

## TAX REFORM, OR LAND REFORM—WHICH?

MR. OGDEN RE-STATES HIS POSITION.

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The controversy among Single Tax men, as to the justice or injustice of private property in land, began when it was first discovered that the annual rent of land was about double the expense of government, and that a single tax on the rental value of land would therefore take only half of that value.

The fact that the rental value was at least equal to the tax needed to support government, was seriously questioned by some authorities, and Mr. Thomas G. Shearman gathered such information as he could obtain, and made a careful, and very satisfactory approximate estimate of the amount of rental value in New York City, and found that a tax of about fifty per cent. would yield the full revenue for State and City taxes.

This discovery was of great practical value. It settled the doubt that Professor William T. Harris, U. S. Commissioner of Education, had raised as to the sufficiency of ground rent to meet the needs of government. But it did more,—it raised the question among Single Taxers—What shall be done with the remaining fifty per cent.?

Mr. Shearman stood for what was then called the Single Tax “limited,” that is, for taking in taxes only so much of rent as would meet the needs of government. As Mr. George declared for what he regarded as the broader question of common ownership of land, he did not agree with Mr. Shearman, except in so far, that for the present it was expedient to limit our demand as suggested by Mr. Shearman.

But the logic of the fact that the landowner would still enjoy one-half of the rental value of his land, would not let the alleged moral issue in Mr. George’s great work remain quiet. Their belief in the justice of taking the full rental value stirred the souls of the earnest followers of Henry George, and a breach occurred between the “Unlimited” and the “Limited” Single Taxers.

Many were not satisfied with the position taken by Mr. George, but some of these did not blindly follow Mr. Shearman, who opposed no other argument to Single Tax “Unlimited” than that of mere expediency. The “Limited” Single Taxers were referred to as subordinating the great moral issue of the injustice of private ownership in land, to the mere material issue of a great fiscal reform.

At that time, about 1890, I made another, and a critical examination of *Progress and Poverty* and then found the error of Mr. George revealed in Book III., Chap. I., where occurs the only vague, and incomplete statement in a work marvelous for purity of style, and the rare analytical power of its great author. Following an inquiry into the laws of distribution and their necessary relation, he makes this remarkable statement: “It is, further, a matter of fact, that in every community which has passed the most primitive stage, some portion of the produce is taken in taxation and consumed by government. But it is not necessary, in seeking the laws of distribution, to take this into consideration. We may consider taxation either as not existing, or as by so much reducing the produce. \* \* \* After we have discovered the laws of distribution we can then see what bearing, if any, taxation has upon them.”

Certainly, if the first sentence in the above quotation states a fact, taxation is as truly a law of distribution as that association is a law of the human species. Taxes, rent, wages, and interest are the four grand divisions of the distribution of wealth, and the importance of the first is seen in its adoption by Henry

George as the efficient remedy for the alleged evil of land ownership, which he has found by leaving out of his analysis of the distribution of wealth all consideration of the factor of taxation.

Of course the error was fundamental, and fatal to a proper solution of the great problem, which was to find the cause of poverty, and a remedy; and it was only after he had thus erroneously found that private property in land is unjust, that he adopted the expediency of taking rent through the medium of the tax office. As Mr. Pleydell says: "The term 'Single Tax' applied to his philosophy was not of his coining or seeking."

He did not see that the cause of the unfair distribution of wealth was owing to the interference of a false system of taxation; and this is the more remarkable because he found the single tax *per se* to be the only just tax, agreeing in perfect harmony with the accepted canons of taxation. He afterwards referred to it as a natural tax, and sought to know why Adam Smith did not adopt the views of the Physiocrats. On page 167, in *The Science of Political Economy*, Mr. George says: "Even if Adam Smith had seen the place of the Single Tax in the natural order, as the natural means to supply the natural needs of civilized society, &c." Yet even in this last of his writings, after the clear statement quoted, he, in a subsequent chapter, again declines to consider taxation as a proper subject for political economy, and in language as vague and incomplete as he had used in the above quotation from *Progress and Poverty*, he dismisses the subject as not germane to his inquiry. On page 426, he says: "Taxation is a matter of human law, while the proper subject of science is natural law."

Now where is the truth? If, as nearly all men believe, landownership is just, and as many believe, the Single Tax "Limited" is just, how is it to be proved? Perhaps I can help you to understand my views of this proposition by attempting to tell in my way the story of the first settler, in *Progress and Poverty*, Book IV., Chap. II.

