

CHAPTER XVI.

HOW IT MIGHT BE MADE TO DO SO.

BUT supposing these arguments succeed in convincing their judgment, it would still be competent for those who uphold the existing system to ask, "Well, does the Single Tax method clearer any cure for the evil—one that *would* act as a safety-valve, by which the landless people inside the occupied area could escape from the disabilities under which it is asserted they now labour?"

The answer is, "Certainly it does, and by the following simple method. Let all the outside Crown lands be thrown open to the landless people within the occupied area upon the following conditions:—

- "1. Free selection—*i.e.*, free choice, and freedom from any demand of premium.
- "2. Freehold title.
- "3. No restriction as to area.
- "4. Each section to be held upon the one condition that the owner may be taxed up to 20s. in the £ on the annual ground rent according as this may be assessed from time to time."

Can anyone doubt that, under these circumstances, the outside lands would act as a safety-valve? Can anyone doubt that the landless people within the zone would be attracted by a freehold title for nothing, absolute security for improvements, freedom from taxes on any of their business operations, and therefore from any deduction from any part of their industry? With these benefits, would they fear to incur the liability of an annual payment for public purposes equivalent to the value which their land from year to year possessed above that of the most desirable land which they could get rent free? Why, the tenants now pay an equal sum annually to private owners, who spend it on themselves, while the tenants pay taxes in addition, and also labour under all the difficulties of uncertainty and insecurity. There can be no doubt that they would flock to the new territory. They would there form a community of workers with no drones, of producers without any idle exactors who were mere consumers. They would be subject to no interference or inspection in their operations; they would enjoy secure ownership of all

that they produced; they could bequeath, or sell for its market value, all their possessions, together with their freehold title. The title would bring them no premium, and that is the best of reasons in favour of their getting it for nothing at the outset. It would have no selling value, because it would carry with it the obligation to pay annually its full ground-rental value. In the control of the expenditure of this fund, and of the public services which were maintained out of it, they would have an equal voice with everyone else.

It may be asked, What should be done with deferred-payment settlers, special settlers, perpetual leaseholders, eternal leaseholders (as 999 years' tenants have been called), and others who are now holding land in various ways from the State? The answer is very simple—give them a freehold title at once, subject to the Single Tax, and leave off inspecting their operations and demanding any conditions of tenure.

In justification of the proposal to part with the freehold of Crown lands without payment, let it be asked, "Why *should* the State demand a purchasing price? Does it not want settlers? Does it not wish all willing men to work and to add to the national wealth? Certainly it does. Then why does it erect an artificial barrier against them round its remaining lands, with the result (1) of retarding settlement, (2) of reducing the capital which the settler has to lay out in improvements, and (3) of continuing to play into the hands of speculators and land-lords, and of perpetuating the evils which these classes are admitted to cause?"

Although, in repetition of much that has been urged, it may very well be here pointed out that in a district thrown open on the conditions suggested no land would be kept idle, because this would entail an annual loss upon the owner without offering to him the compensating advantage of a possible prospective advance in selling value. This absence of lock-up would bring great advantages to the new community, inasmuch as settlement would extend along lines of natural preference and suitability, Unobstructed by owners holding for a rise. Intending cultivators or users would be able to start as soon as they had saved enough to enable them to do so, and would retain their whole capital to lay out in improvements, which would from the outset aid their production.

For the same reasons, railways, roads, public offices, and every convenience would be placed in the most suitable localities. No owner

would be interested in influencing expenditure towards his own land, to the detriment of that of others, because his assessment would be raised, in relation to theirs, in proportion to any advantage which he might thereby gain.

To such a community many would be attracted who did not wish to take up land for farming, for manufacturing, or even for building their homes upon. Many who did not incline to make a business venture would go there in search of employment. Their wages would be subject to no deduction for taxes or rates, and yet they would not on this account be accepting any favour, seeing that their presence and expenditure would maintain and increase the ground-rent fund by keeping up and adding to the volume of trade. They would thus as truly contribute to public services as any of their land-owning neighbours did.

