
THE METHOD OF HENRY GEORGE

The only method proposed by Henry George was the gradual approach and local taxation.

"We cannot get to the Single Tax at one leap, but only by gradual steps."—Henry George in *Century Magazine*, July, 1890, p. 401.

Same page 18: "In the very nature of things it can only come slowly and step by step. We do not delude ourselves on that point, and never have."—Henry George in *Saratoga Single Tax Discussion*, 1890, p. 78.

Progress and Poverty, page 404: "Inasmuch as the taxation of rent must necessarily be increased just as we abolish other taxes, we may put the proposition into practical form by proposing to abolish all taxation save that upon land values.

Social Problems, page 208. "All it is necessary to do is to abolish all other forms of taxation until the weight of taxation rests upon the value of land, and take ground rent for the public benefit."

Prot. & Free Trade, page 320: "That way is clear. It consists simply in abolishing one after another all taxes, and resorting for public revenues to economic rent. The whole of this value should be taken, but that will inevitably follow the decision to collect from this source the revenue needed."

Page 321 (Home Rule in Taxation): "In the United States the most direct way is through local taxation. And this is doubtless the way in which the final advance will be made."

Taxing Land Values

BY

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The only thing about which political economists agree, is that a tax on the value of land cannot be shifted from the owner to the user. If this were not so, Henry George's remedy for our present ills would be futile.

The man in the street however while he can readily see that a tax on labor or its products, such as a pair of shoes, is paid by the consumer, has difficulty in seeing the different effect of a tax on land values.

It is to make clear to those who wish to see the different effects of these two kinds of tax—that on land values, and that on labor or its products—that this little pamphlet in which Mr. George in his inimitable English treats the subject, is reprinted.

Henry George was not only a philosopher but a statesman. He saw the fatal results that would follow the sudden application of his theory and he shows us the way to apply the theory, using our present tax machinery, so that no evil results would follow.

JOHN J. HOPPER.

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This tract was first published by the Gem Economic Library, Minneapolis, Minn., October, 1896. Looking over some old tracts one day, I ran across it and showed it to Mr. Hopper. He was so pleased with it, he at once ordered an edition of 10,000.

JAMES R. BROWN.

TAXING LAND VALUES

EDITORIALS BY HENRY GEORGE

Reprinted from The Standard

A VERY common objection to concentrating all taxes on land values is that the land owner would add the increased tax to the rent that must be paid by his tenants.

It is this notion that prevents men from seeing the far-reaching and beneficent effects of doing away with the taxes that now fall upon labor or the products of labor and taking for public use those values that attach to land by reason of the growth and progress of society.

That taxes levied upon land values, or to use the politico-economic term, taxes levied upon economic rent, do not fall upon the user of land and cannot be transferred by the landlord to the tenant is conceded by all economists of reputation.

However, much they may dispute as to other issues, there is no dispute upon this point.

Whatever flimsy reasons any of them may have deemed it expedient to give why the tax on rent should not be more resorted to, they all admit that the taxation of rent merely diminishes the profits of the landowner, cannot be shifted on the user of land, cannot add to prices, or check production.

Not to multiply authorities, it will be sufficient to quote John Stuart Mill. He says (section 2, chapter 3, book 5, "Principles of Political Economy"):

"A tax on rent falls wholly on the landlord. There are no means by which he can shift the burden upon any one else. It does not affect the value or price of agricultural produce, for this is determined by the cost of production in the most unfavorable circumstances, and in those circumstances, as we have so often demonstrated, no rent is paid. A tax on rent, therefore, has no effect other than its obvious one. It merely takes so much from the landlord and transfers it to the state."

The reason of this will be clear to every one who has grasped the accepted theory of rent—that theory to which the name of Ricardo has been given, and which, as John Stuart Mill says, has but to be understood to be proved.

And it will be clear to every one who will consider a moment, even if he has never before thought of the cause and nature of rent.

The rent of land represents a return to ownership over and above the return which is sufficient to induce use—it is a premium paid for permission to use.