Let us imagine the first settler in a wild country taking up a piece of land. Now suppose another settler locating by the first; then the difference between the wealth the first settler will be able to produce by associated effort with his neighbor, and what he before produced by himself, is the profit in association, and this is rental value. If more settlers come along they will naturally locate near these two, and the difference that each of them will produce in association with the others, over what he could produce if he went farther on and settled by himself, is his profit in the association; and he would not rent his place to another for less than this annual profit. But if this were all, every new settler would simply take land near by, and no one would pay rent for land when there was abundance of free land in the immediate neighborhood. Rent of land would simply be the profit in association enjoyed by the user, but it would have no exchangeable value, if this were all. But this is not all. The association of settlers would form a society, and government would appear, and with it security of tenure. The settlers could only associate by means of roads, and these would be opened and extended as the society grew, and the land bordering on the roads would of course have a greater value than outlying land of equal fertility, and, as the extent of the road itself would limit the amount of land so benefited, the profit in association to a land owner enjoying the road would be the wealth he could produce, over what he could produce on land without the use of a road, less his share of the cost of the road. And this rule would apply to every other function of government. The administration of justice, and the school, would benefit only those within the area supplied; the value of the land would reflect the appreciation of other men for the advantages of government; the profit in association would be the annual rent of the land less the cost of government, and this profit would have an exchangeable value, for the reason that every service of government is limited to a certain area, and only those

within the area can enjoy the benefits. And men would pay rent to live within the area.

Let this primitive settlement grow into a large city, and still the services of government will be limited to a certain area. The streets, the railways, and gas, electricity, schools, water supply, sewers, police, and the administration of law and justice, will all be found to be limited to a certain area. And the owners of land within that area will enjoy all the profit of association, which profit is the rental value of the land less the taxes paid for the support of government.

Mr. George noticed that when the first settler chose his place, the broad Savannah offered unlimited opportunities alike desirable; but Mr. George did not notice that the land occupied by the settlers was afterwards changed materially from the surrounding country, changed by the laying out of roads, causing a permanent and exclusive advantage to the blocks or sections of land formed by the roads.

There is nothing in ancient philosophy, Mr. Pleydell, so dark and impenetrable, as the conclusion that Mr. George arrived at when he said: "\* \* \* the same land, in nothing changed, which when our first settler came upon it had no value at all."

Mr. Pleydell says: "To say that each block is a product of labor and capital, is misleading. \* \* \* Labor and capital have worked to the boundaries, but that site within the bounds is "in nothing changed," &c. And yet Mr. Pleydell will contend with equal positiveness, and more reasonableness, that labor applied to the exterior or "boundaries" of a block of marble, changes the whole stone "within the bounds," from a piece of land to a product of labor. Now suppose the stone to be three hundred feet long by two hundred feet wide, and labor be applied to its boundaries so as to form a city block, as many blocks of stone in Manhattan have been formed, would it be any less a product of labor?"

Of course, as soon as you admit that the society of persons composing a government do change the form of the land surface by constructing roads and streets, and that city blocks and county farm sections are products of labor paid for with taxes, then you will see that property in land is not only necessary, but that the profit of association to the said society of persons should be enjoyed by each member according to his individual participation in the work of all, or, in other words, that every owner of land shall pay, we will say, fifty per cent. of his rental value to the tax collector, and keep the balance as his squarely earned share of the said profit of association.

Mr. Pleydell looks forward to the time when rental value will decrease so that the entire profit of association will be taken to maintain it! A very gloomy future, indeed, from which I would rescue him, with the assurance that under the Single Tax the profit of association will tremendously increase, and the proportion enjoyed by individual landowners (and there will be few tenants), will likewise greatly increase. Of course every Single Taxer knows that economic rent, or as I name it, the profit in association, does not require landlords and tenants to determine its existence.

Mr. George promised that the Single Tax "in its turn would lead to an increase in the value of land—a new surplus which society might take for general purposes." (Book IX., Chap. I., P. and P.) It was because he failed to notice that the effect of governmental expenditure is to make double the amount in rental value of the land served by it, that he suggested that the surplus could be used up by spending it on free libraries, free street cars, etc. You can't overtake it, and it would be a crime to waste it. It belongs to those who under the Single Tax will pay for it. It is the legitimate profit in association.

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