

# ABOLITION OF POVERTY

Honorary Chairman of the Board  
FEDERAL PACIFIC ELECTRIC COMPANY

Honorary Chairman of the Board  
INTERNATIONAL UNION OF LAND VALUE TAXATION  
AND FREE TRADE  
London, England

President Emeritus of the  
HENRY GEORGE SCHOOL OF SOCIAL SCIENCE  
New York

Comment of a Professor of Economics:  
*"Interesting and clearly worthy of publication."*

From another Professor of Economics  
*"The shifting of all taxes to a 100% tax on the rental  
value of land. My feeling here is similar to my feeling about  
your national dividend plan: that you have some sound  
arguments but you overstate your case."*

# THE ABOLITION OF POVERTY

*by*

JOSEPH S. THOMPSON

The abolition of poverty has, more and more become a goal of the American people, a goal that will not be achieved until there is a more just distribution of wealth.

This is our country and despite its shortcomings we are loyal, patriotic and even sentimental toward our country and our flag, although few of us have ever given a thought to the fact that, if this is our country, we *own* it. It is not only our country in patriotism and sentiment, but, following a logical sequence to be presented later, it is reasonable to claim that it is our *property*, and therefore reasonable to claim that every one of us, at birth or immigration, might be provided with a Certificate attesting that he is the owner of One Share of that great corporation: THE UNITED STATES OF AMERICA.

At first it would appear that such a Certificate would be valueless, and under present conditions, that would be true, but further study and analysis might suggest a procedure that would give it substantial value, though it would also indicate the need of an equally substantial change in our system of taxation and distribution of wealth. It is only when a man is equally an owner of the country, that he would feel no stigma of charity or dole if a Dividend were to be paid to him as the holder of his Stockholders Certificate.

There are only two sources of wealth: Human Effort and the "God given" Bounties of Nature. It seems singularly unjust to take the earnings of an industrious and useful man (and of his capital) as we do through the income tax, to give them to the needy.

From the man of wealth, using his brain to determine the wisdom of an investment, to the common laborer, spitting on his hands preparatory to grasping a shovel, human effort should be rewarded in full.

But the God-given bounties of nature present a very different set of circumstances. The Bounties of Nature consist of the Air, the Land, all minerals and fossil fuels, gravity, and the natural products of forest and field.

Granting that this is our country, it should follow that its natural wealth is our common property, but, assuming that this is true (if only for the purpose of further study), it would be manifestly impossible to divide the bounties of nature, as such, in equal parts, among us all. Yet, if it was conceded that it is our property, some form of full distribution would be required, and the following system is therefore submitted for consideration.

It might first be recognized that it is the people, as a whole, who create (*solely* by their presence) the value of all nature's bounties. This is conspicuously the case in the valuation of the land. Strictly speaking, we do not buy the land, we buy the location.

The value of all urban land is fixed by its location, and that, in the case of business sites, means easy contact with the greatest number of people, so that, finally, land value is location value, and location value is, in turn, people value. A value created *solely* by the presence of people.

Many enlightened and intelligent men and women contend that this value, publicly created, should be the source of the public revenue. As all taxation can be shown to be arbitrary, unscientific and punitive, its abolition, as a part of this plan, would release us from an onerous burden. Taxation would be replaced by the governmental collection of the wealth which nature has provided for us all. After

paying all legitimate city, county, state and national expenses, isn't it reasonable to suggest that an established dividend could then be paid to every Stockholder, forming a Basic Income on which he could rely. This dividend, as his share of the commonly created wealth, would at once, give tangible value to his Certificate.

It is evident that the dividend could not be large, but it is only dire and involuntary poverty that we would seek to abolish, leaving so much to be desired that all capable Basic Income recipients would seek employment, go into business, trade in the Stock market or otherwise make use of the boundless opportunities of Useful Free Enterprise.

The Basic Income could commence at birth, but be retained by the government until the Stockholder had arrived at a prescribed age, to avoid dissipation by evil or incompetent parents, and also to avoid the bearing of children for gain. A portion could be allotted by a disinterested authority to cover the cost of a child's education in the public schools.

This Dividend, or Basic Income, would not be subject to garnish or lien, could not form any part of a contract or agreement, would not be transferrable and each certificate would become valueless upon the death of the Stockholder. If a recipient were to be an inmate of an institution, his Basic Income could be applied to the cost of his maintenance.

Actually, it would seem to the writer that a far more equal distribution of our country's wealth could be achieved by adoption of the principle advocated by Henry George in his great book, PROGRESS AND POVERTY (Robert Schalkenbach Foundation, 50 East 69th Street, New York 10021) in which he proposes a 100% "taxation" of the rental

value of the land and the abolition of all other taxes, a proposal that soon became known as the Single Tax.

Like the Alligator Pear (The Avocado now) which has nothing to do with alligators or pears, the Guinea Pig which does not come from Guinea and is not a pig, and the pineapple, the title of the Single Tax is a misnomer, as it is not necessarily the single source of public revenue nor is it, strictly speaking, a tax. It is a recognition of the reasonable conviction that, as the people create the value of the land, that creation is their property, and should be the source of the public revenue.

