

## CHAPTER XLI

### PROGRAMS OF SOCIALIZATION

#### I. The Single Tax

1. Its object
2. Its meaning
3. Its advantages :
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  - b. Simplifies taxation
  - c. Increases production
  - d. Relieves poverty
4. Basis of its position :
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  - b. Land values social values
5. Its outlook

#### II. State Socialism

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2. Its growing importance
3. Its chief criticisms of society :
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  - b. Growth of private monopoly
  - c. Lack of equal opportunity
  - d. Waste of effort
  - e. Evils of competition
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    - (2) Its expected results
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    - (2) Position of " capital goods "
5. Its limitations
6. Its future

Two other programs of economic reform depend for their success upon the action and support of government. Both of these may be described as programs of socialization. In the one, the aid of government is invoked in order that society as a whole, rather than particular individuals, may enjoy the benefits of the increased valuation of land resulting from social action. In the other, government is relied upon to bring about not only a socialization of land, — natural resources, — but also of capital, — the tools of production. The one is usually known as the Single Tax Theory; the other as State Socialism.

**The Single Tax.** — In his “Progress and Poverty,” Henry George asks this question, “Why in spite of the increase in productive power do wages tend to a minimum which will give but a bare living?” Starting out with this query, George explains the coexistence of progress and poverty on the ground that the landlord class has appropriated as rent a great mass of wealth that should go to labor as wages, or to society as social income. He shows that the great increase in land values due to the growth of population (as evidenced by the fact that Manhattan Island alone in three hundred years increased in value one hundred million times) has gone, not to the people who created it, but has been appropriated by a few landlords in the form of an “unearned increment.” Therefore, to restore this “unearned increment” to society and thus to do away with the poverty of the masses, Henry George proposed what is now universally known as the Single Tax.

The Single Tax, to use Henry George’s own words, is “One single tax levied on the value of land irrespective of the value of improvements in or on it.” All machinery

of taxation would be done away with except that necessary to assess and tax land values. Hence the name "Single Tax." Now it must be distinctly borne in mind that this Single Tax means a tax on land itself,—not on any of its buildings or improvements. The tax is aimed solely at land values, and is thus an attempt to socialize the value of the land by turning over to the people the "unearned increment."

The advantages claimed for the Single Tax are, first, that while it would be so high as to cover the full value of the bare land, it would not apply at all to the value of improvements upon land. Since these improvements would remain untaxed, there would be every inducement to make improvements. At the same time, since land itself would be taxed to its full value, there would be no inducement for land speculation. Nothing whatever would be gained by holding idle land. In this manner, while every encouragement would be offered land improvement, an effective blow would be given to land speculation. Our present system of taxation encourages land speculation by taxing unimproved land at a lower rate than improved land.

Another advantage of the Single Tax is its simplifying effect upon the mechanism of taxation. The present land tax would be retained, but the intricate system of internal revenue and tariff collection would be abolished, and a great saving in the collection of taxes thus effected. Furthermore, there would be no chance to escape land taxation. Personal property may be concealed. Land, however, cannot be hidden from the assessor.

The Single Tax would also increase the productive capacity of the community. This is true because the aboli-

tion of taxes on industry (and the substitution of the Single Tax in their place) would free the active elements in production, — labor and capital. At the same time, this substitution would bring into use more land than is now available for productive purposes.

Finally, the Single Tax would relieve poverty by taking the "unearned increment" from the landlord and giving it to society. Then, since the Single Tax would fall most heavily on the cities where land values are greatest, the poorer agricultural districts could be relieved from the heavy burden of taxation.

The advocates of the Single Tax argue, moreover, that it is just, because land is not like ordinary private property. As the earth was not made by man, but merely supplies a temporary dwelling place for generation after generation, the men born into the world have an equal right to the free gifts of nature. Therefore, the natural resources of a nation should be used for the benefit of the entire nation, and this condition of affairs can only be brought about by shifting the burden of taxation from the majority who do not hold land to the minority who do. Single Taxers believe that a tax laid on tools or any other creation of human labor violates a right of property, because it takes from the man who has created it part of the thing which he has made. The tax on land values, however, takes from individuals nothing that they have actually created.

