

CHAPTER VII

Special Situations

WE HAVE NOW reached a point where we must review and expand in certain respects some of the matters we have discussed.

George has told us that all natural resources should be held for the general benefit; that to gain this end nothing more than a nominal ownership should remain in the hands of the present private owners, the essence of ownership belonging to the State. Usually he proposed taxation of land values till nothing was left of them in private hands. At times he favored leaving a small amount, say 10 percent, to the owners for their trouble in collecting the rental value of the land, turning the great bulk over to the State. Taking away from present owners, or rather, in truth, taking to the State the whole value of land, he proposed no compensation. While George did not enumerate the properties to be so taken, save under the general head of "land," they must be considered as including the following:

Land in and outside of cities however used, as for homes, stores, factories, farms, forests; that specially adapted to wharves and docks; railways and canals; water-powers, streets and roads used for conveying gas and electric telephone lines and cables; mines and other subsoil wealth; and in the air radio, unknown to his time.

Compensation

Let us examine his suggestions as to compensation: There can be no doubt, admitting the soundness of his contention in which we join, that all natural wealth being the property of all, no generation having any right to alienate the property of a future one, George in denying compensation was absolutely logical. The condition is likened to that of slavery, as to which it was said that if compensation were to be considered it must be to the slave, whose right to his own earnings had for years been taken away.

George and his followers, practically without exception, have urged that, as of this time certainly, all persons who have bought lands were placed on notice that their title was clouded by the fact that there was abroad in the land the feeling, illustrated by Single Taxers, that they were dealing in a property which involved the freedom of human lives quite as much as slavery had done, and that since there was no compensation for the owners of slaves, so there could be no compensation to the landowners. But, the fact was ignored that outside the United States compensation to the slave-holder for his "property" was usually provided.

From the standpoint of the possibility of compensation the Single Taxers have urged that to undertake to compensate the owners would involve the payment of a stupendous amount of money, and that if this were paid or secured to be paid the condition of the common man would be no better than it is today. He would have simply exchanged the position of a payer of rent to that of a payer of interest.

George's predecessor, Patrick Edward Dove, did not differ from him in substance, for after likening the question

of compensation for the freeing of slaves to that of freeing the land, he says:

"When the question of landed property comes to a definite discussion, there may be little thought of compensation."¹

In this connection he asks and answers himself:

"How can the division of the advantages of the natural earth be effected? By the division of its annual value of rent; that is, by making the rent of the soil the common property of the nation. That is (as the taxation is the common property of the State), by taking the whole of the taxes out of the rents of the soil, and thereby abolishing all other kinds of taxation whatever. And thus all industry would be absolutely emancipated from every burden, and every man would reap such natural reward as his skill, industry, or enterprise rendered legitimately his, according to the law of free competition."²

Let us for a moment review the positions taken by Wallace and Gesell already stated (pages 38-39) as showing the attitude of others who have regarded public ownership of land as quite as important as did George, although they have not advocated it in as eloquent terms.

Without giving the matter the consideration it deserved, Wallace thought there should be compensation to present holders and living descendants, which would carry with it all the obligation feared by the Single Taxers. He has given us little light. Gesell is somewhat different. He considers that the present owners of land, together with those living and dependent upon them, are entitled to live in the same state of prosperity as before. He would issue bonds for the term of their lives, but not transmissible to

¹Patrick Edward Dove, *Theory of Human Progression* (Humboldt Publishing Company, 1893), p. 116.

²*Ibid.*, p. 311.

heirs. He would make it impossible, however, for this condition to continue beyond the lives of the persons now living, with no obligation to pay interest to those now unborn. The proposition may be roughly likened to the old proposition to free newly-born children of slaves, while holding the parents in slavery.

It is the contention of Gesell that, the rental value of land being paid to the State, this would balance the interest which the State would pay on bonds.

He or Wallace may well have furnished a solution of the compensation difficulty, particularly if we bear in mind the method of determining compensation we shall hereinafter develop. They suggest that with nations the trouble over compensation need not be a vital one, but as shown from the standpoint of delaying the progress of our reform, the matter is most important.

But let us revert to the position taken by George and Dove of granting no compensation to present owners for the land values taken by the State. These writers have advanced contentions not readily to be disputed logically. The difficulty is that the world in its human relations is not to be regarded simply from the standpoint of logic. It is more generally ruled by emotion, tradition, and at least a rudimentary sense of justice. Logic goes an exceedingly short distance.

