

## Attempts to refute

Innumerable attempts have been made, and will continue to be made, to refute the principle that land rental, being publicly created, should be a source of public income. Sixty years ago, in the Introduction to his *Public Finance*, Professor Carl C. Plehn stated, "Henry George's Single Tax, although still disapproved, is much more sympathetically treated." His own disapproval, as in so many cases, consisted largely of quarrel with the word "single." There are several pages devoted by Professor E. R. A. Seligman, in his *Essays on Taxation*, to fighting the word "single," and several more were used to explain that land

rental is not elastic and therefore cannot be "played off" against other taxes.

Critics have argued that if land rental were the major item of public income, the rapacity of the state would tend to force rent out of the zone of renter-fixed government income and into the zone of politically enacted overcharge. But if all land rentals were part of the public record, as they should be, the governing body would have to raise all rates in proportion, as there would be no opportunity to discriminate, and this could result in a public protest on the one single issue in which all users of land (and that means all of us) would be united. And, whatever the excessiveness of the land rental, the skillful, intelligent, industrious, and creative occupant of a given area could not be penalized for being enterprising, as he would not pay any more per foot of occupied location than his adjoining neighbors with equal locational advantages.

This point is important. To illustrate it, let us assume that there are seven equally valuable sites adjacent to each other, and they are occupied by A, B, C, D, E, F, and G. Let us assume that D performs far more valuable service, manages better than his neighbor on either side, and that consequently his income is several times that of his neighbors. Under the present tax system, he would be penalized severely for his success. Under a sensible one, in which he paid in land rent an amount exactly equivalent to that paid by his neighbors, if a political regime envious of his success were to attempt to raid him by raising his land rental they would also have to raise the land rental of A, B, C, E, F, and G. There would naturally be very vigorous protest at

the departure from normal economic rental that such procedure would represent.

Professor Harley L. Lutz, an economist associated with the National Association of Manufacturers, has stated: "In order to stimulate improvements by individuals, such long-term agreements to pay the rental would be necessary as to be in effect ownership." This is precisely what would be the case, and a user of a site could be looked upon as the owner as long as he pays his taxes, just as he is the owner today as long as he pays his taxes. Payment of the land-rental value into the public treasury would be a form of long-term lease, the term to be as long as the lessee desired it to be, the rental to be periodically adjusted to fit the economic situation of the times.

It is claimed that improvements increase the value of the land (recently, in New York, the assessor raised the taxable valuation of a site because a new building had replaced an obsolete one), but in most cases the value of the land continues to rise long after all the improvements have become out of date; have been, in prudent accounting, depreciated off the books or have even been completely destroyed. Very often old "improvements" are a liability on account of the cost of their removal.

Frequent reference is made to the desirability of "spreading the tax burden across the board." Even if you do not admit that site rental is public property and that the reward of labor and capital is private property, what logic has this phrase "across the board" if there is a proper income that the public should collect?

As individuals, we do not let other people collect our

income while we "spread the burden" of our upkeep "across the board" by borrowing, begging, and stealing. But as a public body, we do just that.

Again, many critics deplore "seeking to concentrate" on land "owners," but when *you* collect *your* earned income, are you "seeking to concentrate" on anyone? Would the *public* collection of the *public* income mean "seeking to concentrate"—or exercising sound business sense? Can one think that the charge for theater tickets is "seeking to concentrate" on theater-goers?

It has been claimed by Professor Lutz that "the lot of the masses has steadily improved under private ownership of both land and capital, and the places where this lot is still an unhappy one, with ever more dim prospects, are those where there is the maximum of state ownership of the means of production, including both capital and land."

This statement presupposes that there are only two types of places: those where land and capital are in private hands, and those where land and capital are in the hands of the state. This is too simple a division and should be broken down into a listing of three types of places: (1) those where land and capital are widely distributed in private hands, notably such countries as our own, Western Europe, Canada, South America, Australasia; (2) places where land and capital are in the hands of the state, such as China, the Soviet Union, and the unfortunate satellite states; and (3) such countries as Saudi Arabia, Egypt, India, and many of the smaller Middle Eastern states, where the land is owned by a minute fraction of the inhabitants, where there is no native capital, where the "per-

petual poverty of the masses" still exists and the condition of the people is even more wretched than it is in Russia and China.

The sharp distinction between the small group comprising the owning class and all the rest of the population could be easily looked upon as one of the major reasons that, for example, Saudi Arabia is a decadent area, contributing nothing to the comfort or culture of the world, void of capital because the owning class can denude the enterprising individual who might attempt to accumulate and use capital. It is evident that Saudi Arabia has deteriorated from what was at one time a mentally vigorous country. We owe much of our mathematical and astronomical knowledge to the Arabs, as such words as "azimuth," "zenith," "nadir," and the like, give evidence. His ownership of vast areas of land makes it possible for Saud, the ruler of Saudi Arabia, to secure so tremendous an income, with a minimum of development, that he is not concerned with the proper use of the land.

As ARAMCO built a pipeline as long as the state of California across Saudi Arabia, there frequently occurred the need for water. Caravans had crossed the desert for centuries, their line of march arranged for arrival at one natural water hole, usually a small pond, which the camels trampled, fouling the water with urine, and then on, at chance-determined distances, to the next oasis. The American oil company dug wells where water was needed and put in concrete basins, which has had its effect on the caravan routes. These wells were dug with capital. The water was necessary to progress, the building of the pipe-

line. Saud did not need to invest any capital in digging the wells, for by simply appropriating a major part of the meager production of a tremendous area, his income is all that he could wish.