Again, the value of land is not due to the work of man and therefore its value bears no relation to actual individual effort. The value which is created in the land as the result of the centralization of business in New York City is appropriated by a few indi-

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vidual land owners. This, maintain the Single Taxers, is manifestly unfair because they did not create the value of Manhattan Island nor are they responsible for increasing it. This socially created value should be used for the purpose of developing certain community interests. With these properly secured and safeguarded, poverty would be at a minimum by reason of a more equal distribution of the wealth of society.

Whether the amount derived from a land tax alone would be sufficient to meet all of the expenses of government is still a matter of legitimate dispute. That the Single Tax would abolish poverty or establish complete democracy is certainly improbable. The present system of taxation is unquestionably imperfect. Thus the Single Tax would doubtless prove a remedy for some of the chief <sup>its out-</sup> defects of the present system. That it would <sup>look</sup> prove a cure-all for social ills no thinking person can believe. The Single Tax principle has been applied in New Zealand, Vancouver, and in a somewhat modified form in England and parts of Germany. As a program, it has never been afforded an opportunity to demonstrate its effectiveness. However, present indications point to a time in the very near future when some of our Western States, as well as several of the more progressive European countries, will be seriously remodeling their taxing systems on the basis of the Single Tax theory.

**State Socialism.** — While the Single Taxers hold to the socialization of natural resources as a means <sup>its distinc-</sup> of securing social progress, another school of <sup>tive char-</sup> reformers — the Socialists — hold that, in order <sup>acter.</sup> to attain social justice, not only natural resources, but also capital, must be socialized. Therefore the Socialist, in

his program, proposes to socialize not only land, but also the tools of production included in capital.

The recent growth of Socialism is one of the important phenomena of modern times. In several European countries its growth has been so rapid that many believe it will eventually become a firmly established institution. Although the Socialist cause in this country musters but half a million votes, it has attracted to its ranks capable men from many walks of life. To many the word "Socialism" stands in the same category as "anarchy"; and that in the same category as "bomb throwing." Such confusion of thought is the mark of an untrained mind.

The objections which Socialism makes to the present order of society seem to group themselves under five headings. First, there is the belief in the universality of exploitation. Exploitation means that an individual receives less than he produces. According to the Socialist's use of the term, a day laborer, creating in a year \$900 worth of value and receiving only \$400 in wages, is being exploited by the capitalist to the amount of \$500. In the eyes of the Socialist, exploitation is an inevitable result of a system which permits the private ownership of tools of production and the control of capital in such a manner that the owner of the machine becomes the master. It is to the interest of the tool owner to get the tool user to work at the lowest possible wage; hence exploitation eventually results.

The second criticism that the Socialist urges against the present system is that it permits the growth of private monopolies and offers no effective way to check them. Many fabulous fortunes, he asserts, have been made through the

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monopoly control of articles of general consumption, — coal, meat, ice, and iron; or through the ownership of monopoly business, — street-car lines, telephones, railroads, gas, and water supply. The Socialist believes that it is hopeless and furthermore undesirable to endeavor to restore competition as a regulator of prices. As competition largely gave way to combination, so he believes State monopoly must succeed private monopoly.

The third criticism offered by the Socialist is that society lacks a plan for the constructive development of all its parts. He sees chaos in the present arrangement. To him the world is a bundle of contradictions. In an age of plenty, he still sees the universal specters of poverty, ignorance, and crime. Although man has conquered his environment through harnessing the forces of nature, there are still underfed children, homeless men, imperfect sanitation, low pay, and lack of employment. Too often the welfare and happiness of many are dependent solely on the accident of birth. The race of life is unequal. Some start with such handicaps as a body undernourished from infancy, and a mind equipped with but the merest rudiments of education. These at thirteen or fourteen are destined to the life of a factory, while others have the possibility of a college diploma and the assurance of a social and business position.