In such a community, where no improvements were taxed or rated, and where no producer suffered any deduction whatever from the value of his produce, much more labour would be wanted, and therefore better wages would be offered. Another circumstance which would tend to increase wages, and which would certainly act effectively, would be the facility with which any who had saved a little money, and who desired to set up for themselves rather than continue as wage-earners, could leave the ranks of hired labour to work for themselves, and ultimately to become employers. The calls upon wage-earners would be lessened, while their wages would be increased.

A State so constituted might safely borrow money, and would have a fair chance of wisely and economically laying it out in public works. Its cities and local bodies might do the same. Pressure would not be brought to bear by individuals and electorates, as at present, for the expenditure of borrowed money where no public work was needed. The experience of the whole of Australasia in this line conclusively proves that with existing methods of taxation, and under the system of party government, it is impossible to expend loans or public funds either honestly or economically.

The foregoing paragraphs are intended to elaborate a suggestion by which our Crown lands might be made to lessen the existing evils by acting as safety-valves to landless people within the occupied area. It is not, of course, pretended that any *section* of a country could be treated so differently from the rest. But, if that *were* possible, the new territory

would certainly be the most desirable section to live in for all who simply desired to enjoy the fruits of their own industry without deduction, and who did not wish to take toll from that of others. But what could not be established at once by a stroke of the pen over a *section* of the country could be promptly commenced over the *whole* of it.

Such a condition as that described, so far from being Utopian, is one of the most sober and feasible, nay, even prosaic, of possibilities.

It is within the reach of any democratic community which will intelligently and patiently think out its underlying principles, and then determine to vote it into existence at the ballot-box. Instead of involving, as so many dread, an advance into Socialism, it offers the freest scope for individuals to direct their own energies and to use their own capital. Instead of requiring more State inspection, regulation, and interference, or necessitating an increase of public officials, it would mean a reduction in every department.

CHAPTER XVII.

LAND VALUE IS NOT A COLONIAL ASSET.

IT is probable that most people consider that *land value* is one of the assets of the Colony and of its people, taken collectively—that in making up a statement of its balance-sheet an estimate of the capital value of all the land within its boundaries should be set down amongst its collective public and private assets. This was, at any rate, the opinion of Sir Julius Vogel, when, as Colonial Treasurer, he made his financial statement in May, 1887. The Colony was then in a declining position; a deficit was announced by the Treasurer, and a proposal made to increase the taxation. Towards the conclusion of his statement he devoted two pages to a consideration of the "Wealth of the Colony," in which he showed (to his own satisfaction) that the assets gave a surplus over the liabilities of an amount equal to £223 for each man, woman, *and* child (exclusive of Maoris) in the Colony. No doubt this was very comforting to his hearers and the Colony generally, but unfortunately it was founded on a misapprehension so serious as to render the assurance valueless. It may seem presumptuous, in the eyes of many for a private individual to challenge an ex-Colonial Treasurer's dictum upon such a vital principle; nevertheless, the writer is obliged to do so, and to state most emphatically that the Treasurer was wrong, inasmuch as he included in his list of collective public and private assets the *capital value of the land* of the Colony. It is quite correct for a *private individual* to include in his balance-sheet the value of the land which he owns. What was *not* correct was for the Treasurer to add together the *land* and other assets of *individuals*, and the estimated value of the Crown lands and of other *public* property, and to say that the total represented the Colony's collective assets. What is here asserted is that land value is merely a *domestic* matter, applying to the financial arrangements *between individuals only*. A few paragraphs will be devoted to establishing this position.

It will be recognised by most persons—and is plainly asserted by landowners when they denounce the Single Tax—that if all ground rent was taken by the State the selling value of the land would disappear. When it disappeared it would fall out of the Treasurers list of assets. If that had taken place no one surely would say that the *Colony* collectively was many millions poorer than it is now, or that

its real assets had been reduced. The land would be there still, and it has been shown that it would be more thoroughly used than at present; therefore the *community*, as such, could not be poorer, but would, on the other hand, be better off. No *individual*, however, would continue to put down land value in his balance-sheet as an asset. This being so, neither could a Colonial Treasurer of the future put it down, even if he followed Sir Julius Vogel's method, because, as already shown, the amount would *not appear* in the private balance-sheets. Neither could he set it down on any other assumption—such as, for instance, that the capital value had been transferred from the owners to the Colony—seeing that the Single Tax would perform no such operation. Nor could it be set down on the plea that the ground rent, which had been transferred to the State, might be capitalised as an additional income received. This would not have constituted an *increase* of the income of the State. Upon the receipt of the ground-rent fund it would have given up the other sources of revenue from taxation. What, then, is the explanation of the fact that the killing of the land value could take place without reducing the collective Colonial assets? Single Taxers say that the reason is that the inclusion of land value amongst these assets having been *always* a purely *fictitious* operation, its falling out could make no difference.