To the contention that logic demands immediate surrender of all landholdings, without compensation, to the State for the benefit of all the community, the landholder replies that, with the general consent of the community for whose benefit the surrender is now proposed, he worked until he had accumulated sufficient to pay the seller his demands for the land upon which he may have established a home; that the law encouraged him to do this, and he was assured that he would be the better citizen for procuring title to a plot of land; that his purchase was

made not merely for his own advantage but for the benefit of those dear to him; that without his land it might be in his old age he would be thrown out helpless upon the world; that he must not be told simply that taxes upon his improvements will be relieved, or in other words he must take a promise or an indefinite assurance of some potential good of which he could have no absolute knowledge. He will not be content with such assurances in the place of the solid ground which he enjoys. Therefore he and his sons and friends interested, as they believe, in his welfare, will vote against any proposition which he may fear will lead to the Single Tax. Moreover there was real compulsion deriving from the policies of the government as he knew them. He wanted a well-located house for his children—near schools, water-supply, parks. The only way he could get it and gain for them the potent sense of ownership and permanence was to pay the capitalized site (rental) value. Governmental methods compelled this. Must he now lose the fruit of his toil and abstinence?

The only amount to which the landholder has the slightest claim in the event it may be found necessary to buy him out, is that represented by his original investment, not forgetting either that he has no claim to any such exceeding the present value of his landholdings, plus the improvement value if its possession is desired. Any sum in excess of this which he now would demand, is created by society. Any diminution he may suffer because of unwise investment or depreciated value is no more than he is subjected to when a building he owns has fallen into decay or becomes obsolete. The only thing he really loses is simply to be charged to disappointment.¹ To the suggested value

¹ An idea quite akin to that now developed is to be found in a note from the lately deceased Francis I. DuPont to the Benjamin Franklin Research Society of New Orleans, and which in part reads as follows:

to be paid the landowner, taxes he may have paid are not included. To offset them he has enjoyed the possession and the yield of the land when in his control. If he has not utilized these this is his neglect or misfortune.

A considerable portion of interests in land is derived from inheritance. With justice one can say to the present holder: "You paid nothing for the land under your title. You and your predecessors have enjoyed its usufruct for many years. All you can in justice receive for land values is the sum your ancestor or your immediate devisor paid for his holdings. And this is subject to the proviso that you are to receive no more than the present value of the land."

The more financially important persons to be dealt with would be the owners of the lands in the business districts of the cities or the large owners in the country and those possessing water-powers and subsoil wealth, perhaps half in value of the property to be affected, with the sum-total of payments to be correspondingly decreased. The burden on the community would be within the range of its abilities as it would have the benefit of the rental value of the land

"Let laws be passed forbidding any owner of land who became an owner after the laws were passed, to sell land at a price higher than what he paid for it. Improvements would be sold at cost to replace, less depreciation. As to present owners, let each of these name a price which he will accept in case he sells. Let him put this as high as he wishes, and do not permit the price he names to be used in any way as a basis of taxation. This price will be recorded as his maximum. If he sells at a lower price then this will bind the new owner as the latter's maximum. Let there be no restrictions upon the amount of rent an owner may ask from a user. Permit no lowering of the scale of taxation now falling upon land."

A principle quite similar to that we are now advocating is embodied in section 902 of the Maritime Act of 1936. This requires that in the taking over by the government of vessels the price shall be limited by the old value and no allowance shall be made for "enhancement" resultant upon later events. For "enhancement" one may read "unearned increment" and do no violence to the meaning of words.

taken. Contrasted with these elements the landholdings of home-owners are of relatively slight importance from the taxation standpoint.

Forests

When the white race began to settle this country the larger portion of it was one vast forest, calling for removal in great part before submitting the land to the plow. Because of land cleared of forests for farming and other purposes and a vast commercial destruction, we have found that today our forest resources have for the most part disappeared. Of late years the country has awakened to this condition and, the forest wealth being so greatly wiped out and much land being largely of little value for farming purposes, the matter of forest regrowth has been in many instances taken over by the State and Federal governments. The *Wisconsin Taxpayer* (cited in *National Municipal Review*, November, 1943) says that the counties of Wisconsin are the State's largest timber growers, now owning nearly 2,000,000 acres under the county forest reserve law.

