualistic rather than thoroughly collective in a truly democratic sense, I became the object of suspicion. This suspicion was heightened by several factors in the organization and conduct

of the First Youth Congress: Conservatives as well as liberals were on our list of advisers and contributors, and while the possibility existed, I am honestly of the opinion that the members of the Central Bureau were neither the conscious nor unconscious tools of an organized reactionary or fascist clique. However, we substituted scorn for the views of older people for sound social and economic thinking. In our anxiety to bring in all youth we leaned over backwards and invited outright reactionary and anti-democratic youth groups, kept "left" delegates at what we thought was a "fair" proportion while inviting individuals representing themselves, thus exhibiting an anti "left" bias, and finally resorted to bureaucratic rules and undemocratic procedure in an effort to keep the Congress in our control.

It seemed obvious to convinced and alarmed anti-fascist groups that the Central Bureau, and myself in particular, were fascist-minded. Our refusal to re-unite with the opposing group and our determination to proceed with our program and plans, confirmed this suspicion in the eyes of our critics.

When the split came, with its aftermath of accusations of "fascist" against us, we stubbornly persisted in maintaining that "right" and "democracy" were on our side, and in bitterness turned our attack against the "reds" as the sole cause of our troubles, whereas they were but part of a much broader trend of soundly democratic, anti-fascist thinking among awakening American youth.

Here, then, was the basis for all the charges subsequently made against me, from that of "unconscious" fascist to "open and paid fascist agent."

Theodore Draper made the first printed attack on me, in the *New Masses* shortly after the First Congress. He placed his emphasis on my unsound views of events and trends in Europe and America, as recorded in press interviews and the book *And Now — Youth!*, our inadequate program and our undemocratic procedure at the Congress. He did not accuse me of being a paid fascist, although much had been made of the fact that our promotion funds came from wealthy people, some of whose motives were suspected. He hailed the victory of the united front, and pointed out that the way had been cleared for the development of a broad, progressive youth movement.

However confused I was, I sensed a real reactionary danger when William Porter and his supporters sought financial backing from Bernarr MacFadden for the "right" group, and I voluntarily withdrew.