

CHAPTER 4 INDORSEMENTS AND OBJECTIONS

The benefits of a tax on land values have long been noted by economists.

Ricardo says the tax cannot be shifted to consumers and would not discourage cultivation.

McCulloch declares that landlords would be unable to shift a land tax to anyone else.

The grounds from which we have drawn the conclusion that the tax on land values or rent is the best method of raising public revenues have been admitted expressly or tacitly by all economists of standing, since the determination of the nature and law of rent.

Ricardo says (Chap. X): “A tax on rent would ... fall wholly on landlords, and could not be shifted to any class of consumers,” for it “would leave unaltered the difference between the produce obtained from the least productive land in cultivation and that obtained from land of every other quality.... A tax on rent would not discourage the cultivation of fresh land, for such land pays no rent and would be un-taxed.”

McCulloch (Note XXIV to “Wealth of Nations”) declares that “in a practical point of view taxes on the rent of land are among the most unjust and impolitic that can be imagined,” but he makes this assertion solely on the ground of his assumption that it is practically impossible to distinguish in taxation between the sum paid for the use of the soil and that paid on account of the capital expended upon it. But, supposing that this separation could be effected, he admits that the sum paid to landlords for the use of the natural powers of the soil might be entirely swept away by a tax without their having it in their power to throw any portion of the burden upon any one else, and without affecting the price of produce.

John Stuart Mill not only admits all this, but expressly declares the expediency and justice of a peculiar tax on rent, asking what right the landlords have to the accession of riches that comes to them from the general progress of society without work, risk, or economizing on their part, and although he expressly disapproves of interfering with their claim to the present value of land, he proposes to take the whole future increase as belonging to society by natural right.

Mill agrees, and questions the right of landlords to receive wealth without work, risk, or economizing.

Mrs. Fawcett, in the little compendium of the writings of her husband, entitled "Political Economy for Beginners," says: "The land tax, whether small or great in amount, partakes of the nature of a rent paid by the owner of land to the state. In a great part of India the land is owned by the government and therefore the land tax is rent paid direct to the state. The economic perfection of this system of tenure may be readily perceived."

"Economic perfection" is what Mrs. Fawcett calls the system in India, where land rent is paid directly to the state.

In fact, that rent should, both on grounds of expediency and justice, be the peculiar subject of taxation, is involved in the accepted doctrine of rent, and may be found in embryo in the works of all economists who have accepted the law of Ricardo. That these principles have not been pushed to their necessary conclusions, as I have pushed them, evidently arises from the indisposition to endanger or offend the enormous interest involved in private ownership in land, and from the false theories in regard to wages and the cause of poverty which have dominated economic thought.

The idea that rent should be the subject of taxation is at least hinted at in the works of all economists who accept Ricardo's law. It evidently has not been taken to its logical conclusion so as to protect landowners, or due to false theories of wages and poverty.

But there has been a school of economists who plainly perceived, what is clear to the natural perceptions of men when uninfluenced by habit—that the revenues of the common property, land, ought to be appropriated to the common service. The French Economists of the last century, headed by Quesnay and Turgot, proposed just what I have proposed, that all taxation should be abolished save a tax

There is one exception. The Physiocrats proposed just what I have proposed:

That all taxation should be abolished save a tax on the value of land. Their reasoning is not entirely clear to me but their conclusion was correct.

Unfortunately their ideas were overwhelmed by the French Revolution.

My reasoning cannot be disputed.

The only objection in the standard works is the difficulty of separating the rent of land from

upon the value of land. As I am acquainted with the doctrines of Quesnay and his disciples only at second hand through the medium of the English writers, I am unable to say how far his peculiar ideas as to agriculture being the only productive avocation, etc., are erroneous apprehensions, or mere peculiarities of terminology. But of this I am certain from the proposition in which his theory culminated that he saw the fundamental relation between land and labor which has since been lost sight of, and that he arrived at practical truth, though, it may be, through a course of defectively expressed reasoning. The causes which leave in the hands of the landlord a "produce net" were by the Physiocrats no better explained than the suction of a pump was explained by the assumption that nature abhors a vacuum, but the fact in its practical relations to social economy was recognized, and the benefit which would result from the perfect freedom given to industry and trade by a substitution of a tax on rent for all the impositions which hamper and distort the application of labor was doubtless as clearly seen by them as it is by me. One of the things most to be regretted about the French Revolution is that it overwhelmed the ideas of the Economists, just as they were gaining strength among the thinking classes, and were apparently about to influence fiscal legislation.

