

Up to this point we have been locating the basic cause of our economic ills, and determining its remedy. Having attained these objectives, the next thing in order is to consider how the remedy can be applied with as little disturbance to society as possible, and in the most practical way. While methods of application are of minor importance as compared with the principles themselves, still we cannot ignore the question so often asked: "The plan George proposes sounds very well in theory but would it work out in practice?" Therefore, we will now show that the theory is not only workable, but is ideally suited to human needs.

We have learned that private ownership of land brings want and plenty; that private ownership of land is the cause of the great inequality of opportunity to get a living which we find everywhere among men; that private ownership of land causes the struggle for existence to become more and more intense in spite of the fact that invention after invention has multiplied by hundreds, and by thousands, the power of human hands to supply human needs; that private ownership of land injures mankind, not only by what it takes away from those who produce, but still more by what it prevents them from producing.

What is the best method of destroying private property in land? If we could, should we destroy our present system of holding land by one stroke of the pen, - changing over-night from private ownership of land to common ownership of land, as we abolished chattel slavery?

Personally, I believe this would be the easiest, safest, and wisest method of solving our economic problems. Though, of course, this could not be done effectually unless and until a large part of the public realized the fact that the institution of private property in land actually is the cause of our economic ills. When we have established in the mind of the public the fact that the land belongs to the people as a whole, it is not at all improbable that the change will come rather suddenly, whether we plan to have it so, or not.

However, many feel that it would be wiser to proceed in a more gradual manner, one which will give society an opportunity to adjust itself to the change before it is made, rather than after. We can have no quarrel over this method, provided that the ultimate aim is always plainly stated and kept in view. If, with every step taken, is stressed the fact that private property in land is unjust, opposed to the best interests of the community and everyone in it, and must be abolished, and by the step then being taken, is to that extent being abolished; then adjustments will be made as rapidly as practicable, and the principle will not be buried in camouflage. The danger inherent in this plan lies in the fact that the basic principle is apt to be lost sight of, so that when a few steps have been taken without bringing all of the advantages which can come only from a full application of the principle, it would be easy for many to jump to the conclusion that the principle itself is unsound.

But however slowly, or however rapidly, it may seem wise to proceed toward the goal, it is well to realize that the means itself is in our hands, - that means is taxation. It has truly been said that "the power to tax is the power to destroy". We must destroy private property in land. This we can easily do by eliminating all possibility of making a profit through private ownership of land. As said before, people do not buy land in order to oppress their fellows, nor because they must own it before they can use it. Men speculate in land because they hope to make

profit from it.

If we adopt a policy of taxation, which ultimately will make it impossible for any land owner ever to make a profit on the land he owns through the renting or selling of it, no matter how long he may hold it, and if he knows that each succeeding step in the carrying out of this policy will cause the selling value of his land to decline until the selling value finally disappears altogether, then speculation in land would cease, and there would be a natural death.

By the slower approach, tax after tax on labor products would be abolished, and the government would be supported by placing and proportionately increasing the tax upon the rental value of ALL land, whether used or not. This taking of ground rents by the community to be used for government expenses, is usually referred to as a tax (and it is this which has given our movement its name), but it would be no tax at all. It would be simply a payment to the community of the rent for the land used.

So far as the benefits to society are concerned, this step by step method of approach, though slower, would, when the final step were taken, accomplish the same result as would be accomplished by a single decree making land common property: that is, from that time forward, the rent of all lands, whether used or not, would be paid, by the individual holding that land, not to other individuals, but to the state in lieu of all taxes.

But, for the present, still calling this rent of land paid to the state a tax, in order to meet the average man's point of view, let us consider its various phases.

One question often asked is: "What advantage would there be to society in taxing but one kind of property?" The advantage is not measured by the greater or lesser number of things taxed, but instead in the result effected by taxing those things which are taxed. If one wished a horse to carry a load, one would place it upon his back instead of tying it to his feet or to his tail.

In economics, all of the things usually considered as property should be divided into two classes: 1st -- those things which are produced by labor, and which therefore properly be regarded as property; and 2nd -- those things which are not produced by labor, but which come to their holders as the result of some privilege, and which things it is quite improper to regard as property.

As to the first class, - the things produced by men, - these belong to the men who produced them, and to no one else; they are not the property of society then they are the property of any other one individual.

