

THE RIGHT SOURCE OF PUBLIC REVENUE

(A STATEMENT OF THE CANONS OF TAXATION CONDENSED FROM CHAP. III., BOOK VIII., OF "PROGRESS AND POVERTY")

The best tax by which public revenues can be raised is evidently that which will closest conform to the following conditions:—

1. That it bear as lightly as possible upon production—so as least to check the increase of the general fund from which taxes must be paid and the community maintained.

2. That it be easily and cheaply collected, and fall as directly as may be upon the ultimate payers—so as to take from the people as little as possible in addition to what it yields the Government.

3. That it be certain—so as to give the least opportunity for tyranny or corruption on the part of officials, and the least temptation to law-breaking and evasion on the part of the taxpayers.

4. That it bear equally—so as to give no citizen an advantage or put any at a disadvantage, as compared with others.

I.—The Effect upon Production

The manner in which equal amounts of taxation may be imposed may very differently affect the production of wealth. Taxation which lessens the reward of the producer necessarily lessens the incentive to production; taxation which is conditioned upon the act of production or the use of any of the three factors of production necessarily discourages production. Thus taxation which diminishes the earnings of the labourer or the returns of the capitalist tends to render the one less industrious and intelligent, the other less disposed to save and invest.

Taxation which falls upon the processes of production interposes an artificial obstacle to the creation of wealth. Taxation which falls upon labour as it is exerted, wealth as it is used as capital, land as it is cultivated, will manifestly tend to discourage production much more powerfully than taxation to the same amount levied upon labourers, whether they work or play, upon wealth whether used productively or unproductively, or upon land whether cultivated or left waste.

The mode of taxation is, in fact, quite as important as the amount.

The value of land expressing a monopoly, pure and simple, is in every respect fitted for taxation. That is to say, while the value of a railway or telegraph line, the price of gas or of a patent medicine, may express the price of monopoly, it also expresses the exertion of labour and capital, but the value of land, or economic rent . . . is in no part made up from these factors, and expresses nothing but the advantage of appropriation. Taxes levied upon the value of land cannot check production in the slightest degree, until they exceed rent, or the value of land taken annually, for unlike taxes upon commodities, or exchange or capital, or any of the tools or processes of production, they do not bear upon production.

The value of land does not express the reward of production, as does the value of crops, of cattle, of buildings, or any of the things which are styled personal property and improvements. It expresses the exchange value of monopoly. It is not in any case the creation of the individual who owns the land; it is created by the growth of the community. Hence the community can take it all without in any way lessening the incentive to improvement or in the slightest degree lessening the production of wealth. Taxes may be imposed upon the value of land until all rent is taken by the State, without reducing the wages of labour or the reward of

capital one iota; without increasing the price of a single commodity, or making production in any way more difficult.

Taxes on the value of land not only do not check production as do most other taxes, but they tend to increase production, by destroying speculative rent. How speculative rent checks production may be seen not only in the valuable land withheld from use, but in the paroxysms of industrial depression which, originating in the speculative advance in Land Values, propagate themselves over the whole civilized world, everywhere paralyzing industry, and causing more waste and probably more suffering than would a general war. Taxation which would take rent for public uses would prevent all this; while, if land were taxed to anything near its rental value, no one could afford to hold land that he was not using; and, consequently, land not in use would be thrown open to those who would use it.

Tax manufactures, and the effect is to check manufacturing; tax improvements, and the effect is to lessen improvement; tax commerce, and the effect is to prevent exchange; tax capital, and the effect is to drive it away. But the whole value of land may be taken in taxation, and the only effect will be to stimulate industry, to open new opportunities to capital, and to increase the production of wealth.

II.—Ease and Cheapness of Collection

Land cannot be hidden or carried off; its value can be readily ascertained, and the assessment once made, nothing but a receiver is required for collection.

And as under all fiscal systems some part of the public revenues is collected from taxes on land, and the machinery for that purpose already exists and could as well be made to collect all as a part, the cost of collecting the revenue now obtained by other taxes might be entirely saved by substituting the Tax on Land Values for all other taxes. What an enormous saving might thus be made can be inferred from the horde of officials now engaged in collecting these taxes.

A Tax on Land Values does not add to prices, and is thus paid directly by the persons on whom it falls; whereas, all taxes upon things of unfixed quantity increase prices, and in the course of exchange are shifted from seller to buyer, increasing as they go.

If we impose a tax upon buildings, the users of buildings must finally pay it, for the erection of buildings will cease until building rents become high enough to pay the regular profit and the tax besides. If we impose a tax upon manufactures or imported goods, the manufacturer or importer will charge it in a higher price to the jobber, the jobber to the retailer, and the retailer to the consumer. Now, the consumer, on whom the tax thus ultimately falls, must not only pay the amount of the tax, but also a profit on this amount to everyone who has thus advanced it—for profit on the capital he has advanced in paying taxes is as much required by each dealer as profit on the capital he has advanced in paying for goods.

In this way all taxes which add to prices are shifted from hand to hand, increasing as they go, until they ultimately rest upon consumers, who thus pay much more than is received by the Government. Now, the way taxes raise prices is by increasing the cost of production, and checking supply. But land is not a thing of human production; and taxes upon rent cannot check supply. Therefore, though a tax on rent compels

the landowners to pay more, it gives them no power to obtain more for the use of their land, as it in no way tends to reduce the supply of land. On the contrary, by compelling those who hold land on speculation to sell or let for what they can get, a Tax on Land Values tends to increase the competition between owners, and thus to reduce the price of land.