The total land value is merely the capitalised ground-rent fund. This fund is the total sum which all the users of land are prepared to give annually, or to buy, up for a lump sum, for the land which they use. Up to the present time they have paid this as a "tribute" to private individuals. It is not proposed to annihilate the fund, but to *transfer* it to the State. It is apparent that no reduction of the collective Colonial *income* can be effected by making a mere transfer between sections of it; but it is also evident that when the State receives the ground-rent fund no buyer will give more than a nominal sum for the purchase of any piece of land. As long as a private individual receives the ground rent, he holds an *income-producing right* which is saleable; when he passes the rent on to the State he will no longer have a capitalised value to offer for sale; but the land will not, as a consequence, lose any of its value for use, and that is the only value which, according to Single Taxers, it ever ought to have had for *anyone*. As a matter of fact, it never *had* any other value to any community *as a whole*. The reason that it has now a capital value to *certain members* of the community is found above, in the fact that they have obtained the

legal power to charge *other members* for permission to use it. That which has been the *gain of the few* has been the *loss of the many*; or, to put it more precisely, the gain to landownership has been a loss to the rest of the community. If the income of a section is contributed by the rest, then the capital value thereof, if credited to the one, must be debited to, and form a liability of, the other section.

To put the problem in a different way: let it be supposed that a privilege is conferred upon certain idle individuals, enabling them to place toll-bars upon all the roads of the country, to take a fee from the passers, and to treat the proceeds as private income. No one would contend that the value of the roads of the country had been increased by the operation, or that an addition had been made to the country's gross income. The collective income would be as great before as after the institution of the toll-bars, because it would be the produce only of the *industrious* inhabitants. The fees paid to the toll-keepers would be taken *from* this income, and could in no wise be mistaken for an addition *to* it. The only value of the roads to the people, as a whole, is their usefulness in aiding production and distribution. They had been made and maintained by taxes upon the whole people, and if, after this had been provided for in the country's expenditure, the toll-bar concession had been granted, it is obvious that all production and distribution would be saddled with it as a private charge. The industrious section of the people would be rendered poorer as a result of the granting of the concession, because they would receive no equivalent. But for all that the toll-bar owners would have a saleable interest and therefore *an asset*, varying according to the amount of income derived, or expected to be derived, from their concession. But this selling value would not constitute an addition to the collective assets of the country, and could not, therefore, be put down by its Treasurer as such. Its disappearance, caused by a subsequent abrogation of the concession, would not reduce the Colonial assets. Yet, upon Sir Julius Vogel's theory, it would be included.

This supposed case is the parallel, in all salient features, of landownership. The income received from the travellers on the roads is analogous to the ground rent derived from tenants by landlords: neither of the receivers confers any benefit in return. In the one case the making and maintaining of the roads, and in the other the carrying on of public services, and met by taxation levied upon all the people. The selling

value in each case is determined by the same consideration—viz., a concession to levy a private toll. Neither of them represents Colonial, or any true form of, wealth, but only the capitalised value of private charters authorising their owners to make mere impositions upon their fellows for their own personal benefit.

It can hardly be necessary to say more in proof of the contention that land value is not a Colonial asset.

CHAPTER XVIII.

INCOME FROM GROUND RENT AND FROM DIVIDENDS CONTRASTED.

THERE is another difficulty which some men cannot get over. It is this—that they can see no difference in principle between the receipt of an *income* which consists of *ground rent* and one which consists of *dividends* on shares in any hank, manufactory, or public company. They say that if the landlord does not produce the ground rent which he receives, neither does the shareholder produce the dividend. A little examination, however, will serve to show that this conclusion is founded upon a superficial view of the two cases, and not upon a careful analysis of them. The first case has been dealt with, and will only need repeating here in the form of a brief summary.