To take, in taxation, a part or the whole of this premium in no way affects the incentive to use or the return to use; in no way diminishes the amount of land there is to use, or makes it more difficult to obtain it for use.

Thus there is no way in which a tax upon rent or land values can be transferred to the

user. Whatever the State may demand of this premium simply diminishes the net amount which ownership can get for the use of land or the price it can demand as purchase money, which is, of course, rent or the expectation of rent capitalized.

Here, for instance, is a piece of land that has a value—let it be where it may. Its rent or value is the highest price that any one will give for it—it is a bonus which the man who wants to use the land must pay to the man who owns the land for permission to use it.

Now, if a tax be levied on that rent or value this in no wise adds to the willingness of any one to pay more for the land than before; nor does it in any way add to the ability of the owner to demand more. To suppose in fact that such a tax could be thrown by land owners upon tenants is to suppose that the owners of land do not now get for their land all it will bring; is to suppose that whenever they want to they can put up prices as they please.

This is, of course, absurd. There would be no limit whatever to prices, did the fixing of them rest entirely with the seller. To the price which will be given and received for anything, two wants or wills must concur—the want or will of the buyer, and the want or will of the seller. The one wants to give as little as he can, the other to get as much as he can, and the point at which the exchange will take place is the point where these two desires come to a balance or effect a compromise. In other words, price is determined by the equation of supply and demand.

Evidently, taxation cannot affect price unless it affects the relative power of one or the other of the elements of this equation. The mere wish of the seller to get more, the mere wish of the buyer to pay less, can neither raise nor lower prices.

Nothing will raise prices unless it either decreases supply or increases demand. Nothing will lower prices unless it either increases supply or decreases demand.

Now, the taxation of land values, which is simply the taking by the state of a part of the premium which the land owner can get for the permission to use land, neither increases the demand for land nor decreases the supply of land, and therefore cannot increase the price that the land owners can get from the user.

Thus it is impossible for land owners to throw such taxation on land users by raising rents. Other things being unaltered, rents would be no higher than before, while the selling price of land, which is determined by net rent, would be much diminished. Whoever purchased land outright would have to pay less to the seller, because he would thereafter be called on to pay more to the state.

While the taxation of land values cannot raise rents, it would especially in this country, where there is so much valuable land unused, tend strongly to lower them. In all our cities and through all the country, there is much unused land, or not put to its best use, because it is held at high prices by men who do not want to or who cannot use it themselves, but who are holding it in expecta-

tion of profiting by the increased value which the growth of population will give to it in future.

Now the effect of the taxation of land values would be to compel these men to seek tenants or purchasers. Land upon which there is not taxation even a poor man can easily hold for higher prices, for land eats nothing. But put heavy taxation upon it, and even a rich man will be driven to seek purchasers or tenants, and to get them he will have to put down the price he asks, instead of putting it up; for it is by asking less, not by asking more, that those who have anything they are forced to dispose of must seek customers. Rather than continue to pay heavy taxes upon land yielding him nothing, and from the future increase in value of which he could have no expectation of profit, since increase in value would mean increased taxes, he would be glad to give it away or let it revert to the state.

Thus the dogs in the manger, all over the country who are withholding land that they cannot use themselves from men who would be glad to use it, would be forced to let go their grasp.

To tax land values up to anything like their full amount would be to utterly destroy speculative values, and to diminish all rents into which this speculative element enters.

How groundless it is to think that landlords who have tenants could shift a tax on land values upon their tenants can be readily seen from the effect upon landlords who have no tenants. It is when tenants seek for land, not when landlords seek for tenants, that rent goes up.

To put the matter in a form in which it can be easily understood, let us take two cases: the one, a country where the available land is all in use, and the competition of tenants has carried rents to a point at which the tenant pays the landlord all he can possibly earn save enough to barely live: the other a country where all the available land is not in use and the rent that the landlord can get from the tenant is limited by the terms on which the tenant can get access to unused land.