Without knowing anything of Quesnay or his doctrines, I have reached the same practical conclusion by a route which cannot be disputed, and have based it on grounds which cannot be questioned by the accepted political economy.

The only objection to the tax on rent or land values which is to be met with in standard politico-economic works is one which concedes its advantages—for it is, that from the difficulty of separation, we might, in taxing the rent of land, tax something else. McCulloch, for instance, declares taxes

on the rent of land to be impolitic and unjust because the return received for the natural and inherent powers of the soil cannot be clearly distinguished from the return received from improvements and meliorations, which might thus be discouraged. Macaulay somewhere says that if the admission of the attraction of gravitation were inimical to any considerable pecuniary interest, there would not be wanting arguments against gravitation—a truth of which this objection is an illustration. For admitting that it is impossible invariably to separate the value of land from the value of improvements, is this necessity of continuing to tax some improvements any reason why we should continue to tax all improvements? If it discourage production to tax values which labor and capital have intimately combined with that of land, how much greater discouragement is involved in taxing not only these, but all the clearly distinguishable values which labor and capital create?

But, as a matter of fact, the value of land can always be readily distinguished from the value of improvements. In countries like the United States there is much valuable land that has never been improved; and in many of the States the value of the land and the value of improvements are habitually estimated separately by the assessors, though afterward reunited under the term real estate. Nor where ground has been occupied from immemorial times, is there any difficulty in getting at the value of the bare land, for frequently the land is owned by one person and the buildings by another, and when a fire occurs and improvements are destroyed, a clear and definite value remains in the land. In the oldest country in the world no difficulty whatever can attend the separation, if all that be attempted is to separate the value of the clearly distinguishable improvements, made within a

the return on improvements, which might thus be discouraged.

Even if there are a few cases where return on improvements cannot be precisely separated from rent, can that justify continuing to tax all improvements?

In fact, the value of land can always be readily distinguished from the value of clearly distinguishable improvements, made within a moderate time.

And this is all that justice requires; absolute accuracy is impossible in any system.

After a long period of time, permanent improvements such as drainage would be taxed as part of the land, which could have no deterrent effect. Each generation builds and improves for itself, and not for the remote future.

A different objection is that all who exercise political power should pay taxes so as to feel a proper interest in economical government.

But the present system certainly doesn't accomplish this.

moderate period, from the value of the land, should they be destroyed. This, manifestly, is all that justice or policy requires. Absolute accuracy is impossible in any system, and to attempt to separate all that the human race has done from what nature originally provided would be as absurd as impracticable. A swamp drained or a bill terraced by the Romans constitutes now as much a part of the natural advantages of the British Isles as though the work had been done by earthquake or glacier. The fact that after a certain lapse of time the value of such permanent improvements would be considered as having lapsed into that of the land, and would be taxed accordingly, could have no deterrent effect on such improvements, for such works are frequently undertaken upon leases for years. The fact is, that each generation builds and improves for itself, and not for the remote future. And the further fact is, that each generation is heir, not only to the natural powers of the earth, but to all that remains of the work of past generations.

An objection of a different kind may however be made. It may be said that where political power is diffused, it is highly desirable that taxation should fall not on one class, such as landowners, but on all; in order that all who exercise political power may feel a proper interest in economical government. Taxation and representation, it will be said, cannot safely be divorced.

But however desirable it may be to combine with political power the consciousness of public burdens, the present system certainly does not secure it. Indirect taxes are largely raised from those who pay little or nothing consciously. In the United States the class is rapidly growing who not only feel no interest in taxation, but who have no concern in good government. In our large cities elections are in great measure

determined not by considerations of public interest, but by such influences as determined elections in Rome when the masses had ceased to care for anything but bread and the circus.

The effect of substituting for the manifold taxes now imposed a single tax on the value of land would hardly lessen the number of conscious taxpayers, for the division of land now held on speculation would much increase the number of landholders. But it would so equalize the distribution of wealth as to raise even the poorest above that condition of abject poverty in which public considerations have no weight; while it would at the same time cut down those overgrown fortunes which raise their possessors above concern in government. The dangerous classes politically are the very rich and very poor. It is not the taxes that he is conscious of paying that gives a man a stake in the country, an interest in its government; it is the consciousness of feeling that he is an integral part of the community; that its prosperity is his prosperity, and its disgrace his shame. Let but the citizen feel this; let him be surrounded by all the influences that spring from and cluster round a comfortable home, and the community may rely upon him, even to limb or to life. Men do not vote patriotically, any more than they fight patriotically, because of their payment of taxes. Whatever conduces to the comfortable and independent material condition of the masses will best foster public spirit, will make the ultimate governing power more intelligent and more virtuous.