As heretofore shown, the basis of civilization lies in the exchange of service for service; the more nearly equal the interchange of services in any community, the higher the degree of justice there. This same rule applies to the relation between the government and its citizens just as truly as it does between the citizens themselves. It is just as truly robbery for the government to take from any of its citizens, in taxes or in any other way, property which does not belong to the community, or property for which it gives no proportionate service in return, as it would be for one citizen to walk into the store of another and help himself to the goods upon the shelves there, without giving an adequate return for these goods. The government cannot, with justice, tax anything which has been produced by labor, because in the act of taxing, the government takes

a part of the value of that thing.

As to the second of the two classes above mentioned, - the prizes of those things not produced by labor, and which come as the result of some special privilege granted by society - there can be no such thing as equality of opportunity in any society, if one man, or several men, are given privileges which are denied to others, unless the men who receive these privileges pay to society the full value of the privileges granted to them.

All men must use land in order to live, and every man has an equal right with every other man to use any spot on the earth's surface from which he desires to make his living. But no man would ever try to use land to its best advantage if he cannot feel certain that he will be able to keep what he produces there. If a man were always afraid that someone might come in to drive him away after he had built his factory or planted his crop, there would be but little production. To obviate this difficulty people must be given the privilege of having exclusive possession of the land they use, either by lease, or purchase, or in some other way. This privilege can be granted, rightfully, only by the community, and if the man to whom the privilege is granted of having the exclusive use of a plot of ground, pays to the community the full value of the privilege granted him (its full rental value), then full justice is done to everyone, and the granting of the privilege harms no one.

Let us illustrate: A given community is here represented as consisting of three people on three grades of land. A arrives first and of course will take up the best land he can find, the 100 land. While A is here alone his land has no rental value. B arrives. He of course would have liked to use the best land, but since A has it all, he must content himself with the second grade land, or 80 land. As soon as B is settled, the rental value of A's land immediately becomes 20. It was not A who gave a rental value of 20 to the land he held. This rent was caused by the fact that land differs in productivity. There is probably only one tiny spot in the world which will produce more than all other spots. Every person has as much right to use this particular spot, or another like it, as has any other person, but there are not enough such spots to go around, therefore some - people - must use poorer grades of land. In this illustration B must use the 80 land, and when C arrives and finds both the first and second grade land all in use, he is forced to take up the 60 land, and rents are now 40 and 20 for the first and second grade lands, respectively.

Wages	60	60	60
	100	80	60
Rent	40	20	

At first thought one might wonder how there could be any equality of opportunity in a condition of this kind. Here A could loaf nearly half a day and still produce as much as C who worked all day (this illustration presupposes, of course, that labor of a given efficiency, working the same length of time, would produce 100, 80 & 60 respectively on these lands).

A recognition, however, of the fact that the rent of 40 for A's land, and the rent of 20 for B's land, is not due to any action by any one man but to the presence and activities of all three men working on different grades of land; which combined activities and presence of all three men will increase the demand for the better grades of land, and (2) a recognition of the fact that A has no more right to the use of the best land than has B or C, and (3) a recognition of the fact that A need work no harder to produce 100 than does C to produce 60,

give us a cue to the solution of our problem. Since it is the fact of people coming together and working together which causes rent to arise, if society will collect this rent which it creates, opportunities will be equalized for all. Thus

If A, using 100 land, pays 40 rent his opportunity yields him	
" B " 80 " " 20 " " " " " 6	
" C " <u>60</u> " " 0 " " " " " 6	

If, the community collects this rent, then as the result of a given amount of labor exerted for a given length of time each man will have 60 for himself. By this simple method of collecting the rent which it creates, society has given to each man, an equal opportunity, by an equal amount of labor, for each man to produce for himself an amount of wealth equal to that which all the others produce; and he has any economic advantage over any other man.

What will society do with this rent which it collects? Each one of these three men did as much to create this rent as did the other two, therefore this rent fund belongs equally to all three men, or it could be distributed equally among these men if it were so desired. Thus:

	land	rent	opportunity	share of rent	result to each
A	100	- 40	= 60	+ 20	= 80
B	80	- 20	= 60	+ 20	= 80
C	60	- 0	= 60	+ 20	= 80

The result would be the same equal opportunity as before. But the government has expenses which are necessary if it is to carry out its proper functions, and since a proper government is run for the equal benefit of all of its citizens, the logical thing would be for the government to keep this rent fund which the community creates, and to spend it for the necessary expenses of government. If it does this there will be no need for taxes of any kind.