How, in either case, if the tax were imposed upon land values (or rent) could the landlords compel the tenant to pay it?

It may be well to call attention to the fact that a tax on land value is not a tax on land.

They are very different things, and the difference should be noted because a confusion of thought as to them may lead to the assumption that a tax on land values would fall on the user.

Barring such effect as it might have on speculation, a tax upon land—that is to say, a tax of so much per acre or so much per foot on all land—would fall on the user. For such a tax falling equally on all land—on the poorest and least advantageously situated as fully as on the richest and best situated land—would become a condition imposed on the use of any land, from which there could be no escape, and thus the owners of rentable land could add it to their rents.

Its operation would be analogous to that of a tax on a producible commodity, and

it would in effect reduce the supply of land that could be used, since no land could then be used that would not yield sufficient to pay the tax.

But a tax on economic rent, or land values, would not fall on all land. It would fall only on valuable land, and on that in proportion to its value. It would not have to be paid upon the poorest land in use (which always determines rent), and so would not become a condition of use, or restrict the amount of land that could be profitably used. Thus the land owners on whom it fell could not shift it on the users of land.

This distinction, as to nature and effects, between a tax on land and a tax on land values, it is necessary to bear in mind.

It is also necessary to bear in mind that the value of land is something totally distinct from the value of improvements. It is a value which arises not from exertion of any particular individual, but from the growth and progress of the community.

A tax on land values, therefore, never lessens the reward of exertion or accumulation. It simply takes for the whole community that value which the whole community creates.

It is not true that a tax on land value or rent falls on the user.

It is true that the greater number of taxes by which our public revenues are raised do fall upon the user of land.

Thus speaking generally, taxes upon capital fall, not upon the owners of capital but upon the users of capital, and are by them transferred to the consumers of whatever the capital is used to produce; taxes upon buildings are paid in increased rents or prices by the occupiers of buildings, imposts upon production or duties upon imports must finally fall upon the consumers of the commodities. This fact is far from being popularly appreciated; for, if it were, the masses would never consent to the system by which the greater part of our revenues are raised.

But, nevertheless, it is the vague apprehension of this that leads by confusion of ideas to the notion that a tax on land values must add to rents.

A tax on any labor-produced article, will, as we know by experience, enable the manufacturer or dealer to get a higher price. How? Evidently by adding to the cost of producing the article offered for sale, thus checking the supply of the articles that can be offered for sale until the price rises sufficiently to compensate for the tax.

It is this knowledge that the tax will add to the cost of production, and thus below a certain price, check competition in supply, that enables the dealer to mark up the price of his stock of any man-made article as soon as the tax is imposed or compels him to mark it down as soon as the tax is remitted.

But a tax on land values does not add to the cost of producing land. Land is not a thing of human production. Man does not produce land; he finds it already in existence

when he comes into the world. Its price, therefore is not fixed by the cost of production, but is always the highest price that any one will give for the privilege of using a particular piece.

Land, unlike things that must be constantly produced by labor, has no normal value based on the cost of production, but ranges in value from nothing at all to the enormous values that attach to choice sites in great cities, or to mineral deposits of superior richness, when the growth of population causes a demand for their use. Hence a tax on land values, instead of enabling the holder of land to charge that much more for his land, gives him no power to charge an additional penny.

On the contrary, by making it more costly to hold land idle, it tends to increase the amount of land for which owners must strive to secure tenants or purchasers.

Thus the effect of a tax on land values is not to increase the rent that the tenant must pay the owner for the use of land, but rather to reduce it.

And since the tax must be paid out of what the land will yield the owner, its effect would be to reduce the price for which the land could be sold outright.

Here, let us say, is a lot on the principal select street of a city, having an annual or rental value of \$10,000. Such a lot would now command a selling price of some \$250,000. An increased tax upon land values would not reduce its rental value, except as it might have an effect in forcing into use unoccupied land at a greater distance from the centre of the city. But as less of

this rental value could be retained by the owner, the selling price would be diminished.