Thus private ownership of forest lands has to a large degree run its course and public ownership by purchase or otherwise, is supplanting it. The differences in purpose between government and private ownership are decided. As David Cushman Coyle in his little book entitled *Our Forests*, says:

"Shouldn't the government try to operate on a businesslike basis? The answer is no. To operate on a businesslike basis is to compete with private business, which is exactly what the government wants to avoid. The government's business is to make useful and productive the lands which cannot support private enterprise. . . . As a business man you have to keep your eye on whether you can get your money back. As a citizen you have to keep your eye on whether your children and grandchildren will have an

abundance of cheap materials, which is different." (Page 138)

When we allow forest lands to remain in the hands of private individuals we confront a situation of conflict between private ownership and public interest. The private owner demands that his immediate profits shall be as speedy as possible irrespective of a distant future. The government demands that, as far as may be, public resources shall not, for the sake of a little money today, be wasted and the future ignored. Even when the occasional corporation owner replants for the future it is always with the idea of corporate profit, not the general benefit, while the private possessor invariably sacrifices the future for immediate gains. In this conflict of interest the public is the loser through private management of forest lands.

Let us consider the application of taxation upon forest lands to the problem. The private owner, with a property upon which he must pay taxes while having no immediate revenue except through selling the trees, has the strongest incentive for cutting them down and thus speedily obtaining all the advantages of ownership. The higher the tax the greater the slaughter of the trees. The tax on forests thus means their wiping out as rapidly as the market will take the consequent lumber. Different devices have sought to escape this dilemma, but have proved unavailing. In the contrariety of interests there has been found no way other than governmental ownership and management. The levying of taxation upon forest lands is not the answer, any more than was the famous tax on date trees. These were simply destroyed to escape taxation.

The Agricultural Department and its Forest Service are no propaganda agencies. Yet we find they abundantly sustain our contention. Illustrating the effects of the conflict of interest, Prof. F. R. Fairchild (*Forest Taxation Inquiry*, April, 1928, Forest Service Bulletin, page 2), says:

"The requirement of annual tax payments is not in harmony with such irregular or long deferred income. . . . The tax presents a well nigh insuperable obstacle in the eye of the careful investor who may be contemplating the business of forest growing. . . . It is evident (page 7) that, under present circumstances, a perfect system of forest taxation is unattainable."

In *Soils and Men*, Agricultural Yearbook for 1938, touching on the effect of taxation upon forest lands (page 167), it is said that:

"Where the land may be used in different ways, the effect of the property tax is to favor the use which yields a regular annual income against that which requires deferment of income. This result is especially discouraging to the user of land for growing forests."

The same book comments upon the trend in most European countries toward extension of public forest ownership. (Page 136)

In *Federal Forest Policies of the Future*, Earl H. Clapp, Dec. 1940, Forest Service, says that where watershed protection is an important object and private ownership cannot or will not protect such vital public interest, lands should come into public ownership. As to mere public control, he finds that it would be essential to safeguard against seizure of the regulatory machinery by the interests to be regulated—a situation which we often find in attempts to regulate public utilities.

In the publication of the Department entitled *New Forest Frontiers*, Forest Service Misc. Publications, page 47, we are told that:

"For these lands, public ownership—community, State or Federal—appears to be the only answer: A. Heavily cut forest; B. Watershed-protection forest; C. Immature short-leaf pine typical of some tracts acquired by the Federal

government to consolidate holdings; D. Old growth bottom land hardwoods purchased to forestall liquidation cuttings."

The enumeration seems to be pretty near complete as to all forests, leaving little other than fruit orchards, a very different subject.

Waterpowers

Take another kind of property, now growing in both absolute and relative importance, that of our waterpowers. These supply power for electricity, manufacturing, railways, and domestic and other purposes, as to some of which we shall have more to say. They are essentially monopolistic in nature, because the use is exclusive within a certain definite area. Can taxation be made to apply to them? A pure monopoly such as is the right to produce power within the definite area of which we have just spoken, cannot be successfully taxed.

In *Social Problems*,¹ Henry George gives expression to ideas with which we are now dealing, ideas forgotten and in effect repudiated by many who consider themselves as numbered among his followers, for he says:

"The primary purpose and end of government being to secure the natural rights and equal liberty of each, all businesses that involve monopoly are within the necessary province of governmental regulation, and businesses that are in their nature complete monopolies become properly functions of the state. As society develops, the state must assume these functions, in their nature co-operative, in order to secure the equal rights and liberty of all. That is to say, as, in the process of integration, the individual becomes more and more dependent upon and subordinate to the all, it becomes necessary for government, which is

¹Henry George, *Social Problems* (New York: Robert Schalkenbach Foundation, 1936), pp. 176, 177.