Saudi Arabia, China, the Soviet "Republic"—in fact, none of these countries has any place in the discussion of a sensible tax policy for us, except to illustrate that the evils of both are avoided by the public collection of land rental and the leaving of capital and the means of production in private hands—in the hands of those who made them and who have immediate personal reasons for handling them intelligently and economically.

We find it frequently pontificated that the tax law is not a proper instrument either for correction of such degree of income inequality as may be incompatible with the best interest of productive efficiency, or for weeding out the wrong kinds of big incomes. Yet it is the tax law, more than any other force, that causes income inequality and creates the wrong kinds of big incomes.

With respect to unearned increment, one critic makes the statement: "The increment is said to be 'unearned' because it stems from the growth of civilization rather than any productive activities of the site owner." The words "said to be" could very well have been left out, for their author should not admit ignorance of the fact that increment is not earned by the site holder.

One is puzzled by this explanation of the poverty of backward countries which appeared recently: "Capital is the product of human energy and land . . . and *time*," which was coupled with the advice that "these people

should save, the savings being invested to build the great structure of capital; and when this is done, after years of saving and investment, India and China too could achieve our living standards."

If there is any one thing of which the backward nations have had plenty, it is time. China, before the Communists, and India had a form of civilization when we were catching rabbits with our hands and eating them raw. But their civilization included vast landowner-rulerships; the owners did not have to consider capital, and the mass of the tenants were forced—as many are still being forced—to live all their days without the incentive of hope of advancement, eking out a living after the rent and tax collectors had taken away most of the fruits of their toil. Slaves cannot save.

From an entirely different angle comes the criticism: "No doubt the advocates of government collection of land rental would hire an army of tax assessors. But the assessment is purely an arbitrary act; and, being under the control of politicians, it becomes a purely political act as well. It cannot be determined by outside observers," which suggests that there are not thousands of competent appraisers constantly at work fixing very precise values for taxation and real estate transactions. They may be "outside observers," though it can be noted that they earn enviable fees. The real question is: Which taxation system would be more likely to require "an army of tax assessors":

1. a system based on land-rental value, or
2. a system based on a small part of land-rental value,

and on building value, inventories, household property, automobiles, jewelry, sales, café programs, transportation, paintings, bank balances, gifts, bequests, incomes, cigarettes, and liquor?

In California, New York, and many other states, separate assessment of the land is standard practice. It requires prodigious irresponsibility to pronounce that the routine and familiar practice of land appraisal can be turned into a "fatal flaw." But one undaunted critic so pronounces. Appraisals of land values can always be made in round figures, with a certain plus or minus flexibility, provided they are uniform, and it is misleading to imply that people who want to simplify and construct a justifiable tax system would "no doubt" want something which, in reality, they are intelligently trying to do away with.

But the newest, most delirious fight into the blue empyrean of economic phantasmagoria is the following: "The owner of land *does* perform a very valuable productive service, a service completely separate from that of the man who builds on, and improves, the land. The site owner brings sites into use and allocates them to the most productive user. He can only earn the highest ground rents from his land by allocating the site to those users and uses that will satisfy the consumers in the best possible way."

Here we have the capsheaf of economic legerdemain. *The function of the landlord is allocation!* Here is the suggestion that a wise and beneficent individual is guarding the site until the proper user steps up and presents himself!

When it is remembered that many landlords own



brothels, poolrooms, horse parlors, and dog-race tracks; that many others sell or lease their property through agents and have no knowledge of the buyer's identity; when landlords are governed only by their desire for the highest income or profit from sales—to set land speculators up as wise and benevolent administrators is ridiculous. And to say that the landlord's allocating of it is an essential to "the efficient use of available land" is to indicate that to some "economists" there *must* be a private collector of rent, or land will not be used. Of course we should not blame the landlord *so long as we are content to pay tribute* to these public-spirited "allocators" who, in their all-wisdom, decide the location of our slums, our tenderloins and other blighted areas. In any seriously offered economic study this accolade for usefulness conferred on landlords must be viewed (in the words of one reader) as "the fluffiest curlicue atop the miracle whip of the whole economic concoction."

It would seem needless to say that the selection of a supermarket site is done by supermarket experts, not by landlord "allocation."

One or two statements in Henry George's great book, *Progress and Poverty*, are commonly misunderstood. When he stated, "We must make land common property," what he meant—for his context so indicated—is, "We must recognize that the rental value of the land is publicly created." To some his phrase suggested nationalization of the land, which of course, in the sense of governmental operation, has no part in a sensible tax policy.

On another page he states, "It is only necessary to con-

fiscate rent," and many people are justly alarmed at the word "confiscate." But again his context makes it very plain that what he meant was the *collection* of rent. Confiscation is an extremely offensive and therefore provocative thing, for it indicates punitive seizure and forfeiture. If you agree that money honestly earned is confiscated when arbitrarily taken away from the earner, or, in short, that the income tax is a confiscatory measure, you should be ready to agree that land rental, being *publicly* created, would not be *confiscated* if it were collected by its creators. The two phrases quoted have been the target of criticisms which never have considered the context.