

the progress of the human race, the end of creation in fact, necessitates the exclusive possession and control of certain parts of the Earth's surface—Land—as we say. Such exclusive possession is a Privilege, granted by the Community, be it City, State or Nation, to certain of its members, which should exact of them an equivalent of the advantages attached to the Land they hold, which vary according to location and the use it can be put to, which advantages are the effect of, and are coincident with the extension of man's dominion over the Earth—or more correctly speaking "The dominion of Mind over Matter." The value of this Privilege is the natural or rightful income on the Community, as truly as the value of the labor expended in the production of wealth by its member's is their rightful income.

The Community by collecting its income and expending it for the benefit of all its members would not only insure the equitable distribution of wealth (Mediate Ends to the End of Creation) but would at the same time eliminate all expectation of profit or gain from withholding Land from use; thus, the inducement to do so would cease. Unused Land would then be equally free for all men to use, and each and every one would secure and enjoy his rightful share of the wealth produced through

FREEDOM OF EXCHANGE

and in no other way could they do so. For it is obvious that with the extension of Man's dominion over the Earth—industry continuously diversifies, and work, or labor specializes, so that the most simple thing—the product of human labor—is an embodiment of that of very many different workmen, far distant, it may be, one from another, not only in their own country, but also in that of others; so that no one can claim to have produced, unaided by others, this or that particular thing. And though each and every one is, or should be dependent on his one exertion, yet all are dependent on the energy expended by others who have cooperated in the production of the things they need. This interdependence and cooperation go hand in hand, and each and all live by exchange, giving an equivalent for what they receive.

All and singular, the products of human labor—the fruits of the use of the Earth, or as we say, Wealth—are

MEDIATE ENDS

to the material, intellectual and spiritual welfare of Man—the human race. Every human action involves the *use* of such Mediate Ends, whether it be expended in their production or in rendering service.

—JOHN FILMER.

"THE first thing to do for good homes, as well as permanent good times, would seem to be to increase the available supply of land through increased taxes on all sites worth owning, at the same time abolishing taxes on improvements."—PROFESSOR LEWIS J. JOHNSON.

The Why of Poverty

FAMILY incomes have been classified as sufficient for:

1. Existence;
2. Necessities plus savings;
3. Comfort plus savings;
4. Luxury plus savings.

Most every one will admit that families whose income is only sufficient to place them in the first group may be called poor. But some families in the second or third group may consider themselves poor because they cannot easily increase their income or reduce their expenditures enough to place them in the next higher group. So "Poverty," within limits, is a relative term.

Some writers have tried to show that the poverty of individuals or families is of two kinds: Voluntary Poverty and Involuntary Poverty. Voluntary Poverty exists where one or more members of a family suffer from some personal handicap. It may be a disease like alcoholism, or the result of some present or past infection; it may be a mental or physical deformity, or just laziness. This type of poverty is well known to social workers, and needs no further mention. In the second, or involuntary kind of poverty, there is no personal handicap for any individual member of the family—except of course, temporary or incidental handicaps. This group is typified by the farmer who has health, intelligence, and diligence, and yet, because of conditions over which he has no control, runs behind each year even after considering his inventories and depreciations. All his labor for the year may net him only ten cents an hour. Other illustrations of this type of poverty may be found in towns or cities when a man tries to go into business for himself in a small way and cannot succeed. The predominant disabling factor in these cases is economic.

What is this economic factor that makes itself felt in every state in the Union and even more in many foreign countries? Let us see if by chance it may not be connected with the system of taxation which we inherited from England three hundred years ago.

Anyone who has ever seen a tax bill knows the two magic words—Real Estate. These two words conceal at least four different qualities of value. Some Boards of Assessors attempt to divide the valuation into two parts, using the headings "Buildings" and "Land."

You can soon prove to yourself that these headings are not sufficient. Choose a piece of Real Estate that you own or would like to own and about which you know the details. Take a small pad of paper and write as many answers to the following question as you can think of—one answer on each sheet. Then do a little game of solitaire, sorting the slips into piles, as you might a pack of cards, two red and two blacks. Here is the question that has

many answers: "Why has this piece of Real Estate any value at all?"