Thus in all respects a Tax upon Land Values is the cheapest tax by which a large revenue can be raised—giving to the Government the largest net revenue in proportion to the amount taken from the people.

III.—Certainty

The Tax on Land Values, which is the least arbitrary of taxes, possesses in the highest degree the element of certainty. It may be assessed and collected with a definiteness that partakes of the immovable and unconcealable character of the land itself. Taxes levied on land may be collected to the last cent, and though the assessment of land is now often unequal, yet the assessment of personal property is far more unequal, and these inequalities in the assessment of land largely arise from the taxation of improvements with land.

Were all taxes placed upon Land Values, irrespective of improvements, the scheme of taxation would be so simple and clear, and public attention would be so directed to it, that the valuation of taxation could and would be made with the same certainty that a real estate agent can determine the price a seller can get for a piece of land.

IV.—Equality

Nature gives to labour, and to labour alone. In a very Garden of Eden, a man would starve but for human exertion. Now, here are two men of equal incomes—that of the one derived from the exertion of his labour, that of the other from the rent of land. Is it just that they should equally contribute to the expenses of the State? Evidently not. The income of the one represents wealth he creates and adds to the general wealth of the State; the income of the other represents merely wealth that he takes from the general stock, returning nothing. The right of the one to the enjoyment of his income rests on the warrant of nature, which returns wealth to labour; the right of the other to the enjoyment of his income is a mere fictitious right, the creation of municipal regulation, which is unknown and unrecognized by nature.

The father who is told that from his labour he must support his children must acquiesce, for such is the natural decree; but he may justly demand that from the income gained by his labour not one penny shall be taken, so long as a penny remains of incomes which are gained by a monopoly of the natural opportunities which nature offers impartially to all, and in which his children have as their birthright an equal share.

Adam Smith speaks of incomes as "enjoyed under the protection of the State;" and this is the ground upon which the equal taxation of all species of property is commonly insisted upon—that it is equally protected by the State. The basis of this idea is evidently that the enjoyment of property is made possible by the State—that there is a value created and maintained by the community, which is justly called upon to meet community expenses. Now, of what value is this true? Only of the value of land. That is a value that does not arise until a community is formed, and that, unlike other values, grows with the growth of the community. It only exists as the community exists. Scatter again the largest community, and land, now so valuable, would have no value at all. With every increase of population the value of land rises; with every decrease it falls. This is true of nothing else save of things which, like the ownership of land, are in their nature monopolies.

The Tax upon Land Values is, therefore, the most just and equal of taxes. It falls only upon those who receive from society a peculiar and valuable benefit, and upon them in proportion to the benefit they receive. It is the taking by the community, for the use of the community, of that value which is the creation of the community. It is the application of the common property to common uses. When all rent is taken by taxation for the needs of the community, then will the equality ordained by nature be attained. No citizen will have an advantage over any other citizen save as is given by his industry, skill, and intelligence; and each will obtain what he fairly earns. Then, but not till then, will labour get its full reward and capital its natural return.

EXTRACTS FROM "THE HENRY GEORGE WE KNEW"

(From a Book to be published by Anti-Poverty Club, Capon Springs, W.Va., U.S.A. Advance subscriptions received at one dollar, cloth, post paid.)

"More than forty years ago I followed Henry George through the pages of 'Progress and Poverty,' and my admiration for his genius and the nobility of his nature was confirmed and heightened with the passing years as I followed him in the pages of his other works, in the columns of the STANDARD, on the platforms and in the pulpits of London, Glasgow and Sydney, and in the fierce strife of political campaigns at home.

"Everywhere he towered in utterance and moral dignity. As Clemenceau once said of Gambetti: he was more than a force, he was an *idea en marche*.

"Fortunate is the man who amid the complex problems of social life has for his guide, philosopher and friend one marked by such penetrating judgment, such devotion to truth, and such deep and abiding faith in the ultimate reward of those who fight on the side of Ormuzd."—*John B. Sharpe, Pittsburgh, Pa.*

"I drew up a plank for political platforms. Then I took it to Thomas G. Shearman, and we two lawyers certainly did make a weird mess of it. I showed it to George, who said: 'It is not clear.' I sat down and revised it. He looked it over. 'That's clear, but it isn't so.' I mulled it over again. He asked, 'What do you want to say?' 'I want to say that the people should take for public purposes the entire sum for which the bare land would rent, instead of collecting taxes.'

"Well, say that," he said. It was the best lesson in Literary style that I ever got.

"I remember the day of George's death, and the undismayed feeling of his followers. Frank Stephens summed that up. 'I have seen big men growing bigger.' Now I look back over forty years, and in spite of the blind defeatists in our camp, I rejoice to see how the big influence of the 'Henry George I still know' grows bigger."—*Bolton Hall, New York City.*

"My meeting with Henry George was in the spirit only; but I think it was as complete and intimate as it could have been had we met in the flesh.

"For forty years I have been searching for an answer to the social message of Henry George. The economic system George laid before the world has never been refuted, and is irrefutable.

"The system must win eventually if civilization is to be saved. Socialism of the governmental sort is a dream as wild as it would be for a man to seek to control all his vital processes by his brain. The involuntary nervous system of society must control its activities in the main; and these could work under the single tax. We should obtain reform without revolution. It is this high faith in the slow perfectibility of society to the