As shown, in this way, governments can keep opportunities equal; every man in this community can produce 60 for himself by exerting average energy and ability, but suppose A wishes to take six months for a trip around the world, that year he would produce but 50. Suppose B seeing A start his trip, decides that he will work night and day in order to make such a trip possible for himself next year, and by doing this he can make his land produce 100, but C follows the even tenor of his way, then the wages each would receive for this year would be as follows:

If A produces 50, pays rent of 40, his wages will be 10
" B " 100, " " " 20, " " " " 80
" C " 60, " " " 0, " " " " 60

It is no injustice to A if his wages that year are only 10, while B's wages are 80, so long as A has the opportunity to produce as much as B should he desire to do so. It is the function of government to keep opportunities equal, but the wages which any man receives will, and should, depend upon his own exertions and ability.

This is the only method by which government can maintain equality of opportunity among its citizens, it is the only method by which men can get the full product of their labors.

But, it may be contended, if A & B can produce 100 and 60 respectively, from their lands with the same amount of labor, but must

but must pay 40 & 20 for rent, is it correct then to say that they receive all that they produce? In answer, let us suppose that A is a shoe-maker and can make an average of two pairs of shoes a week. B is a carpenter, and C is a farmer who could raise an average of 10 bushels of potatoes a week. Suppose also that A exchanges with C one pair of shoes for five bags of potatoes, and that he asks B to build a porch on his house, which will take one week of B's time, for which he will pay B two pairs of shoes. Now A will have 5 bags of potatoes and one porch which he did not actually produce with his own hands, but he certainly did get these things as the result of his own labor, because he exchanged shoes he had made for these other things which he wanted. Each man in these transactions has given a full equivalent to the other, as measured by labor. Each man has given service for service, and even though A has made exchanges, it is correct to say that A has received all that he produced.

Now A pays 40 to the community for rent, and in return for it he receives services which the individual could not produce for himself. Since he pays the highest rent, this means that he has paid for the opportunity to do business (or to live) in that community, or in that part of the community, where the services given by the community are greater than anywhere else. He gets the best police and fire protection, the best streets, or lighting, the best schools, libraries, or museums - he (or anyone who uses this site) receives the best of whatever it is that the community has to offer. He must pay his rent to the community in order to equalize opportunities, but this rent is not just taken from him and nothing given in exchange. He exchanges $\frac{4}{10}$ of the shoes he produces with the community in exchange for the services which the community gives to him at that spot. He and the community exchange service for service, just as truly as when he exchanged with C, five bags of potatoes for one pair of shoes. B chooses to live farther away from the centre of the town, he pays 20 in rent for services worth $\frac{1}{2}$ as much as those which A receives. Therefore, under this system, every individual will receive the full product of his labor, even though he may exchange any part, or all, of this product for services from other men, or for services from the community.

If every man always kept as far away from other men as he could, we would have no society, we would probably have no land values, and little or no need for a government; but men not only prefer to associate with their fellows, they find that it is to their advantage to live together; therefore society grows and the need for government arises. As soon as men begin to associate, if their numbers are more than enough to occupy all of the best grade of land, a fund begins to grow with which to pay the cost of government which this association necessitates. This fund consists of the aggregate ground rents of the community. This rent of land is the natural tax, if one still wishes to use the word "tax", it seems as though it were Nature's own provision for the revenues required by government for its expenses.

What is a tax? The Century Dictionary says "An enforced contribution, levied on persons, property or income, by the state for governmental purposes". This sounds very arbitrary, and of course it is arbitrary. Any government can use its police power to compel any of its citizens to give up any or all of their property to support the state. But here is a fund, made up of the aggregate rents of the community, a fund which is inevitably created by the bare presence of the community, which can rightfully be the property only of the community as a whole, a fund large enough for all government needs. If one were

not blinded by custom, what would one think of a community which, for this fund, allowed it to be collected by anyone who could get it. And then, in order to support government, appropriated the property of the citizens, without consideration for equality or justice, - confiscating most of the property of some, ignoring that of others almost completely? A fitting opinion of such a government, frankly expressed, might not be "fit to print", and yet this is just what government now does.