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properly that social organ by which alone the whole body of individuals can act, to take upon itself, in the interest of all, certain functions which cannot safely be left to individuals. Thus out of the principle that it is the proper end and purpose of government to secure the natural rights and equal liberty of the individual, grows the principle that it is the business of government to do for the mass of individuals those things which cannot be done, or cannot be so well done, by individual action. As in the development of species, the power of conscious, coordinated action of the whole being must assume greater and greater relative importance to the automatic action of parts, so is it in the development of society. This is the truth in socialism, which, although it is being forced upon us by industrial progress and social development, we are so slow to recognize."

When a company has the right to waterpower for electrical purposes, it is recognized as entitled, as a business agency, to a fair return and no more upon its undertaking. It may then recoup from its customers all proper expenses, and any amounts paid to the government in taxes. When we tax the value of its plant, including with this the value of its land, we are asking the company to pay nothing, but are increasing the allowable charge against its customers. Thus when we talk about protecting the rights of the people by taxing land values in public utilities plans, either in waterpowers or otherwise, we are talking about a vain thing. And yet many Single Taxers would *pro tanto* defeat their own purposes by taking such a position. Just as good engineers and just as good managers are available to the government as to private undertakings, and plants may be built and controlled by the government quite as well as by corporations, although there are many profitably interested in proclaiming the opposite as truth.

Public Utilities

Often closely connected with waterpowers are the industries to which they may furnish power, such as street and other railways and other undertakings using electricity. These and gas companies cannot exercise their functions without using, to a considerable extent, public property—streets—and exercising such governmental power as eminent domain—the right to enforce sale by the owner of any needed property to the company in question. In each instance this involves the exercise for private benefit of the use of property belonging to all but devoted to monopoly.

From the point of view of monopoly and taxation all these public utilities may be classified together. All enjoy public property and as to the privately owned are used for private profit. All enjoy, for the purposes now under consideration, the use of public and private property in an exclusive manner and are true monopolies.

We must at this point note the difference between monopoly and privilege. Monopoly implies complete control of a particular subject within its sphere of operations and relates to something the public must have. A privilege is a favor which may be conferred on few or many. Only in a restricted sense may land be said to be monopolized. Its ownership is rather in the nature of a privilege. Unless the landownership be conferred on one or more individuals or corporations operating under a single head and over a large area, there may not be said to be monopoly. When such ownership is widely but individually held, it may constitute a privilege. The owners are more or less in competition with each other. They have a general desire to hold up the price of land, but specifically there must be a point where for the sake of obtaining a sale or a tenant a number will abate something of their demands. This situation may be long deferred, but it will exist and reduce landholding from

being a monopoly to being a privilege. Meanwhile, what is called the Ricardian law of rent will tend to equalize the marginal land with the most productive so far as ultimate return is concerned. Taxation tends to keep down the value of the privilege and taxes on land values cannot necessarily be shifted unless the entire rental value be taken, when competition for land will cease. If there were but a single landholder he would possess a monopoly, for such a tax on his holdings could be shifted. As matters stand, this is impossible.

An important illustration is afforded by the ownership of great bodies of iron ore. Three large companies are believed to control the most valuable beds of iron ore in the United States. Nevertheless, they may be in a certain degree in competition with each other and with other corporations and private owners, as well as foreign owners of iron beds. Their monopoly is an imperfect one, though their privilege is undoubted. The unity is not so perfect as to prevent competition, and therefore the Ricardian law of rent continues effective. If all such beds in the world, or even in this country, were under one management, there would be real monopoly, and any taxation thereon could be shifted to the purchaser or consumer.²

With this digression, which is not all digression, let us return to the consideration of the specific matter of public utilities. The land they occupy, with the attendant power of eminent domain, is land as to which they exercise a power in reality governmental. The strips of land used by the railroad, the portion of the streets set aside for the use of the street railway or the gas company, are really public, in a very emphatic sense, and as such, under the doctrine for which we stand, should be managed by the government to secure the best possible results. That is the appropriate

²J. H. Ralston, *What's Wrong With Taxation?* (San Diego: Ingram Institute).

thing to do. These are public resources which the government should be in position to use to the best advantage of the general public. He who would vindicate the essence of the theories of Henry George must favor putting them under absolute public control and ownership. Yet it remains true that many persons who feel themselves to be his followers will persistently limit their horizon by rejecting public ownership. They must enlarge their vision. The theory of taxation which has its undoubted great value as to the objects legitimately its subjects does not apply to the various utilities of which we have spoken. The socialistic view as to these matters is truer than our usual one, whatever may be said about socialism when applied to what is the proper domain of private business.