And if a tax upon land values could be imposed with such theoretical perfection that the whole rental value would be taken by the community, the owner would lose both his income from its present value and any expectation of profit from its future increase in value. While it would still be worth as much as before to the user, it would be worth nothing at all to the mere owner. Instead of having a selling value of \$250,000, it would not sell for anything, since what the user paid for the privilege of using it would go in full to the community.

Under a tax of this kind, even though it could not be imposed with theoretical nicety, the mere owner of land would disappear. No one would care to own land unless he wanted to improve or use it.

The general principle which determines the incidence of taxation is this:—

A tax upon anything or upon the methods or means of production of anything, the price of which is kept down by the ability to produce increased supplies, will, be increasing the cost of production, check supply, and thus add to the price of that thing, and will ultimately fall on the customer. But a tax upon anything of which the supply is fixed or monopolized, and of which the cost of production is not therefore a determining element, since it has no effect in checking supply, does not increase prices, and falls entirely on the owner.

In view of the efforts that are made to beguile the popular mind on this point, I have deemed it worth while to show why taxes on land values cannot be shifted by landlords to their tenants. But the fact that such a tax cannot be so shifted is realized well enough by land owners.

Else why the opposition to the single tax, and why the cry of "confiscation?"

Our national experience, like the experience of every other country, proves that those who are called on to pay a tax that can be shifted on others seldom or never oppose it, but frequently favor it, and that when once imposed they generally resist its abolition.

But did any one ever hear of landlords welcoming a tax on land values, or opposing the abolition of such a tax?

Many of the objections made to the single tax on land values are by those who are both owners and users of land, such as farmers and homestead owners.

But in endeavoring to determine the fundamental principle, it is necessary to treat land owners and land users as though they constituted two distinct classes. And it is necessary first to trace out the influence of this measure upon society in general before we can determine its effects upon any particular class.

As to the effect upon the general interests of society of substituting the tax on land values for other taxes, three claims can be made. They are that it would tend to—

1. Great governmental and social economies.

2. Great increase in the production of wealth.

3. A just equalization in the distribution of wealth.

1. The substitution of taxation upon the single item of land values for all the various taxes now imposed would be an enormous governmental and social economy. We should save the salaries and perquisites and official expense of the hordes of functionaries, national, state and municipal, who are now engaged in assessing and collecting all these other taxes, or in doing things directly or indirectly necessitated by the cumbrous system.

We should get rid of them all, from those fee-paid local officials who in a single term expect a fortune, and those federal collectors whose places are deemed of more importance than the governorship of sovereign states, down to the officials who are busied in seeing whether cigar boxes are stamped and pedlars are provided with licenses.

The tax upon land values is of all taxes that which combines the maximum of certainty with the minimum of expense. "Land lies out of doors;" it cannot be hid or disguised, and its value is easily ascertained.

Any competent real estate dealer can tell to a nicety the value per front foot of any lot. But to ascertain the value of the building on it, it will be necessary to get an expert to make an examination; while if the building be filled with goods, it is impossible for any outsider to get at their value.

A tax upon the value of land can be collected to the last cent by a tax collector sitting in his office. Deducting the very small percentage, which would be all that would be required to pay expenses of the periodical assessment and the receipt of taxes, the people in their collective capacity would thus get the benefit of all that was paid in as taxes by the people as individuals.

But the saving that would result is by no means to be estimated by the reduction in the cost and direct incidents of collecting revenues. It is the great vice of taxes that distribute themselves in added prices that, beyond the official tax gatherers, they create a long line of unofficial tax gatherers and that each man in the line not only takes the tax, but his profit on the tax, and in many cases is enabled to take a great deal more. How strongly the "whisky ring" opposed the reduction of the whisky tax and the match manufacturers the abolition of the tax on matches is well known.

And so with all indirect taxes. The difficulty is not usually in imposing them, but in abolishing them. Let a bill be introduced in congress to abolish the tax on any of the long list of things taxed, and straightway there will appear in the lobby some one to protest and logroll against it—a sure proof that somebody besides the government is making money from the tax—that is to say, that the tax is taking from the people at large a good deal more than the government is getting from it.

