

# TWO PURPOSES IN LAND OWNERSHIP

by

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# PRODUCTION AND OBSTRUCTION

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Reconstruction includes two types of measures, first aid and fundamental cure. First aid is justly getting much attention; the fundamental cure now presses, with daily increasing force, for discriminating as well as resolute consideration. Hence, as an engineer, with a deep sense of professional duty to propose whatever well-known and immutable principles indicate as necessary, I invite attention to fundamentals.

Land is the basic necessity of human life. What are the terms of land ownership?

Ownership of land is now permitted to serve two radically different purposes.

Land may be owned as an incident to the construction and enjoyment of a home, with suitable and, it is to be hoped, with adequate and even beautiful grounds around it; as an incident to the production of food and other necessities and comforts of life; as an incident to a banking, mercantile, manufacturing, transportation or other useful business; as an incident to wholesome pleasure and recreation.

Land may also be owned as a means of getting tribute, for living without useful service, as an essential to outright oppression. The speculators, dukes and kings know this very well.

The first purpose is beneficent in the highest degree; the second, though often not deliberately so, is highly obstructive to industry, to full returns for capital and labor and to that widely distributed prosperity and happiness which is the aim of democratic government.

Land ownership for the first purpose may, for brevity, be called productive land ownership, that for the second purpose obstructive land ownership. The fact that an individual owner may have both purposes does not affect their relative merits.

If either of the two purposes in land ownership is to be made a favored interest at the expense of the other, if either is to be penalized to subsidize the other, it is plain that the productive purpose should be the one to be fostered. But incredible as it is, we are acting on the diametrically opposite principle. We are actually subsidizing obstruction at the expense of production. Not only that, but this irrational practice prevails throughout the world. Our own country is no exception. This policy is so universal and we are so habituated to it that it is hardly noticed and even less discussed.

The train of evils produced by such a basic perversion of government as the maintenance of the obstructive use of land at the expense of the productive use is naturally long--too long to enumerate now. Prominent among these evils, however, may be mentioned our burdensome and demoralizing tax system. Another consequence of our tenderness of the harmful use of land is the restriction, in large degree, of the productive use of land to the less well-located and poorer land,--with corresponding diminution of the country's economic power. Another consequence is inadequate funds for public improvements, for salaries of public employees and for other public needs. Another is the settler forced to the lonely wilderness. Another is the city slum. Another is scarcity of employment. Another is the menace of blind revolution.

Our whole economic and social system is thrown out of gear by this one economic blunder. For it is a blunder at a vital spot. Its correction, once the public sees the point, must prove one of the easiest of the many tasks confronting our people. The result would be the removal of the cause of a long train of evils and, in consequence, the disappearance of these evils themselves. The way would then be clear, as never before, for similarly vigorous and rational treatment of other evils.

Let us, as its importance warrants, go into this subject somewhat more systematically. Investigation will reveal where the evil is entrenched, and indicate what we must do to get rid of it.

The whole case may be briefly condensed as follows:

(1) Land is the source from which man produces capital and meets all his material needs. The right to use land is essential for the use of water, light and air. The right to use suitably located land is essential for a home, for the conduct of a business, and for any activity of man. On the wisdom and justice of the terms of land ownership, the stability of society depends.

(3) Private ownership of land at present includes two features -- one essential and good, the other unessential and bad.

(3) The good feature in private ownership of land is the right to use land, to conduct in security one's business, and to enjoy in security one's home, property and life.

(4) The bad feature, now included in private ownership of land, is the right with impunity and even with profit to prevent the use of valuable land; a right which gives power to name the terms upon which land may be used, the terms upon which capital and labor may function; a right which gives power to absorb by ever-increasing exactions and without service in return, the social value of all invention, discovery and civic advance; a right which gives power, through arbitrary control of the surface of the earth, to control the lives and fortunes of men.

(5) The bad feature still existing in private ownership of land is the one essential stronghold of landed autocracy, ancient and modern; between it and democracy there can be no peace; wherever it prevails men cannot be free; so disastrous has been its effect, to such extent it has overborne the good feature in land ownership that the resulting discontent mistakenly threatens the whole system of private ownership of land.

(6) The harm experienced under private ownership of land is not inherent in private ownership; it is due solely to the one bad feature in private ownership -- a feature which has far too long found support because of its supposed inseparability from the good feature.

(7) Existing tax laws require a land owner to pay more taxes if he uses his land than if he does not. They also permit him to absorb site-value, which is the value that the development and maintenance of society adds to land. The result of these two conditions is a premium upon withholding valuable land from use. Thus is produced and maintained the bad feature in private ownership of land.

(8) All about us are the inevitable consequences of this policy: agriculture a needlessly precarious occupation; farm tenancy and absentee ownership widespread and on the increase; bad housing; living expenses harder and harder to meet; the price of land rising and taxes upon its use increasing,--conditions formidably obstructive to the production of food and other necessities and comforts of life.

(9) The legalized premium upon obstructive use of land ownership has no better claim to perpetuation than that other and kindred institution of medievalism, the divine right of kings.

I therefore earnestly urge upon all who wish to see the resources of our country made fully effective, and society put on a stable basis, the need of changing our system of taxation

so as to make the productive ownership of land rather than the obstructive ownership of land the favored interest of government.

The nature of site-value points the way. Site-value is a vast fund. It is created by the public. It can be turned to public use by suitably taxing it. The revenue from site-value taxation would not only be ample in ordinary times, but in war time would mobilize the whole economic power of the country, which existing taxes cannot possibly do. More can be had from the one right and ample source, site-value, than from our present multiplicity of wrong and relatively unproductive sources.