The landlord class have obtained possession of something which they did not make and which *no man* made. They performed no service to any fellow creature in taking possession of it. It had existed, and would have continued to exist, if no landlords had ever appeared. They might have owned it all their lives, but would have received neither income nor produce from it unless a community had existed for the one and tenants for the other. The presence of the community gives it the rental value, which forms the landlords' *incomes*. The work of the user is what makes it *produce* anything, and not the presence of the landlords. They cannot, therefore, *be* entitled to either result. The dealing in land is nothing more than the buying and selling of *charters to make impositions*. The ground rent and the produce are divided between the workers and those who have contributed nothing towards production, but have hindered its operations all through. There is no justice in any such division taking place. Land-owning is not "wealth owning" but privilege owning.

The shareholder has, on the other hand, embarked his savings in an undertaking which would not have existed unless he and others had saved and made efforts. They perform a public service by helping to start an industry. It will cease to exist if all shareholders withdraw from it. While it exists it provides employment for, and pays wages to, men who use the appliances provided by the shareholders. Instead of *forestalling* the chance of these users the shareholders come forward and *supply* it. The resulting produce is divided, in the shape of wages

and dividends, between the two parties who have contributed to production.

In briefly summarising the position it will appear, in contrast, thus:—

The landlord class lends something which it has not produced, but simply appropriated; it leaves all risk and organisation to the workers, after receiving from them an annual payment for permission to work.

The shareholder lends appliances which he has made; takes all risks of return; organises employment, and pays wages. He then takes the chance of anything being left for himself.

It is quite evident that the sources of, as well as the manner of providing, the respective incomes are the very antipodes of each other.

There is a point, however, which must be admitted, and that is that the division of the proceeds in the case of the company may not always give satisfaction, but the *reason* for this and its *cure* has been dealt with more fully in Chapters XIV. and XVI. It may be repeated here, however, that if the employees, through the absence of landlords, could get permission to securely use land without buying it, they would be in a position to protect themselves by declining wages which did not satisfy them. It is not shareholders or employers who stand in the way, but land monopolisers.

CHAPTER XIX.

THE SINGLE TAXER'S DEFINITION OF GROUND RENT.

THE dictionary meaning of ground rent is "rent paid to a landlord for liberty to build on his ground." Observe (1) that it is not the payment for the use of any improvements belonging to the landlord; (2) that the tenant is the one who is to add the improvements to the land; (3) that these will become the landlord's property at the end of the lease; and (4) that the rent paid is not a recompense for the use of anything which the landlord has produced, but is the consideration which induces him to stand out of the way—to withdraw for a time his "forestalling" power over the land.

The dictionary definition, however, while strictly correct, is too limited in its scope to describe the whole fund which Single Taxers wish to nationalise. The former refers to building land only, and requires extending so that it shall include all land which is rented for any purpose whatever. It must also include land privately owned and used by its owner. To understand the necessity for the latter extension it will be desirable to realise that an owner who *uses* his land absorbs, or enjoys, the financial benefit of its annual ground rent, just *as* surely as if he let his land to a tenant and received the ground rent from him in cash. There can be no doubt of this being the fact. The value of the gross produce of the land will be rather more if the owner uses it instead of a tenant, because the latter always works less securely.

Each would have to deduct his general business charges from the gross proceeds to arrive at his net profit. The main difference between the profit and loss account of the tenant and the working proprietor is that the former has to deduct the ground rent as one of his charges, and is to that extent worse off at the year's end than the latter. The owner's living, therefore, would be better, at least to the extent of the ground rent, than the tenant's would be. This is the demonstration of the previous assertion "that an owner who uses his own land absorbs, or enjoys, the benefit of its annual ground rent." This will not be disputed, but it will be contended that the owner has inherited or paid for *his free right* to use the land. This fact is not lost sight of, but will be dealt with later on. It is desired, at this stage, to point out only the financial result of the fact in the case of the "tenant" and the "owner" respectively.

A further remark upon this question of extension will be necessary. It is well known that some land which is owned for speculative purposes is not held entirely idle, but that much of it is temporarily let for purposes very inferior to its capabilities. Thus, for instance, building land is often let for grazing, for agriculture, or for market gardening. In such cases it would not be fair to the community to assume that the value of such *inferior* uses should determine the ground rent assessment. It would have to be estimated at the full worth of the best use of which the land was *capable*. The same would be done with land held idle.