But it may be asked: If the tax on land values is so advantageous a mode of raising revenue, how is it that so many other taxes are resorted to in preference by all governments?

The answer is obvious: The tax on land values is the only tax of any importance that does not distribute itself. It falls

The single tax on the value of land would so equalize the distribution of wealth as to reduce the number who are very poor and the number who are very rich, these being the politically dangerous classes.

Whatever conduces to the comfortable and independent material condition of the masses will make the ultimate governing power more intelligent and virtuous.

So why is not a tax on land values the sole source of revenue for all governments?

Because a large and powerful class are directly interested in minimizing this tax, which they cannot pass on to others.

upon the owners of land, and there is no way in which they can shift the burden upon any one else. Hence, a large and powerful class are directly interested in keeping down the tax on land values and substituting, as a means for raising the required revenue, taxes on other things, just as the landowners of England, two hundred years ago, succeeded in establishing an excise, which fell on all consumers, for the dues under the feudal tenures, which fell only on them.

By contrast, most taxes are paid in ways such that the payer does not notice it and is unlikely to complain effectively.

There is, thus, a definite and powerful interest opposed to the taxation of land values; but to the other taxes upon which modern governments so largely rely there is no special opposition. The ingenuity of statesmen has been exercised in devising schemes of taxation which drain the wages of labor and the earnings of capital as the vampire bat is said to suck the lifeblood of its victim. Nearly all of these taxes are ultimately paid by that indefinable being, the consumer; and he pays them in a way which does not call his attention to the fact that he is paying a tax—pays them in such small amounts and in such insidious modes that he does not notice it, and is not likely to take the trouble to remonstrate effectually. Those who pay the money directly to the tax collector are not only not interested in opposing a tax which they so easily shift from their own shoulders, but are very frequently interested in its imposition and maintenance, as are other powerful interests which profit, or expect to profit, by the increase of prices which such taxes bring about.

Most taxes are imposed for private advantage rather than, primarily, to raise revenue.

Nearly all of the manifold taxes by which the people of the United States are now burdened have been imposed rather with a view to private advantage than to the raising of revenue, and the great obstacle to the simplification of taxation is these private interests, whose representatives cluster in the lobby whenever a reduction of taxation is proposed, to see that the taxes by which they profit are not

reduced. The fastening of a protective tariff upon the United States has been due to these influences, and not to the acceptance of absurd theories of protection upon their own merits. The large revenue which the civil war rendered necessary was the golden opportunity of these special interests, and taxes were piled up on every possible thing, not so much to raise revenue as to enable particular classes to participate in the advantages of tax-gathering and tax-pocketing. And, since the war, these interested parties have constituted the great obstacle to the reduction of taxation; those taxes which cost the people least having, for this reason, been found easier to abolish than those taxes which cost the people most. And, thus, even popular governments, which have for their avowed principle the securing of the greatest good to the greatest number, are, in a most important function, used to secure a questionable good to a small number, at the expense of a great evil to the many.

License taxes are generally favored by those on whom they are imposed, as they tend to keep others from entering the business; imposts upon manufactures are frequently grateful to large manufacturers for similar reasons, as was seen in the opposition of the distillers to the reduction of the whisky tax; duties on imports not only tend to give certain producers special advantages, but accrue to the benefit of importers or dealers who have large stocks on hand; and so, in the case of all such taxes, there are particular interests, capable of ready organization and concerted action, which favor the imposition of the tax, while, in the case of a tax upon the value of land, there is a solid and sensitive interest steadily and bitterly to oppose it.

But if once the truth which I am trying to make clear is understood by the masses, it is easy to see how a union of political forces strong enough to carry it into practice becomes possible.

License taxes, imposts upon manufactures, duties on imports, and similar taxes always are backed by particular interests capable of organized action, while a land value tax has a solid and sensitive interest strongly opposed.

But once the masses understand the truth which I am trying to make clear, the political backing to bring it about becomes possible.