The idea has been assiduously cultivated that government should not enter the field of possible private profit but continue to yield this to what has come to be called "free enterprise." Acting under this belief and impressed with their alleged evils, many there are who discourage public ownership and management of public utilities of whatever nature—railways, telegraphs, telephones, street cars, waterworks and waterpowers. We must give this subject at least hasty consideration.

Let us commence with the fact, too often ignored, that great varieties of public service are yielded without question to the government although these varieties involve every evil that could possibly be attributed to governmental management. We may mention the construction of roads and bridges, laying of sewers, paving of streets, establishment of parks, creation of courts and systems of administering justice, education, etc. Private initiative lacking, great waterpowers have been developed by government. Thus also the government has been compelled to initiate and conduct a vast postal system. The fact is overlooked that all these activities as well as many others have directly con-

tributed to private profit without involving private risk. They all serve to create, maintain or increase land values. The landholder sees no occasion to protest against governmental action putting money in his pocket. The circumstance must not be passed over that it is only when private individuals can make a direct profit by carrying on public functions accompanied by the extension of governmental favors that a loud and largely effective protest is uttered against public management.

Without for the moment discussing the direct pulling force of either desire on the one hand to render good public service or on the other to secure individual gain from the control of public enterprises and powers, we may ask if there is any natural reason why private management should offer any advantage over that by the government. (Of course, by government we speak in a generic sense, including all branches in this country—national, state, county or municipal.) In either event individuals must do the work and the vast majority of those engaged must be simply employees with no large personal interest in its execution. They are drawn from the general citizenry. We will not forget that when German railways were conducted at their best the Italian railways were vastly behind although both were, generally speaking, under government ownership and control. Each reflected the general character of management, but dependent upon individuals.

In considering the efficiency of private or public management of the type of undertaking under examination, we must refer to the predominant motive of those in control. With governmental agencies the managers must stress the question of service. These feel that the demands of the public must be met as far as reasonably possible. This is their ideal. They cannot take "the-public-be-damned" attitude. On the other hand private directors have their ideal. It is to make for the stockholders as much as possible by

charging "all the traffic will bear." To obtain this result managers are employed and when they fall short are discharged. Public approval becomes a minor element and is swallowed up in the major object. We may ask ourselves, for instance, if under private control rural free delivery would ever have been established. Certainly the prospect for gain could never have led to it.

Opponents of public ownership stumble over the idea that what is called "bureaucracy" is peculiarly a governmental evil. In truth so far as this exists it is not peculiar to public management. If it includes the employment of too many agents or at too high a salary or the rendering of inefficient service, it pertains to size and not to any matter of government. Is there any great private undertaking without the exhibition of favoritism or other repressive element? To this the individual stockholder can offer no effective opposition, and competition affords no answer. Combination can stifle this. Continually the publicly-owned undertaking is under the criticism of the mass of citizens who feel their proprietary interest. The sort of bureaucracy of which we speak becomes a minor obstruction when analyzed.

Another form of bureaucracy may admittedly be shown when the normal limitations upon human and governmental action are broken down as in the time of war. With this our argument need not deal.

If and so far as bureaucracy prevails today, apart from war under government with its employees under its many phases running into millions, little objection is raised to its supposed operations while they conduce to the profit of landholders who risk nothing and incidentally gain much. The argument is only invoked when it appears that some source of private profit may be in question.

In the field of public endeavor we can point to pronounced success in the management of what is really pub-

lic property. Let us instance the Panama Canal, TVA; Boulder Dam, Bonneville and Grand Coulee developments, Seattle and Tacoma public light and power, Springfield, Ill., Jamestown, N. Y., Jacksonville, Fla., and numberless other cities owning power and light systems. They may be contrasted with private enterprises which pay enormous salaries to their officers, repaid by charges against the public, and commit extravagancies not pertaining to parallel public undertakings.

We need not forget that criticism of the work of privately-owned monopolies will avail little save as possible profit may be affected. Their interior abuses will not be touched. On the other hand, anything done by public agencies is likely to be known and commented upon by the owner—the public—and if at all serious is a matter for general outcry and, it may be, congressional or other investigation and correction.

Withal we must hark back to the fact that all we are asking is that the government shall use and exploit its own property which cannot be used privately unless endowed by the government with special faculties, such as the power of eminent domain, properly only enjoyed by the community and necessarily monopolistic in character. The broad field of private endeavor is left untouched. This is accepting socialism only so far as social requirements demand.