By abolishing all other taxes in favor of the tax upon land values, we should not only save

very largely in the ways thus pointed out, but by the greater simplicity that would be given to government, we should save the political demoralization which the present system entails.

It is "the money in politics" that makes our politics so corrupt, that puts honesty and patriotism at a disadvantage, and gives us traders and jobbers where we ought to have statesmen. That there is so much money in politics arises chiefly from the great number of officers which our present system of taxation necessitates and from the great number of pecuniary interests which it concerns in the running of government.

And beyond all this is the effect upon morals. Nearly all the taxes which we propose to abolish, in one way or another, taxes upon conscience, and by setting a premium in bribery, forgery, and fraud, foster political corruption and social demoralization.

2. The present system, which taxes buildings and improvements, capital in all its forms, (and in most of our states in all its shadows), is a system of direct discouragement to production, a system which fines the man who creates wealth just in proportion as he creates wealth. Instead of acting on the principle that the man who makes two blades of grass grow where one grew before is a public benefactor, our system of taxation treats him as a public enemy.

If a man clothe a barren waste with grain and fruit trees, if he drain a swamp or open a mine, if he put up a house where none stood before, or erect a factory, or turn wood or

iron into a ship; if he get him a library with which to store and exercise his mind, or a telescope with which to sweep the heavens, or a laboratory in which to seek out the laws of nature's combinations; if out of his savings he lay by a provision for his declining days; if by his energy and thrift he accumulate capital with which to assist and organize and provide the tools for industry—down comes the tax gatherer to make him pay for having done these things.

Is not this as absurd as it is unjust? Is it not in direct contravention of the plainest dictates of enlightened public policy? Do we not all want more wealth? Why, then, should we tax and fine the production of wealth?

Some of the southern states have passed laws exempting cotton manufactories from taxation for a term of years, and the result has been the erection of a number of cotton factories that would not otherwise have been erected. Are not these states wise in this. Do not these cotton factories create new industries, add to the wealth of the neighborhood in which they are erected, and enrich the whole state?

But if this be wise, would it not be still wiser to make the exemption permanent instead of for a term of years? And, if it be wise to exempt cotton factories, would it not be wiser still to exempt all sorts of factories, all forms of capital, all kinds of wealth—houses and goods, horses and cattle, railroads and telegraphs? Is not the state the richest that has the most of these things? Why, then, should the state tax them? Is not the system that does tax them too absurd for any rational defence?

The people of London and New York want cheaper house rents. Is it not stupid, then, to put taxes on buildings, which necessarily will diminish the erection of buildings, and, unlike the tax on land values, must inevitably be collected from tenants in higher rents?

But the direct obstacles to production, which this system imposes, are not the worst. All the indirect taxes which pass from hand to hand, increasing the cost of commodities, are taxes against production, which increase as they go.

Now, it is clear that to abolish all the taxes that have hampered industry, would be to vastly stimulate production and increase the general wealth. But this is only one side of it. To put taxation on the value of land would also be to remove obstacles to production. For the speculative value, which now attaches to land as soon as it becomes probable that it will be needed for use, is a direct check to production.

To get the vacant lot on which to put up a house, even on the outskirts of any one of our large cities, cost as much as or perhaps more than does the house.

Before he can strike a plowshare into virgin soil, the farmer, unless he will go far beyond where his labor can be exerted to most advantage, is obliged to pay down a large part of his capital, to embarrass himself with a mortgage, or to agree to give up a large share of his produce as rent.

The result is to crowd people together too closely in the cities, to scatter them too far apart in the country. To say nothing of the

moral, social and intellectual disadvantages which result from this unnatural distribution of population, there is a great obstacle put in the way of improvement, a manifest waste of productive forces.