The obvious step is to make site-value the sole basis of revenue taxes and incidentally to abolish all taxes upon food, clothing and shelter; live stock, orchard and farm improvements; buildings, ships and machinery; trade, transportation, manufacturing, forestry, and agriculture; thrift, skill and efficiency; and upon all useful activity.

It is especially important that the individual states turn to site-value taxation since the holding of valuable land out of use is a favored, exempted interest under the Federal Income Tax, as it is under any income tax.

Once the universality of its benefits and the unsoundness of the case against it are understood, the obstacles to the adoption of the proposed single tax upon site-value must prove short-lived.

I urge consideration of the following opinions of its advocates as to certain specific effects of the proposed single tax.

The single tax, by entirely untaxing the use of land, would add a large new value to land-ownership; by entirely untaxing improvements, it would make the taxes lower than now upon nearly all farms, as it would also to a wide extent, upon other improved real estate. By destroying the speculative demand for land (to accomplish which it must be suitably extensive and thorough in application), it would reduce the price of land and reduce the total carrying charge (interest and taxes combined) upon all land bought after the change. It would, nevertheless, by making suitable use the only way to meet even this low carrying charge, eliminate the speculative motive for holding land out of use. It would thus permit the market supply of land, urban and rural, to keep pace with the demand and would thus reduce to a minimum the cost of land-ownership and of land use.

The taxes paid by each tax payer would then be proportioned to the publicly-maintained benefits actually placed at his command. They would no longer be proportioned to the skill and success with which he serves himself and the public. No individual could escape paying and paying his just share; the payment would decrease if the site-value of his land should fall, and would increase if the site-value of his land should rise.

Non-land owners, so far as any such remain, would pay their tax solely through their rent, instead of as now, partly through their rent and partly through increased prices of the necessities and comforts of life. Their rents would, however, be easier to meet than now. Nobody would give up anything for taxes which would not otherwise be absorbed by obstructive land ownership.

The single tax would operate powerfully to smooth the way for other reforms, and to widen the participation in their value when secured, to increase the production of wealth, to diminish poverty, and to make us a nation of land owners and home owners -- impregnable in defense.

Like an income tax, or an inheritance tax, the single tax would lay large charges only upon broad shoulders. Unlike them, it would not violate an individual's just right to his earnings and savings, even if they are large. Unlike them it would actually reach the dangerous fortunes and no others. Unlike them it would not help perpetuate the bad feature in land ownership.

The single tax would be the fairest, most productive and simplest of all possible systems of revenue. It would be the least costly to collect, and it would not be inquisitorial.

The single tax would abridge nothing in private ownership of land but its abuse.

The single tax would make useful industry and the secure enjoyment of just property rights the prior concern of government, rather than the maintenance of the evil feature in land ownership.

By securing revenue and protecting industry by a plan more effective than tariffs, the single tax would remove the demand for economic barriers between us and those with whom our citizens wish to trade.

The single tax would open ample opportunities within our own borders for capital and thus reduce the incentive to economic imperialism.

The single tax would aid us immeasurably in meeting the problems of reconstruction, and by undermining certain formidable economic causes of war, would materially contribute to making an end of war.

I believe that the foregoing accurately represents present day single tax views. I may add that what I have just offered as "a brief condensation of the whole case" was adopted practically verbatim as a statement of principles of the National Single Tax League of the United States at a meeting of its Executive Committee last August by unanimous vote. Such few changes as I have made are mainly the omission of passages pertinent only under the war conditions then existing.

In closing, may I add a word or two as to more immediate proposals.

The first thing to be done is to develop a realization that we, the land loving, home loving and business loving American people are actually discouraging the wholesome ownership of land in the interest of the harmful ownership of land. He must also produce a realization that until we abandon this practice it is hopeless to look for secure economic order, that until we abandon this practice other efforts at improvement can result in relatively little but increase profits for the obstructive type of land ownership. These realizations accomplished, public sentiment would gradually right the wrong.

As with the making of other important public changes, temporary hardships to some individuals would doubtless be caused by adopting the Single Tax program. On the other hand, multitudes of severe cases of hardship otherwise chronic and otherwise incurable would be permanently cured. Moreover, the inconveniences incident to the change would be acceptably minimized by reasonable handling of ad interim conditions, and cases of actual individual hardship could be suitably taken care of by some such bodies as the draft exemption boards. Of course, exemptions to charitable religious, educational or other interests which it is deliberately intended thus to encourage would continue to prevail at least as liberally as at present, and far more effectively, for such interests would then be free from multitudes of indirect taxes from which they cannot now be shielded.

The best first legislative step toward the proposed

#### SINGLE TAX UPON SITE VALUE

- NOT single tax upon LAND be it observed - may well be the assessing of site value separately from land improvements and from buildings. Such separate assessment would obviously be an essential part of the new system, and would have to be adopted with it if not before it. If adopted beforehand, it would throw much light in advance on the actual workings of the new plan, and enable the public to take the next step with full understanding and calm confidence - a condition highly favorable to a smooth transition period.

Even if we cannot get the Single Tax into actual force in time to aid in getting land and fitting it for a suitable welcome to our returning soldiers and sailors, we can at least have it ready as a worked out plan of action, a vision of better things than they or the world have ever before known or dared seriously to contemplate, and they and we can have the lasting joy of working together to make it come true. Until it does come true, the work of '76, of '61 and of '18 will remain in vital respects unfinished. Until it does come true, we shall not have real reconstruction.

• S. A. G. E. •

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