In America there are two theories as to the best method of raising taxes. Under one, taxes should be levied upon men in accordance with their ability to pay; and under the other taxes would be levied in proportion to the benefits conferred upon the tax-payer by the government. Actually, however, there is also a third theory, and probably the greater part of our taxes are raised in accordance with this generally unrecognized third theory, - which is to tax in accordance with need to buy. Most direct taxes, probably, are, at least theoretically, levied in accordance with the citizen's supposed ability to pay; but our great mass of indirect taxes, are all passed along from one producer to another until they reach the ultimate consumer, who not only must pay these taxes, but also all of the profits which have been added to these taxes as they passed along the line. The consumer never knows how much he is paying in taxes, but he does know that the more goods he needs to buy, the more he pays in taxes. A family who bought six loaves of bread each week, would pay twice the amount of taxes on bread, as would a family which used but three loaves a week, even though the family using six loaves might be very poor, and the family using three loaves might be very wealthy. So that, not even theoretically, are these indirect taxes paid either in accordance with ability to pay, or in accordance with benefits conferred. (The Saturday Evening Post of Sept. 25, 1936, had a very interesting article on taxes, and among other things enumerated the 52 taxes which are included in the price of a loaf of bread.)

It would seem as though there should be no difficulty in deciding which of these three methods a government should choose. To tax either in accordance with ability to pay or need to buy, does not accord with justice, - they are devices based upon the same motives which actuated the pirates, - to take where the taking is good, and that is the best that can be said for them. They penalize thrift and industry, and injure everyone. It would seem as though every thoughtful person must admit that the only payment which any government could demand, with justice, from any citizen would be payment for benefits conferred, payment for services given. Most men will admit that, as they say, "theoretically this would be ideal, but ----".

First they are apt to contend that it is impossible to measure the benefits which any one man receives from government. As for this, we need only to realize that when a man pays the rental value of the land he holds, he is paying for the benefits received from the community. The rent of any given piece of land measures accurately the market value of the advantages received from society by the individual using that site. It is true that this rent today is usually collected by private individuals, who give nothing in return for it. But this rent cannot rightfully belong to any individual. It is the community which gives the service for which the land user is paying, and therefore the rent belongs to this community. When we allow private property in land, the land-owner steps in between the community which gives the service and the land user who pays for this service, and robs both of

them. It is as though when buying an automobile, a bandit were between the buyer and seller, grab the cash and then drive the automobile away. If the automobile merchant had the power to compel the buyer to reimburse him for the automobile which had been stolen the simile would be complete, because that is what the government does to its citizens. The landowner takes the payment for the services rendered by government, but the land user must pay another equal amount, or more, to support government, - the government says to its citizens that they must pay it for the services rendered, notwithstanding the fact that they have already paid this amount to the land-owner.

If a buyer went to a store to buy hats, he would be charged for the number and quality of hats bought. When we go to pay our taxes why should not the same sensible and equitable principle be followed? What has the tax-payer had from the community? He may have had the exclusive use of a lot 50 x 100 at the corner of the main streets of a town, with all of the advantages which that location brings, and he must pay what this privilege is worth, but if he had the use of a lot 50 x 100 in the suburbs, where it is not possible to do so much business, then he should pay a smaller amount for the lesser advantages which he would have in that situation. In either case his payment would fully cover his debt to the community. When he bought hats he was not asked how much he was worth, - why should the government ask this question any more than the merchant, the question should not concern either one of them. The citizen should pay to the government the market value of the benefits he receives from the community. The government should receive no more, the citizen should pay no less. The rent of the land one uses will measure the market value of the benefits one is receiving from government. Therefore it is possible to tax according to benefits conferred.

It is sometimes contended that taxing according to ability to pay and according to benefits conferred are really the same thing; that is, so the contention runs, if we would fully tax men on every bit of every kind of property they own, then we would be taxing them according to benefits conferred, because, it is argued, the property men have represents the benefits they have received from the society in which they live.