Some of the answers will concern the present and previous owners of the land and the current value of their efforts to improve it. Some of the answers will concern the buildings thereon, also built by the present or previous owners of the land, or their tenants.

Because the Real Estate is not in Germany or Mexico, but under the protection of the laws of the United States, no invading enemy can come and collect forced contributions as the Germans did in Belgium. The State Government also functions for the benefit of the land owner. The County Government which the citizens are at liberty to make as good as they choose, also is a factor in the valuation of the land, then the town or precinct also becomes a factor. These are general factors with which the present or previous owners have nothing to do. Nor did they create the local site factors; the distance from Town Hall, Court House, Police Station, Fire Station, School, and other headquarters for services maintained by the town; distance from the Library, Church, Hospital, and other semi-public institutions; the distance from transportation system, electric light and telephone; the distance from markets, stores, and business offices. The value given by favorable relation to some of these utilities is *community created value*.

Nor did the past or present owner do anything to create the value of natural resources such as shore rights, water power, forests that nobody planted, deposits of sand gravel, rock, mineral ores, coal, oil, fine views, etc.

So in making a valuation of pieces of Real Estate we might well use four columns, instead of two.

A	B	C	D
Arm-Made Improvements of Land	Buildings	Site or Com- munity Cre- ated Value of Land	Divinely Cre- ated Natural Resources. Dump for Other Factors.

To get this method of recording valuations into general use is something of a problem. Try it on your own Real Estate; ask the Directors of the Corporation in which you hold at least one share to figure the Company's Real Estate in this manner for their next annual report. If enough of your fellow stockholders insist, your request will be granted.

But they or you may ask why go to the trouble of dividing the valuation into four parts when they are all to be taxed at the same rate? That is just the point. When every one understands this method of valuation it will be obvious that there is no justice or reasonableness in taxing them all alike.

To make any change would in some states require a Constitutional Amendment. It would be wise, however, not to make a change suddenly, because of mortgages and other market factors.

The tax on improvements and the tax on buildings is a tax on production. The tax for community purposes can well be placed on the values created by the community. The tax on natural resources can be sufficient to prevent holding out of use by the title owner of products or services needed by the community.

The city of Pittsburgh has made a beginning in this direction. In the last fifteen years they have reduced the tax on improvements and buildings nearly fifty per cent. and shifted it on to site valuation and natural resources. The benefits are so well appreciated that the new system will not be abandoned.

Now, what has all this to do with the prevention of poverty? Suppose the tax could be wholly removed from improvements and buildings. It cannot be done immediately, and if it could, a gradual change would be preferable. But suppose it could be done as rapidly as advisable, what would be some of the effects?

In the first place, large owners of vacant land would be obliged to use, rent, or sell part of their land. Secondly a man who wanted to be independent could take up land at a non-prohibitive rental and make improvements or build without fear of being taxed for so doing. Every man previously working for some one else and striking out for himself leaves a vacancy behind to be filled by promotion of someone below him, and so unemployment will be largely eliminated. The farmer with no tax on improvements, buildings, live stock, or machinery will be able to do better and make both ends meet. Rents will be lowered and so the cost of living be reduced. Wages will be higher in relation to the cost of living.

The ideal would be the taking of the annual ground rent of land and natural resources—but not of improvements or buildings, as follows: So much as needed up to one-third for the Federal Government; so much as needed up to one-third for the State; so much as needed up to one-third for County and Town.

At present the Federal Government would not need more than one-sixth of the ground rental or one per cent. of the valuation. This amount if collected by the States and turned over to the Federal Government would enable it to reduce or abolish income taxes, to reduce the tariff on articles coming from countries that adopt a similar method of taxation, thereby greatly reducing the indirect tax on protected articles.

In the same way State and Municipal taxes would be reduced. The only people to object to this plan are speculators in Real Estate. They, however, would all die happier and better off because of the general increase in prosperity.—CALVIN G. PAGE, M.D.

“I DO not think that anyone would suggest that the alterations in taxation from improved value to site value is Socialism, or any extravagant or novel proposition.”—LORD ROBERT CECIL.