After all, it must be remembered that we are urging simply that government carry on functions that are of the barest business character as to which the least difficulties are offered to community management. This may be readily understood when we remember that nearly everything connected therewith is merely a matter of routine and the application of slide-rule principles. Successes government has achieved in this domain may be contrasted with results reached when, instead of the elements thus in-

volved, government (or private undertakings for that matter) has to deal with uncertain and varying conditions. So far the most striking failures in control of men experienced by mankind have resulted when it was necessary to take into consideration differing developments of human nature. These are exemplified by relations between large bodies of people represented by governments or by the simpler but most difficult matter of preventing and correcting vice and crime. Yet interested people readily persuade so many of us to overlook true governmental failures and give a false color to the field where the opposite has been the case.

To repeat in substance, be it remembered that when we deal with really public projects as distinguished from private, we mean to include not only the bare surface of ground but the use of governmental facilities such as roads, natural and artificial, streets, the right of eminent domain and other considerations not relating to ordinary business.

Let us not forget another element becoming of greater and greater importance—the air. Heretofore this has been noted only incidentally as a natural resource entering into what we call “climate.” As such it is often very important to land value. Today it is something to be independently used, possessing exchange value in itself. The air is now employed as a medium for the transmission of intelligence, illustrated by the radio, and for the transfer of freight and passengers, much like the land. Few Single Taxers have come to realize this, or that its control and management constitute a part of our problem. Other people, more practical minded, are, as rapidly as possible, reducing it to their possession.

For the radio air wave-lengths are monopolized. Shall this be done by the government or private individuals? As to transportation again general rules must be applied. Shall these be for the benefit of all or of a few? Public rule becomes a necessity if confusion is to be avoided or

general advantages subserved. These subjects call for vastly more thought than has yet been given them.

As we are discussing this general subject there is just published a volume by Eric Johnston entitled *America Unlimited*, designed especially to vindicate what the author considers Capitalism. The issue he declares may be summed up in "the over-simplified formula: individualism *versus* Statism." He says he is opposed to "the capitalism of private monopoly and special privilege," and favors "a capitalism which is bound neither by government domination nor by private monopoly domination."

It seems not to have occurred to him that every atom of the private monopoly he opposes is based upon advantages derived from government. In this volume we point out that private monopolization of transportation, of subsoil and surface domination and aerial control, with the special privileges we discover to exist in the patent system, derive from the government. Except for its special action they would be non-existent.

If Mr. Johnston would really desire to secure "free private enterprise," which he says he favors, he should remember that the first and greatest charge upon "free" industry exists because of private exactions for the use of the land upon which it must labor. He must next dispose of the multitude of demands for the exercise of the right—not privilege—of doing even the slightest business and upon the making of improvements as well as sales and license taxes. Disposal of these obstacles to business are more important than any contest between statism and individualism.

Subsoil Wealth

Those whom we know as Single Taxers have paid little attention to public treatment of what we may call subsoil wealth, devoting themselves almost entirely to considera-

tion of the value of the surface and the best way of taking its annual creation—ground rent—for the benefit of the community creating it. In the time of Henry George, while the question of the ownership and control of underground riches was important yet its later significance had not been borne in upon the consciousness of our nation. To this must be ascribed the silence, or the absence of special treatment, accorded it in *Progress and Poverty*. A new consideration will illustrate the tremendous growth in importance of our subsoil wealth since (we take a convenient date) 1880, the year following the first publication of George's great work. While at that time the population of the United States was around 50,000,000 and now is about two and one-half times as great, yet in the period indicated the output of our mines (metallic and fuel or otherwise derived from the subsoil) has been multiplied around six and one-half times, and coincidentally industrial production has made a like gain. Some of our leading mining products today are fully six times more important in value than in 1880, while many items, such as aluminum now much before the public, were then practically unknown. The extractions from the earth once to be regarded with slight consideration now loom large in any enumeration of wealth. Once we looked to the land simply for food and clothing. Now in value there is little to choose between the return in farm crops or in that extracted from below the surface. Roughly we may say that normally either may be rated at around ten billions of dollars annually.

Sometimes the distinction between the ownership of the surface and of subsoil wealth has been emphatically recognized in legislation. This is the case among nations inheriting their law from Spain. For instance, ownership of subsoil materials in the republic was recognized under the Mexican government, following the Spanish rule vesting it in the Crown of Spain. Departed from under Diaz, con-

ditions were restored under the Mexican Constitution of 1917. This provided in its Article 27 that:

"In the nation is vested direct ownership of all minerals or substances (in the subsoil), solid, mineral fuels, petroleum, and all hydrocarbons,—solid, liquid and gaseous.—The ownership is inalienable. . . . Concession shall be granted to private parties or . . . corporations organized under the laws of Mexico, only on condition that said resources be regularly developed, and on the further condition that the legal provisions be observed." (Groening's *Mexico and Its Heritage*, p. 101.)

