

and then is charged an annual rent for that which he himself has produced. This is one of the paradoxes of society. The wealth the worker creates is given to another who in turn levies tribute in the form of land rent from him who produces it.

Is it not clear that the city is a wealth producer on a colossal scale? Is it not obvious that here is a source of revenue far in excess of the needs of any city? Is it not equally obvious that the city levies tribute on its people and passes it on to a few who have done nothing to create it? City ground rent increases the cost of city living. It is the heaviest burden on city life. In New York City ground rent amounts to an average of \$250 per family. The ground rent alone of a miserable two-room tenement on Grand street amounts to \$90 per year, almost as much as the rent of a comfortable cottage in a small town. This is a social burden imposed on people by the failure of the city to control its economic foundations in the interests of the people. It is one of the principal causes of poverty.

The private monopolies which supply transportation, light, heat, and power are another cause of poverty. They collect such tribute as a corrupt alliance with the city sanctions. The city of Cleveland reduced the burden of car riders by \$2,000,000 a year when it cut the rate of fare from five cents to three cents. It saved its people this substantial sum. But this is the least of the costs which the private ownership of the public utility corporation involves. They are operated for monopoly profits. They should be operated as a public service, for the relief of housing, for the promotion of decent living conditions, for the health, for cheap rent, for cleanliness and comfort. Our failure to recognize the plumbing of the city as a public rather than a private function is another of our costliest errors.

Poverty could be reduced to the vanishing point if the city thought in public rather than in private, in social rather than in personal terms. If the city took in land taxes, what the city itself creates, it could abandon all other taxes; it could supply many services at no cost whatever, that are now privately exploited. With this abundant revenue the city could acquire public utilities, could widen education, could build slaughter houses, markets, and cold storage plants; it could furnish many kinds of recreation and amusement, now denied to people.

But more important by far than the fiscal gain, the taxation of these increasing land values would relieve the housing problem, it would reduce rents and distribute people far out in the country. For the taxation of vacant land compels owners to use it, to build upon it, to cultivate it, and that is the great gain from this reform. With a heavier tax on land values, opportunity would call men to work, to build, to cultivate. Then speculators would be punished for their idleness rather than

rewarded for it. Then too, new wealth would be created, prices would come to a competitive basis and those monopolies identified with the land would be destroyed. For the taxation of land values would open up nature to use by man, it would offer him a place in which to live, and to labor. It would create new opportunities. It would relieve poverty by the creation of more jobs. It would lead to a more equitable distribution of wealth.



## TAXING LAND VALUES—CAN THE TAX BE PASSED ON?

By Henry George.

. . . That taxes levied upon Land Values, or, to use the politico-economic term, taxes levied upon rent, do not fall upon the user of land, and cannot be transferred by the landlord to the tenant, is conceded by all economists of reputation. However much they may dispute as to other things, there is no dispute upon this point. Whatever flimsy reasons any of them may have deemed it expedient to give why the tax on rent should not be more resorted to, they all admit that the taxation of rent merely diminishes the profits of the landowner, cannot be shifted on the user of land, cannot add to prices, or check production.

Not to multiply authorities, it will be sufficient to quote John Stuart Mill. He says (section 2, chapter 3, book 5, "Principles of Political Economy") :—"A tax on rent falls wholly on the landlord. There are no means by which he can shift the burden upon anyone else. It does not affect the value or price of agricultural produce, for this is determined by the cost of production in the most unfavorable circumstances, and in those circumstances, as we have so often demonstrated, no rent is paid. A tax on rent, therefore, has no effect other than its obvious one. It merely takes so much from the landlord and transfers it to the State."

The reason of this will be clear to everyone who has grasped the accepted theory of rent—that theory to which the name of Ricardo has been given, and which, as John Stuart Mill says, has but to be understood to be proved. And it will be clear to everyone who will consider a moment, even if he has never before thought of the cause and nature of rent. The rent of land represents a return to ownership over and above the return which is sufficient to induce use—it is a premium paid for permission to use. To take, in taxation, a part or the whole of this premium, in no way affects the incentive to use or the return to use; in no way diminishes the amount of land there is to use, or makes it more difficult to obtain it for use. Thus there is no way in which a tax upon rent or Land Values can be transferred to the user. Whatever

the State may demand of this premium simply diminishes the net amount which ownership can get for the use of land or the price it can demand as purchase money, which is, of course, rent or the expectation of rent, capitalized.