The fourth criticism that the Socialist urges against modern society is its wastefulness. Competition is uneconomic; coöperation, economic. Under the competitive system much is done in duplicate and triplicate that could just as well, under a system of coöperation, be done but once. This is particularly true in the distribution of

goods for consumption. A half dozen competing hucksters, milkmen, and icemen pass over the same route daily when half that number might have distributed the same amount of goods had there been no competition.

A fifth criticism of the Socialist is against the essentially evil nature of competition. In industrial competition he sees a force that calls out all the bad in human nature, while at the same time it suppresses much that is good.

*Evils of competition.* To undersell their competitors and make a profit, men adulterate food, employ child labor, violate factory inspection laws, and pay low wages. Competition puts the law-abiding and humane employer at a disadvantage and forces the indifferent employer over into the camp of those who seek success at any price.

And so State Socialism, weighing the present organization of society in the balance and finding it wanting, comes forward with a plan built on an entirely different basis. It proposes to substitute for the private ownership of all land and capital goods, — factories, railroads, stores, and the

*Its leading principles: Government ownership advocated.* like, — social ownership and operation. In this plan the Socialist sees many advantages. Under such a system there would be no capitalist to demand interest; all the returns of labor would go to labor, and exploitation would cease. As

the government would own all the land and natural resources, there would be no monopolist's profits to be paid out of the pockets of consumers. Since competition would be destroyed, there would be no further incentive to adulteration of goods, to child labor, or to the violation of health and fire ordinances. In place of a society of competing units, each struggling to get the most for himself, State Socialism would substitute an orderly plan for the attainment of definite and



uniform results. Every child would be guaranteed education and support at State expense, and every man in old age after his life work is over would be an honored pensioner of the government. Instead of working ten and eleven hours a day, the working day would be cut in half through the economies of coöperative action.

The Socialist believes that in many ways society has outgrown the institution of private property, just as much as it has outgrown the institution of property in individuals called slavery. He admits that both may have been valuable at a certain stage in the development of civilization, but asserts that that time is now passed. In attacking the institution of private property, it should be borne in mind that the Socialist opposes private ownership in land and the tools of production only. In common with the Single Taxer, the Socialist believes that the land is a gift to all, from the Creator, as free as air or water. He would, therefore, restore it to its original state. Arguing solely from the standpoint of expediency, he upholds that, if the best interests of society are served by a system of common ownership of its capital goods, there is no valid reason why such a system should not be put into operation.

The Socialist therefore goes one step beyond the Single Taxer. He would socialize capital as well as land. Would Socialism inaugurate the millennium? Certainly not. Men and women would still be dishonest, lazy, shiftless, and vicious under Socialism. Officials would steal; ambitious men would usurp power; demagogues would secure office. Socialism would not reform men — it might give them a chance to improve their condition. Under Socialism the productive machinery would

be less efficient; there would be less opportunity for the genius to make his mark in industry; the whole mechanism of society might prove too great a burden for a government to carry successfully. One fact is obvious — neither Socialism nor any other scheme of social betterment can succeed until the standard of education is raised among the people.

In Germany, the Socialists cast more votes than any other political party. In Belgium, France, Italy, and England, Socialism has likewise gained a strong foothold. In the United States, although the number of Socialists is comparatively small, they have elected mayors, legislators, and other public officials. Thus the movement *Its future.* which was at one time openly ridiculed is now secretly feared. Its leading thought — the increase of social control — is steadily gaining ground. Everywhere, we find government taking on more authority and exercising greater power. Thus, while it is unlikely that the doctrines of State Socialism will be carried out in their entirety, it is equally likely that they will be applied in a modified form to the solution of many pressing problems.

#### TOPICS FOR CLASS DISCUSSION

1. What is "the full economic value of land" which Henry George would absorb by a tax?
2. Outline the arguments for and against the Single Tax.
3. What has the Single Tax accomplished as applied in New Zealand?
4. What is exploitation?
5. Of the bases of modern Socialistic thought, which appears to you to be the strongest?
6. Was Marx correct in assuming that labor is the sole cause of value in exchange?