In this country it is a general rule that land covered by water, at least save for occasional ponds of no general value, may not be the subject of private ownership. Otherwise the whole community would be subject to the power of the private owner, an intolerable condition. The similarity to the power of private owners to prevent others from using the soil, and to the possible detriment of the entire community, seems not to have been usually noticed. However, as to subsoil wealth a distinction is made, at least in California, between the ownership of natural wealth of "fluctuating, uncertain, fugitive nature," such as gas and oil, and more solid wealth. The courts have found that "because of their peculiar nature the public has a definite interest in their preservation from waste and destruction. This is true because of their character as natural resources and also because the public interest has attached by virtue of positive statutory law or by court judgment independent of statute." (People ex. rel. vs. Associated Oil Co., 211 Calif. 93.)

The courts have indicated that a way to check the waste of this sort of public wealth is to be found in the exercise of the "police power," the exact nature and extent of which the courts have abstained from describing. We know of

no reason why they cannot in the end conclude that private abuse of ownership of any kind of land may be redressed through the exercise of this indefinite judicial power. But this remark is by the way.

From a social standpoint agriculture and subsoil wealth offer different approaches. It is not easy to monopolize to any large degree farming possessions or products even though farm land ownership as at present may carry with it distinct evils, certainly growing with the extension of tenancy. With competition among farmers we are not at their mercy. This, we have recently discovered, is far from the present condition as to coal. We find wide combinations among coal-land owners on the one hand and their workers on the other. These two bodies, disputing among themselves, much of our heavy industry is brought to a standstill. Carrying on a war, we have been endangered because of this conflict. Having adjusted ourselves to a coal civilization, thousands of our families may well be suffering from cold any winter because of such dispute. The danger of leaving in a few private hands control over an essential of our existence is commencing to be perceived in this country. Countries more advanced than ourselves in a social sense, as England and New Zealand, have already taken steps in the direction of public ownership. More danger and suffering apparently must be experienced by us before we become equally intelligent.

Civilization has taken on new measurements, based upon the subsoil. Novel problems growing out of new conditions, we must be prepared to meet. In a moment we shall discuss how far taxation can meet the demand for equal rights to the underground.

Forests and subsoil wealth, left in either case in the possession of private individuals, offer resemblances and differences. As a difference we point out that forests are replaceable or may be so made. Our mineral wealth offers

something quite different. Once extracted from the earth and employed by mankind, it is used, dissipated and in the end lost. Other minerals may be substituted for certain forms, but absolutely the store of wealth Nature has given us is depleted. With due regard for posterity this condition must be minimized and we must consider ourselves trustees for the future.

Turn to the resemblance between the forest and the mine, at least as concerns the unrestricted private ownership now customary. We have pointed out that the immediate personal and, if you please, selfish interest of the forest owner is to get as much speedy return from his "investment" as is possible. For this he usually slaughters immediately valuable property without bothering as to replacements. The latter would represent the outlay of real money with an indefinite delay in securing any return. Turning to mines, we find a parallel. Waste for quick profit from what is left is the order of the day. We are told that in many instances as much as 50 percent of possible coal extraction has been permitted to be irretrievably lost, while even today the waste runs as high as 10 percent. Underlying conditions also suggest the position of the tenant as to the land he leases. His desire is to get immediate results and perhaps move on to another tract to repeat the same wasteful operation. Motives are the same. As to another form of wasteful private management we may refer to Lieber's *America's Natural Wealth*, pages 44-45, which tells us:

The yearly waste [of gas] in the Texas Panhandle the Committee [National Resources Planning Board] added, is sufficient to supply all domestic consumers in the State of Texas for a period of seventeen years. It is nearly enough to supply every householder, every store, hotel, and office in the United States, now using natural gas, for a period of twelve months.

Thus the easy way is taken at the expense of public welfare and this is always likely to be the case when private and public interests come into conflict.

Aside from public ownership and management, of which we shall speak immediately, we may attempt to meet the oil problem in two ways—by land value taxation and by royalties or severance taxes. The first—taxation—would leave in the hands of the private individual or corporation most of the profits to accrue from possession of enormous stores of natural wealth. The tax assessor will never properly tax this natural wealth, in part at least because it is out of sight and cannot impress itself upon him. This leads to speculation in land, with all its evils. If indeed he could find a proper basis, lands might well be forced into use when such action would prove to be uneconomical and against the best interests of the community.