Here, for instance, is a piece of land that has a value—let it be where it may. Its rent, or value, is the highest price that any one will give for it—it is a bonus which the man who wants to use the land must pay to the man who owns the land for permission to use it. Now, if a tax be levied on that rent or value, this in no wise adds to the willingness of anyone to pay more for the land than before; nor does it any way add to the ability of the owner to demand more. To suppose, in fact, that such a tax could be thrown by landowners upon tenants, is to suppose that the owners of land do not now get for their land all it will bring; is to suppose that whenever they want to, they can put up prices as they please.

This is, of course, absurd. There could be no limit whatever to prices, did the fixing of them rest entirely with the seller. To the price which will be given and received for anything, two wants or wills must concur—the want or the will of the buyer, and the want or will of the seller. The one wants to give as little as he can, the other to get as much as he can, and the point at which the exchange will take place is the point where these two desires come to a balance or effect a compromise. In other words, price is determined by the equation of supply and demand. And, evidently, taxation cannot affect price unless it affects the relative power of one or the other of the elements of this equation. The mere wish of the seller to get more, the mere wish of the buyer to pay less, can neither raise or lower prices. Nothing will raise prices unless it either decreases supply or increases demand. Nothing will lower prices unless it either increases supply or decreases demand. Now, the Taxation of Land Values, which is simply the taking by the State of a part of the premium which the landowner can get for the permission to use land neither increases the demand for land nor decreases the supply of land, and therefore cannot increase the price that the landowner can get from the user. Thus it is impossible for landowners to throw such taxation on land users by raising rents. Other things being unaltered, rents would be no higher than before, while the selling price of land, which is determined by net rent, would be much diminished. Whoever purchased land outright would have to pay less to the seller, because he would thereafter be called on to pay more to the State.

But while the taxation of Land Values cannot raise rents, it would especially in a country like this where there is so much valuable land unused, tend strongly to lower them. In all our cities, and through all the country, there is much land which is not used, or not put to its best use, be-

cause it is held at high prices by men who do not want to or who cannot use it themselves, but who are holding it in expectation of profiting by the increased value which the growth of population will give to it in the future. Now, the effect of the Taxation of Land Values would be to compel these men to seek tenants or purchasers. Land upon which there is no taxation even a poor man can easily hold for higher prices, for land eats nothing. But put heavy taxation upon it, and even a rich man will be driven to seek purchasers or tenants, and to get them he will have to put down the price he asks, instead of putting it up; for it is by asking less, not by asking more, that those who have anything they are forced to dispose of must seek customers. Rather than continue to pay heavy taxes upon land yielding him nothing, and from the future increase in value of which he could have no expectation of profit, since increase in value would mean increased taxes, he would be glad to give it away or let it revert to the State. Thus the dogs in the manger, who all over the country are withholding land that they cannot use themselves from men who would be glad to use it, would be forced to let go their grasp. To tax Land Values up to anything like their full amount would be to utterly destroy speculative values, and to diminish all rents into which this speculative element enters. And, how groundless it is to think that landlords who have tenants could shift a tax on Land Values upon their tenants can be readily seen from the effect upon landlords who have no tenants. It is when tenants seek for land, not when landlords seek for tenants, that rent goes up.

To put the matter in a form in which it can be easily understood, let us take two cases. The one, a country where the available land is all in use, and the competition of tenants has carried rents to a point at which the tenant pays the landlord all he can possibly earn save just enough to barely live. The other, a country where all the available land is not in use and the rent that the landlord can get from the tenant is limited by the terms on which the tenant can get access to unused land. How, in either case, if the tax were imposed upon Land Values (or rent) could the landlord compel the tenant to pay it?