A little thought will show that this is not true. The first man's property may have been bought with rent he has received for land, - this man has benefitted through a privilege granted by the community, he has taken wealth out of the general stock of wealth, but has added nothing to it. The second man's goods has been acquired as the result of his own labor; what this man has he, himself, has earned, and any service which he has received from society, he has already paid for when he paid his land rent.

Even if this contention were true, which it is not, it is impossible to assess accurately the values of personal property. Centuries of attempts have proven this. Instead of resulting in justice such a system results in injustice and also in dishonesty, not only among government employees, but also among all of the citizens in their attempts to keep their individual taxes down to a minimum. It has been said that our present tax system should be called "a system to promote civic dishonesty".

For six generations Rome tried determinedly to assess and collect taxes on all personal property. Officials were permitted to use the rack, the lash, the thumb-screw and the cross in order to compel the

Roman citizens to fully declare their property; but even these methods failed. A few centuries later Spain tried the same cruel method, especially against the Jews, but here also they failed. Men can be robbed and murdered by a government, but, if they can avoid it, they will not give up what they instinctively realize belongs rightfully to them and to their children. Personal property can often be hidden or moved, but even if it could not, no assessor or group of assessors can tell the true value of all kinds of property. A small painting may be worth \$200,000, while a large one may not be worth \$200. - often only an expert could be sure. Two chairs looking almost identical when new may be worth \$250. and \$25. respectively, - the average assessor could not tell the difference between them. A farmer as an assessor would know nothing about the value of the stock in a drug store, and vice versa. Even a number of people, acting as a body of assessors would be no more successful. About 100 years ago Rhode Island passed a law making everyone an assessor by requiring a man's ten nearest neighbors to act as assessors for his property. In this it partially copied Rome, which at one time had a law requiring a man's two nearest neighbors to act as his assessors. Rome, moreover, compelled the assessors to pay all taxes not collected from the assessed. Both Rhode Island and Rome found that no accuracy could be obtained even by these methods; nor has any method been formulated by which private property can be assessed with any degree of accuracy.

As for taxing improvements - even though a building cannot be hidden or moved away, its true value can only be guessed at, by a system of averages. Two buildings of the same size, looking alike outside might be assessed alike, though one might be so built that it would not last for ten years, while the other might be built to last for generations.

Even if accurate assessments of improvements and personal property could be made, such a system of taxation would not secure justice, would not insure equal opportunities for all, would not give to individuals the full return of their labors, quite the contrary is true on all three counts.

Not only is a tax on ground rents the only just tax, but it is the only tax which can be assessed with accuracy, because land lies out of doors and cannot be hidden, - everyone in the community has a general idea of its value. A tax on ground rents would require no personal returns, no oaths to be sworn to, no exposure of private affairs; there would be no exemptions, and any favoritism or preferences could be quickly determined and stopped.

The first necessary step toward such a change in our taxation methods would be to determine the value of all lands separately from the value of the improvements on these lands. This is already done in several cities and states, but possibly nowhere more practically than in New York City. Here tax maps are published every year, maps which can be obtained by every citizen. From these maps each individual can ascertain just what his assessment will be on the land he holds, and what his neighbors' assessments will be. In this way he can tell immediately whether or not his land value and all of the neighboring land values have been correctly stated.

After a separate valuation has been made of the land, the next step could be the abolition of various other taxes, with a proportionate increase in the tax on rents. This process could be continued until the tax on rents took the whole rental value of land for the community,

regardless of whether the land were used or not.

To illustrate: Here are six town sites, all of equal value, with but one built upon. At present these would be assessed, probably, about as shown in this diagram. The one man who has built upon his site is the only land-owner who has added to the wealth of this community. To build his house he has employed labor and stimulated the production of building materials, and thereby increased employment and bettered the condition of labor over a large area; yet every year he is penalized by the town as though he had done some harm to the community instead of benefitting it. The other five land-holders, who have actually harmed their community by holding their land out of use, and by preventing labor from using these sites have decreased production and prevented labor from earning wages, - these land-owners are rewarded by low taxation, and are thus encouraged to continue to hold their land idle year after year. What a topsy turvy method of gathering government revenues!

Suppose that the full rental value of each site were \$30.00 a year, and suppose we readjusted these taxes $6 \times \$30. = \$180.$ so that each of the six land-owners paid the government each year \$30.00. The same amount would be received by the government as before. If the lots were all of equal value, as was supposed, this would mean that each had been fitted equally by the improvements made by government, regardless of whether the lot were used or not; justly therefore, each should pay an equal amount to the government. Each lot owner should pay full value for the services received from government just as certainly as he would pay for services received from another citizen.