An alternative is the payment of a royalty to the State. This is the course taken as to Minnesota iron mines. While this yields an appreciable return to the public, it does not interfere with the existence of a private *quasi* monopoly of mineral wealth, or the possibility of this in more or less strict union with other owners of like mineral lands.

But another serious objection is to be made to any system which leaves the oil lands in private hands. Oil is in the largest measure to be carried to the oil refinery or placed upon the market by means of pipe-lines. These call for the use of public property to quite as great relative degree as do railways. By virtue of purchase or exercise of the right of eminent domain they find their way through private property to their destination. It may be called socialism if you like, but to protect the rights of the people we are compelled to call for the services of government. Regulation will fall short as it has in the instance of the railways. But there seems no reason for carrying the "socialism" any further. When the oil becomes an ordinary

object for barter and sale, then private individuals control it in their ordinary business operations. But as to transportation of oil, is it more dangerous to trust the government representing all, than private corporations representing an interested few?

If our view is correct the control of this natural resource is not a matter of taxation at all. Taxation means leaving the property in the hands of private individuals. The best interests of the community dictate differently. These interests must prevail over any epithet such as "Socialism," "Collectivism," "Bolshevism," or what you will. In the proposition now advanced we do not go much further than when we governmentalize education and the post office. These involve the exercise of power, whereas to sink oil-wells or manage pipe-lines or railways calls not so much for power as for control of our own property.

We will not forget that when we permit the owner of the surface to control to the center of the earth, and as well to the heavens, we are after all often compelled to limit such control to such of the nether ground and aerial world as he needs in connection with the surface for sub- and super-structures. In our mining lore the owner of the surface ledge may follow it with its dips and spurs even though it carry him beneath the surface ground of his neighbor, limited by the ends of his claims, and not by the sides. There is no more reason in the United States than in Mexico for the indefinite extension of the surface land-owner's supremacy over the gifts of nature. Ownership of the air above has to yield to the advance of civilization and, without toll, permit the navigation of the atmosphere.

Further as to subsoil wealth, we may learn from Russia. Its geologists, in the employ of the State, are told to search for all or some special kind of mineral and to carry their search systematically to every part of that great republic. The government receives the advantage of their work, and

exploits the discoveries as need arises. These discoveries and the consequent work are for the benefit of all. This contrasts with our own want of method. Here such search as is made, and it is sporadic, is for the benefit of private individuals or corporations. As in the children's parlance, "Findings are keepings."

Of course many times the attempt to make a discovery represents wasted time and money, but on the whole the discoveries made by private "enterprise," as we term it, result in compelling the public to pay a large tribute to individuals or corporations and tend to maintain disparity of fortunes. Often in the search for wealth as wealth and not for the general good, monopolies or *quasi* monopolies are built up against the interests of the public. To-day this is illustrated by the combinations between gold and silver miners who press to procure legislation which creates from the use standpoint a governmental market not called for by the exigencies of human affairs.

Apropos of the subject now under consideration we read with interest in *World Minerals and World Peace*, page 159, published by the Brookings Institution, that

"Nationalization, both in the narrow sense and in the wider meaning of public control, may be regarded as evidence of an awakening public interest in the importance of mineral raw materials to national welfare and security."

The same volume concludes that

"The wave of nationalization has touched nearly all the countries of the globe, including our own, and has moved forward regardless of conditions of war or peace, form of government, or political ideology. . . . Regardless of mistakes that have been made, the nationalization of materials may be expected to gain new impetus as a part of a program of centralized control deemed necessary for the solution of post-war international problems." (Page 160.)

SPECIAL SITUATIONS

Illustrative of the propositions just advanced, the same book points out that in France and French colonies prospecting and mining concessions are made for a limited period and not in perpetuity and alien ownership is limited; Russian conditions to which we have referred; in China in some cases the government participates in ownership of mines; the British government has assumed ownership of all oils found in the islands; that it owns 56 percent of shares of Anglo-Persian Oil and large interests in a company exploiting many countries; that it has gone a long way in shifting coal properties to public from private hands; that Finland is the largest stockholder in a copper mining company; that Rumania nationalized subsoil resources in 1923; that Bolivia took over oil development in 1907; that Spain established government monopoly on distribution of oil in 1928; that in Manchukuo the oil business has been expropriated and taken over by the government.