The measure we propose, would remove this obstacle and prevent this waste. No one would care to take up land that he could not use, or to hold land unless it was to put it to its most valuable use. The homes of our farmers would be closer together, the poorer classes of our cities would no longer be compelled to herd in tenement houses, and the capitalist who proposed to erect a factory would no longer have to pay out so much of his capital for a site. Instead of that, he would pay the annual rental value of the land in taxes, but this would be in lieu of all other taxation.

Thus the effect of this measure would be to throw open to labor and capital the means of production while relieving production from taxation. And the result of thus opening to labor the natural opportunities for the employment of labor would be to set to work every man willing to work. It would create a demand for commodities that would set every wheel of industry in motion, and stimulate the forces of production to their utmost.

Clearly this would be greatly to promote the general prosperity and greatly to add to the general wealth.

3. All taxes which increase prices are necessarily taxes in favor of monopoly, since the more capital it requires to go into any business, or to make any improvement, the smaller the number of those who can do so.

Besides the general characteristic of the taxes we would abolish, many of these taxes are specially designed to foster monopolies. It is, moreover, evident that when a large part of the produce of the labor and capital of the community is taken in rent by those who do nothing to aid in production (for land owners as land owners in no wise aid production), there is not merely created an unnecessary and unnatural inequality in the distribution of wealth, but this primary inequality gives rise to a tendency to further inequality. "Unto him that hath shall be given, and from him that hath not shall be taken away," is the expression of a universal law.

To take from one and give to another is, both by decreasing the relative power of the one, and by increasing the relative power of the other, to put them upon unequal footings in treating of future divisions.

If we trace to their cause the majority of great fortunes, we shall find it in monopolies of some kind, the primary and most important of all being the monopoly of the land. It is not because capital gets an undue proportion of the wealth that it helps to produce (though capital in some of its aggregations which involve monopoly, does), that, in spite of all the enormous advances which invention and improvement and the growth of population have made, and still are making, in productive power, labor gets but such a scant living, and wages tend constantly to the minimum that will support life.

With the advance of the arts and the progress of society, interest—which measures the return to capital—does not increase—but

tends rather to diminish. It is rent which goes up, and up, and up.

To divert to common uses this great fund, which though drawn from the production of the whole community, now goes to but a portion of the community, would be to turn into a promoter of equality what is now a promoter of inequality. To release capital from taxation, to lift the burden which now rests upon improvement and production, to destroy speculative land values, and throw open land to those who would use it, would open opportunities for labor in every direction.

There can be no dispute that in the three ways thus outlined the effect of substituting a tax on land values for all the other taxes by which our public revenues are now raised would be most beneficial to the general interests of society. It would greatly simplify and cheapen government; it would greatly increase the production of wealth; it would do away with the gross inequality in the distribution of wealth which is now so painfully apparent.

And whoever will further consider the matter will see that improvements in one of these directions would react to produce improvements in others—as for instance, greater equality in the distribution of wealth would, by increasing intelligence and stimulating invention vastly multiply the forces of production, and, by raising the standard of morals, render government both purer and abler, and diminish the economic wastes which immorality entails.

WITH relation to the factors of production and the primary distribution of produce, society is divided for purposes of economic investigation into three classes—land owners, capitalists and laborers. Of these it is evident that the change would be to the advantage of the capitalists and laborers and to the disadvantage of the land owners.

But it is only in the abstract that such a distinction can be clearly made in any country and especially in such a country as ours. We have, it is true, a considerable class of laborers who are neither capitalists nor land owners; but we have few capitalists who are not laborers, for in the economic use of the term, the managing head of any great industrial enterprise is as truly a laborer as is any workman in his employ; and we have probably no land owners who are not either laborers or capitalists for buildings and improvements are capital not land.

A very great number of our people combine the characters of land owner capitalist and laborer and there are certainly a large majority who combine at least two of these characters.

Thus, while all would profit in the general social gains, it is only in the character of land owner that against these general gains any one could set individual loss. Therefore the proposition to concentrate taxes on land values should, as a matter of mere individual interest, commend itself even to land owners whose interests as land owners do not exceed their interests as capitalists or laborers, or both.