It will next be necessary to inquire what considerations determine the *amount* of ground rent. These are of two classes. One may be described as "economic" and the other as "speculative."

Take an instance to indicate the nature of the "economic" consideration. A certain piece of land comes to be preferred by the public on account of its quality or locality. They indicate this preference by exhibiting a willingness to pay a certain ground rent for it. The actual *amount* of ground rent which will be paid for the piece is defined by political economists as the annual sum which tenants are willing to pay for it rather than resort to the most favoured land suitable for their purpose, which they can get rent free. As long as this preference is based upon the fact that the piece is *at present* worth the amount to the user, then the consideration is "economic."

Take an instance to indicate the nature of the "speculative" consideration. A certain piece of land is believed by speculators to be likely in the *near future* to be in greater demand than it is at present. They foresee a probability of population spreading in its direction, or they believe that some projected road or railway will bring it within the range of more beneficial use. Thereupon they secure a long lease of it at a higher rent than it is worth for *present* use. Now, in so far as this consideration goes in *advance* of the *present* using value, its action is "speculative."

The observed result of the action of these two considerations is that ground rent ranges from nothing up to an amount fixed by the competition which exists for the lands *already* proved to be most eligible, or which are expected in the *future* to be so.

Again, it will be necessary to call attention to a peculiarity of ground rent which does not attach to the charge for the use of any moveable article. This peculiarity is, that it increases for any piece of ground around which a greater population comes or near which a greater production of wealth takes place. Notice particularly that this occurs in spite of the fact that there is no increase of the *area* of the piece of ground. Consider, also, that it is not any special action of the owner of the piece which causes the increase of its annual value.

The two causes which lead to this increase are: 1st. The growing desire of members of the community, owing to either of the before-mentioned considerations, to obtain it. The 2nd, is the fact that the site cannot be multiplied, and that other land cannot be imported to meet the increased demand. If such multiplication or importation was possible, the price would only rise temporarily, if at all. As they are not possible, the resulting value may be called a scarcity value.

It will at once be recognised, as the contrary of this peculiarity, that the hire of ships, of carriages, of carts, and of machinery, etc., becomes cheaper as the demand increases. The reason is that the supply can be increased in response to the greater demand. Land cannot be made to respond to it; the locality of a section which is specially desired is fixed; it is not an article which can be either produced, extended, or imported.

Lastly, before leaving these remarks upon ground rent, it will be well to call attention to the following fact connected with it: Ground rent, under existing conditions, is the basis of the selling value of land. Not that the present annual value and the capital value bear a *uniform* relation to each other. Purchasers in some cases, as has been pointed out, expect to get a higher rent in the future, and this speculative consideration induces them to give a larger price than the present rent would warrant. The result is that the present rent will not generally pay the current rate of interest upon the selling value, but the future expected increase is considered to compensate for the present sacrifice of income. But the following is *strictly* true, that where there is no ground rent, and no expectation of it, there will be practically no selling value. This connection between the two prices is pointed out here because it will be seen to be important when the *effect* of the Single Tax comes to be considered.

CHAPTER XX.

GROUND RENT MUST ALL BE TAKEN FOR PUBLIC PURPOSES.

IT is not always made quite clear in Single Tax controversies that the *whole* ground-rent fund is demanded as public revenue. Henry George, however, is quite decided upon the point. He is not satisfied to make a levy upon ground rent, which shall be sufficient merely to cover existing taxes and rates, because if there was any balance this would still leave to landownership a power of taking it from industry and using it as private income. The demand is therefore made unmistakably for the *whole* ground rent to be delivered up for public-purposes. However *gradually* it may be accomplished, it must be clearly understood that nothing short of its entire *ultimate* surrender can satisfy the demands of justice according to the views of Single Taxers. Nothing short of this would accomplish the two great results aimed at, viz.: (1) the restoration of the ground rent, or using value of land, to the community which causes it to acquire the value; and (2) the killing of the selling value of land, so that the intending user can step into it upon the level, and have no monopolists' wall to climb over before he can reach it. The next heading will show whether this would be attained.