It may be well to call attention to the fact that a tax on Land Values is not a tax on land. They are very different things, and the difference should be noted, because a confusion of thought as to them may lead to the assumption that a tax on Land Values would fall on the user. Barring such effect it might have on speculation, a tax on land—that is to say, a tax of so much per acre or so much per foot on all land—would fall on the user. For such a tax, falling equally on all land—on the poorest and least advantageously situated as fully as on the richest and best situated land—would become a condition imposed on the

use of any land, from which there could be no escape, and thus the owners of rentable land could add it to their rent. Its operation would be analogous to that of a tax on a producible commodity, and it would in effect reduce the supply of land sufficient to pay the tax. But a tax on economic rent or Land Values would not fall on all land. It would fall only on valuable land, and on that in proportion to its value. It would not have to be paid upon the poorest land in use (which always determines rent) and so would not become a condition of use, or restrict the amount of land that could be profitably used. Thus the landowners on whom it fell could not shift it on the users of land. This distinction, as to nature and effects, between a tax on land and a tax on Land Values, it is necessary to bear in mind.

It is also necessary to bear in mind that the value of land is something totally distinct from the value of improvements. It is a value which arises not from the exertion of any particular individual, but from the growth and progress of the community. A tax on Land Values, therefore, never lessens the reward of exertion or accumulation. It simply takes for the whole community that value which the whole community creates.

While it is not true that a tax on Land Values or rent falls on the user, and thus distributes itself through increased prices, it is true that the greater number of taxes by which our public revenues are raised do. Thus, speaking generally, taxes upon capital fall, not upon the owners of capital, but upon the users of capital, and are by them transferred to the consumers of whatever the capital is used to produce; taxes upon buildings or building materials must ultimately be paid in increased building rents or prices by the occupiers of buildings; imposts upon production or duties upon imports must finally fall upon the consumers of the commodities. This fact is far from being popularly appreciated, for, if it were, the masses would never consent to the system by which the greater part of our revenues are raised. But, nevertheless, it is the vague apprehension of this that leads by confusion of ideas to the notion that a tax on Land Values must add to rents.

The general principle which determines the incidence of taxation is this: A tax upon anything or upon the methods or means of production of anything, the price of which is kept down by the ability to produce increased supplies, will, by increasing the cost of production, check supply, and thus add to the price of that thing, and ultimately fall on the consumer. But a tax upon anything of which the supply is fixed or monopolized and of which the cost of production is not therefore a determining element, since it has no effect in checking supply, does not increase prices, and falls entirely on the owner.

In view of the efforts that are made to befog the popular mind on this point, I have deemed it

worth while to show why taxes on Land Values cannot be shifted by landlords upon their tenants. But the fact that such a tax cannot be so shifted is realized well enough by landowners. Else why the opposition to the Single Tax, and why the cry of "confiscation"? Our national experience, like the experience of every other country, proves that those who are called on to pay a tax that can be shifted on others seldom or never oppose it, but frequently favor it, and that when once imposed they generally resist its abolition. But did anyone ever hear of landlords welcoming a tax on Land Values, or opposing the abolition of such a tax?



### ENTER, BABE OF NATIONS!

For The Public.

Enter, Babe of Nations, into world of struggling fate;  
Take thy choice of stations, future heir to large estate;

Choose, before eternity  
Brings a new posterity,  
Shedding blood for charity,  
Crying out for liberty.

Enter, Babe of Nations, into world of struggling fate;  
Take thy choice of stations, future heir to large estate.

Thou shalt rule tomorrow, and succeed despotic kings;

Wilt thou outcast sorrow, and root out oppressive things?

"Free and equal," is it true?  
Laborers, and Wall street crew—  
Mills Hotel, Fifth Avenue—  
Tenements and mansions, too?

Thou shalt rule tomorrow, and succeed despotic kings;

Wilt thou outcast sorrow, and root out oppressive things?

Hast thou any fairing, such as hope of equal men?  
Will thy sons be daring in the quest of nobler ken?

Love become thy destiny;  
Faith be found, or jealousy;  
Peace enthroned, or enmity;  
Death triumph, or liberty?

Hast thou any fairing, such as hope of equal men?  
Will thy sons be daring in the quest of nobler ken?

Enter, Babe of Nations, into world of struggling fate;  
Take thy choice of stations, future heir to large estate;

Hasten, thou, the golden age  
Here, where all the world's a stage;  
Learn, for all the past's a gage,  
Pledge of vengeance, wrath and wage.

Enter, Babe of Nations, into world of struggling fate;  
Take thy choice of stations, future heir to large estate.

PAUL MAY.



If you do not wish for His kingdom, don't pray for it. But if you do, you must do more than pray for it; you must work for it.—John Ruskin.