With reference to the ownership of land and with regard to actual facts, our people

may be divided into three classes—those who own land which they do not themselves use, and those who own land which they do use, and those who own no land. The latter class may contain some capitalists but is mainly composed of laborers—farm hands, manual laborers, operatives, mechanics, clerks, professional men, etc., who depend for their living upon the earnings of their labor.

This is the class which it is most important to consider, not merely for sentimental reasons, but because, since they constitute the base of the social pyramid, whatever improves or depresses their condition will affect all the rest. Now, it is manifest that to take taxes off capital and improvement, and production and exchange, would be greatly to benefit all of those who live by their earnings, whether of hand or of head.

It is manifest also that it would benefit all who live partly by the earnings of their labor and partly by the earnings of their capital—store keepers, merchants, manufacturers, etc.—and that by increasing the net productiveness of capital it would benefit those whose incomes are drawn from capital alone.

Take now the case of those to whom the opponents of the single tax are so fond of referring—the farmers who till their own acres, the men who own the homesteads in which they live. It is true that the change we propose would diminish the selling value of their land (but merely of the bare land, not of the buildings or improvements) and if fully carried out would virtually destroy it. But it would in no wise diminish the usefulness of their land; it would in no wise diminish, but would in fact increase their incomes.

They would pay under this system less taxes than they pay now. The clerk or mechanic or business or professional man who owns a house and lot in which he lives might pay more taxes on his lot than now, but in return for this he would escape the taxes now levied on his house and its contents, and through the medium of indirect taxation, upon everything that his family consumes.

And so with the farmer. Our present system of taxation falls with peculiar severity upon the farming class.

Not only is improved land all over the United States taxed higher than unimproved land of the same quality, but the taxes which so largely raise the prices of all the farmer has to buy do not, and cannot, so long as we are exporters of agricultural produce, raise the price of what the farmer has to sell.

And, further than this, to put taxation solely upon land values would shift the weight of taxation from the sparsely settled agricultural districts to those populous centers where land has a high value. As it would destroy the speculative value of land, the result would be that many farmers would have no taxes at all to pay, for, no matter what might be the value of his improvements, no farmer would have more taxes to pay than could be collected from unimproved land equal to his in quality and situation. Manifestly it would be very greatly to the relief of the farmer to abolish all the taxes which now fall upon his improvements and his consumption, and to substitute for them a tax upon the value of bare land, which is always higher in populous centers than in agricultural districts, and in spar-

sely settled agricultural districts hardly exists at all, except as the result of speculation.

And from the effects upon the diffusion of population the farmer would greatly gain. Just as the city population would gain from the destruction of the system which now builds tenement houses amid vacant lots, so would the agricultural communities gain in productive power and in social enjoyment when settlement should become closer, from the fact that there would no longer be any inducement for anyone to take up or hold more land than he could use.

Further than this, it must be remembered that, although the selling price of land would diminish, this, since it would affect all land, would not affect the exchange value of the homestead, lot or farm, as compared with other homesteads, lots or farms. It would be, to the man who wants for himself and his family the security of a home in which to live, or land to cultivate, a purely nominal and intangible loss, to offset which would be great and actual gains; and, as his children grew up, it would be very much easier for them to get homesteads or farms of their own.

The only people who would really lose, would be those whose incomes are mainly drawn from the rent, not of buildings but of land and those who are holding land in the expectation of future profit from the high prices that in time those who want to use it will be compelled to pay them.

But there are few if any individuals who belong exclusively to this class. In varying degrees all our large land holders are also capitalists and would gain as capitalists though they might lose as land owners. And if in

some cases the relative loss exceeded the relative gain it would only be (and this if necessary might be made certain by some provision as to widows, etc.) in the case of those who could readily stand the loss without being really hurt. In any large view it will always be found that the true interests of all individuals coincide with the best interests of society.