It is sometimes contended that since the owner of the improved lot is the only one who is getting an income from his investment he, therefore, should pay a larger share of the government expenses. Is this true? Is he the only one who gets a return? (Would his tax be any less if his house were empty?) He is the only one who can get a return from a house because he is the only one who has built a house, but how about a return on the lot itself? Every government improvement, or any other improvement, which will make people want to live in that neighborhood would increase the value of all of the sites in that neighborhood, whether improved or not. This is shown by the increased selling value of each lot after each improvement which society makes. This increased return the lot owner gets when he sells his lot, or when he rents it, he could have built a house if he so desired, and he would have built one if he had felt that it would be to his advantage to do so.

This change from a system of taxing anything and everything to a system of collecting only the rent of land would apply not only to town lots, but to lands of all kinds, - mines, oil wells, coal fields, railroad rights of way, forests, farm lands, harbors, the most valuable lands of all, those in the centres of large cities, - to lands of every description, wherever found, - the rent for all lands would be collected by the government and none by the individual.

It is sometimes asked if a tax on ground rents would not be passed along to the consumer in the form of increased price for goods. If this is true of Labor products, land could be produced by Labor, the collection of any part of ground rents, as taxes, from the land-owner would discourage the production of land, until the decrease in the amount of land

in existence would cause the price of land to rise sufficiently to pay the tax. But no man can create land, the supply remains the same no matter what tax is placed upon it; therefore instead of a tax on land there is a decrease in the amount of land, a tax on rental values decreases the selling price of land, and when all rent is taken, the selling value of land will have disappeared. Nor can land-owners increase their rents because a tax has been placed upon their rents. The only reason land-owners do not now charge more rent for land is because they cannot get more. An increase in the tax on rents will not make either Capital or Labor any more willing or any more able to pay more rent for the land they now use. Land rent is fixed by an economic law, which works without independent of taxation. No amount of taxation will either increase or decrease the rent of land, although, of course, it certainly does affect the selling value.

A tax on a commodity does raise the price of that commodity. If consumers will not immediately pay the increased price made necessary by the tax, the production of that commodity will be decreased, and the decreased supply will be insufficient for the demand; this will result in a higher price to be charged, - a price which will include the tax. The increase in the cost of the goods however is always greater than the amount of the tax; because the percentage of profit in any business is figured upon the whole general cost. Since each article of commerce usually passes through many hands on its way to the consumer, and the figuring of costs and profits is repeated many times, the consumer finally pays much more than the government receives in taxes. When all taxes on commodities are wiped out, consumers would be released from this heavy burden of taxation which they now carry, whether they are aware of it or not. This would enlarge their purchasing power, which in turn would increase the demand for goods, which again would increase the demand for labor, which would again increase wages, and so on ad infinitum.

This tax on rents is a just tax, as no other tax can ever be. Its simplicity, its certainty, its accuracy, its ease of collection, its justice, would make it far superior to anything we have today. But if this reform were only a better method of collecting taxes, it would be a triviality. A just tax is a good thing for any community, but in itself it is nothing to fire men's souls with enthusiasm.

Suppose, however, mankind were asked to picture an ideal economic condition for itself, - could it picture anything better than a condition where there was at all times an anxious demand for labor, always more jobs than men; a condition with wages constantly increasing, prices always falling; a condition in which men would always be free to choose whether they should work for themselves or for another, but where, in either case, each individual would always get the full product of his labor; where if a man chose to work for himself he could always find high grade unused land, with no selling price, freely accessible to him; A condition where every individual would always have an equal opportunity with every other individual to prove his ability, - a condition where no man would be master and no man a slave.

When one realizes that all of these benefits, and many others, are included in what, at first, may seem to be a dull, drab proposal to abolish all taxes and to support government by collecting the full rental value of all lands, - when one realizes that the neglect of the government to collect ground rents for itself instead of allowing them to be appropriated by individuals, is the only thing which stands in the way of our realizing this ideal condition, - then the suggested change in our taxation methods opens a vista which is beyond description in its possibilities.