While the principle here presented is suggestive of the public becoming a landlord, it might be worth considering that that is the most practical role for it to fill. We are all familiar with ineptitude of government in business and with the small amount of ability that is required on the part of the landlord. As a Sir Daniel Hall once said, "If the State does not fill its true position as a landlord, it will find itself more and more in the position of industrialist", and this is a position where politics takes precedence over efficiency.

It will be apparent to the reader that this plan comes "perilously" close to the advocacy of the Nationalization of the land. But there is no fallacy as strongly fixed in the average mind as that regarding the ownership of land. In one sense and to a certain degree, the land is already nationalized. In the sense that it "revests", not to a former occupant, but to the people, and to the degree that the "owner" not only pays a portion of the rental value to the public, but that failure to pay it, in the form of taxes, results in the loss of ownership. This is made very plain in the edict of Supreme Court Justice, Samuel Freeman Miller, (1862 to 1890) who adjudged "The reserved right of the people to take the full annual value of the land, must be considered

a condition of every deed." The sharp and vital difference between our present system and that which is here proposed, is that now the holder of the title to a parcel of land, can collect the sometimes tremendous difference between the full rental value, and that part now taken by the government, whereas under the proposed plan, the government would collect the full rental value, but would not tax improvements (homes, factories, hotels and the like), inventories or incomes.

Abolition of poverty would surely be a guaranty of the abolition of a very large part of the brooding envy toward those with income, the disheartening effect of refusals on applying for jobs, frustrations often resulting in lawlessness and defiance of authorities.

The barest income, with the knowledge that he need not depend on employment or even the need of *seeking* employment, would keep most men within the pale of obedience to the law.

Evidence that this is not a chimerical Will-o-the-wisp is given by the State of Alberta, Canada. Alberta, having retained the mineral and fossil fuel rights, when allotting the land, has paid for its schools, highways and other government expenses, and, on two occasions, has paid a dividend to each of its citizens. While the dividends were small (\$17.50 and \$20.00) they and the other expenses were paid out of oil royalties alone.

As long ago as the days of Adam Smith, a great economist, it was agreed that land is not capital, though there is a great amount of what should be capital now invested in land. Land and Capital are directly opposite in their effects. This is best illustrated by the fact that: Of Capital, the value fixes the yield. Of Land, the yield fixes the value. Furnishing capital is a service. Collecting land rental (privately) is a

Privilege. It is a legislation-created privilege, usually commencing with seizure, appropriation or conquest. Capital creates more capital. Land does not create more land.

Under the plan here proposed, let us consider the situation of a man or a company, occupying an area of land. He has paid his land rental to the government collector, whom we can continue to call the Tax Collector. Having paid his fellow-owners the full rental value, he becomes the sole and exclusive owner and occupant of the area. Provision can be made in the law that he can bequeath it to his heirs, and that, when he sells the improvements, the purchaser will succeed to the right to occupy the area, assuming the payment of the rental value. There would be no occasion for the state to seek the highest bidder, as it would be its duty, and in the interest of the public, to be certain that the full value was established and collected. As to the fairness of this procedure, it has long been common knowledge that, while everyone presumably benefits by the government maintenance of fire, police, judicial and other departments, every convenience and necessity service contributes to the value of the land only, and not to the value of the improvements.

The payer of the full rental value, unlike the taxpayer of today, can enter "value received" after his payment, as there would be no tax on improvements, inventories or income. Improvements could be sold for an undisclosed "valuable consideration" and there would always be improvements, as the holding of vacant land would be expensive and unprofitable, as it would be paying the full rental value, and therefore yield no income. The right to assume the payment of rental might develop some value, but it would never be large if the government and public were

vigilant and saw to it that the full rental was kept at its highest.

In short: The proposal is that the "tax" collector collect the full rental value of all the land (the Single Tax), pay all legitimate governmental expenses, then pay a dividend to every inhabitant of our country, out of the surplus.

Those to whom the thought of the recipient of a Basic Income, not having to even seek employment, is abhorrent, might be reminded that there are a very large number of people already doing so, with no better right to it than the poorest of the poor.

Naturally, so radical a change would require a period of several years and would encounter bitter resistance, but until it is done, poverty will never be abolished.

## SAYINGS OF GREAT MEN

TOM PAINE: "Men did not make the earth . . . It is the value of the improvement only, and not the earth itself, that is individual property — Every proprietor owes to the community a ground rent for the land which he holds."

THOMAS JEFFERSON: "The earth is given as a common stock for men to labor and live on."

JOHN STUART MILL: "Landlords grow richer in their sleep without working, risking or economizing. The increase in the value of land, arising as it does from the efforts of an entire community, should belong to the community and not to the individual who might hold title."

HERBERT SPENCER: "Equity does not permit property in land . . . The world is God's bequest to mankind. All men are joint heirs to it."

LEO TOLSTOI: "Solving the land question means the solving of all social questions . . . Possession of land by people who do not use it is immoral — just like the possession of slaves."

*"Some day this will be the general thinking . . . Some day."*