There are some who object to the proposition to exclusively tax land values for public expenses on the ground that there would not be enough to meet all public expenses. There are others who object on the ground that so much more than is needed for public expenses would be raised that the vast surplus would become a cause of public corruption and demoralization. We may well leave the two sets of "statisticians" to settle the question between themselves. Whether in the United States or in any particular state land values are not now enough, or are more than enough, to meet necessary public expenses, does not affect the principle. If they are not enough, that is no reason for not utilizing them as far as they will go. If they are more than enough that is no reason for leaving to individuals what justly belongs to the community.

The first effect of concentrating taxation on land values by destroying speculative values would be to reduce the aggregate selling value of land. But the freedom which would at the same time be given to industry, by relieving it from all the taxes that now check production, and by throwing open unused land to use, would immediately and enormously stimulate improvement and increase the general prosperity. This, in its turn, would

increase the real value of land, its value for use which grows with the progress of society, and so would increase that common fund which could be taken for public purposes without imposing burdens upon industry.

This fund, constantly growing with social advance, would ere long reach dimensions that would now seem enormous. But since social wants increase with social progress, there need be no fear that there could not be found beneficial uses for all this vast fund, no matter how fast it increased.

As for the corrupting effect upon government of such large expenditures and disbursements, it must be remembered that the doing away with our present methods of taxation would be to greatly simplify the present functions of government and greatly to reduce corruptive influences, while the improvement in social conditions which would result from the abolition of want and the fear of want would greatly elevate moral standards. There is nothing in human nature to prevent men from being as honest and painstaking in public trusts as we know they may be in private affairs; and when wealth ceases to be worshipped, character will take its true place in public esteem.

To put all taxes on land values would be to remove all burdens from capital and labor; to free industry and energy and thrift from restriction or fine; to take away the incentives to speculation in land, and to throw open natural opportunities to those who would use them, without as now compelling them to pay a heavy premium to some non-user.

From the freedom of operation which would thus be given to productive forces would result an enormous increase in the production of wealth.

The fund from which all incomes must be drawn would be vastly augmented. And at the same time would come a great equalization in distribution; for that freedom of operation which is essential to the largest production of wealth is also essential to its fairest distribution.

To one who has never thought over the matter it may seem preposterous to say that in a simple change in the methods of taxation lies the fundamental cure of pauperism and low wages and all the social difficulties which afflict modern society.

When it is considered what is really involved in this simple change, such great effects do not seem disproportionate to the cause. For, to remove taxation from the production and accumulation of wealth, and to put it on the appropriation of that element which is the raw material of wealth, would be to remove obstructions to the natural play of social forces—obstructions which produce in the social organism just such effects as bandages and ligatures that impeded the circulation of the blood would produce in the human body. It would be to conform our most important social adjustments to the supreme law of justice; for, that the right to land is common and equal, while the right to the products of labor is individual and exclusive, are correlative propositions too manifest to need discussion.

AN ILLUSTRATION

If I own a lot the gross ground rent of which is \$75.00 per year and the tax amounts to \$25.00, leaving me net rent amounting to \$50.00, I will ask \$1,000.00 as selling price, because \$50.00 is 5 per cent on \$1,000.00. If the tax were \$50.00, leaving me \$25.00 net rent, I could only ask \$500.00, because \$25.00 is 5 per cent. on \$500.00, or \$25.00 capitalized. Increase the tax to \$75.00, the selling price would disappear—the *selling price*, mind you, not the *annual or site value* of the land, which is always and only its value for use, or gross rent. I should simply be unable to sell any uncollected taxes for the good and sufficient reason that the town had collected all its public service value, and therefore there would be no uncollected taxes for me to capitalize and sell.

Now reverse the action and don't levy any tax at all on my lot value, but leave all the gross rent in my possession—what would the selling price be? Would it not be \$1,500.00, for is not \$75.00 5 per cent on \$1,500.00?

You see how it is that the *less* the community takes of the annual ground rent which itself alone can and does always create, the *higher* the selling price of the land. On any labor product the reverse is true, the *less* the tax, the *cheaper* the goods.

JAMES R. BROWN.

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