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TAXATION OF LAND AS A REMEDY FOR UNEMPLOYMENT

BY BOLTON HALL,
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From its nature the taxation of land values must come gradually. Were its sudden introduction possible, it would make a serious disarrangement of existing conditions. In early days there was nothing to tax except personal property, for as long as the best land was still to be had free, land had little selling value. Consequently, the state taxed personal property as well as it could, and the difficulties of doing so were not so great as under the present complicated conditions.

Neither was there at that time any unemployment problem, the land being as open as it was to Adam or to Robinson Crusoe, so that no man could be out of work until at least all of his attainable desires were satisfied. This was true even in the early history of this country, when the Pilgrim fathers arrived. If anyone had complained that he was out of work, those grave Puritans would have laughed at him. They would have said, "clear those fields," "pile up those stones," "cut that timber," "plow this soil," "build a log house," "get some sea weed for manure," "catch fish" or "haul sand!" "Why there are thousands and thousands of things to be done. Do any of them, and we will give you not only food and shelter and clothing, but much more, in exchange for your work." In those days a proposal for the cultivation of vacant lots for the unemployed would have seemed funny; now it seems only sad that the land cannot be had for the purpose, while there are lands idle around every city, which could employ directly or indirectly every idle man in those cities, could its use be obtained.¹

Accompanying the restriction of the use of the natural opportunities due to monopoly is of course lowered wages for some and fierce rivalry not only for the sale of goods but for jobs, a rivalry which has the curious effect of making a cut-throat competition

¹New York city has 198,000 vacant lots, many of which contain many acres.

in the sale of higher cost goods. The merchant finds it just as hard to sell his goods in competition with those who wish to sell, as the laborer finds it hard to sell his work in competition with those who wish to work.

That this is the basis of "exploitation of labor" is recognized by the prophet of socialism; he says: "We have seen that the expropriation of the mass of the people from the soil forms the basis of the capitalist mode of production."²

Of course, where the primary seller practically controls the land, the primary source of supply (as is now true of oil, coal, iron, and many other things), or where he enjoys some governmental privilege that protects him from competition, such seller is enabled to sell at more than a fair profit—is enabled to collect tribute from all that use his particular thing.

But, except where protected by such advantages, keen competition pervades all industries. The man that engages to work for the merchant for "wages" or "salary" is compelled to compete with a certain number of others seeking employment, and is therefore forced to accept correspondingly lower wages. His employer must likewise compete with other merchants so numerous that there is not enough trade for all, and hence must not only pay his employees as little as possible, but get low "wages" (the businessman's profits are his "wages") for himself. The merchant, in turn, seeks to buy from the wholesaler as cheap as he can, and the wholesaler, knowing that competing houses are bidding for business, sells at a price not sufficient to net him a fair return on the investment, risk and labor involved. When the wholesaler goes to purchase from the manufacturer, the same struggle is enacted; and in producing the raw material for the manufacturer, the producer also finds it hard to make a living profit. Thus we find cut-throat competition that (notwithstanding occasional brief respites,

² *Capital*, by Karl Marx, Appleton & Co., 1889, page 793. The destruction of "petty industry" has been accomplished, Marx continues, by "the transformation of the individualized and scattered means of production into socially concentrated ones, of the pigmy property of the many into the huge property of the few, the expropriation of the people from the soil, from the means of subsistence, and from the means of labor; this fearful and painful expropriation of the mass of the people forms the prelude to the history of capital." The chapter is one of the concluding ones of the work, and is replete with statements of the same purport as the foregoing.

seeming in contrast like periods of "prosperity") grows more and more general, and rapidly spreads throughout every department of industrial life.

This overcrowding, at first felt only by day laborers, and by them only in limited localities, has now become world-wide, affecting alike laborers, mechanics, clerks, salaried men, business men, larger merchants, small capitalists, and (where no special privilege is held) larger capitalists—finally encroaching on the world of learning, forcing many a professional man to agonize over the difficulty of making a living when his thought should be centered upon his profession.

What does it mean—this overcrowding throughout the industrial world? This: the number of opportunities of employment does not equal the number of applicants for employment. Give ninety-five opportunities of employment to every hundred men, and we force upon ourselves the conditions of today: The worker, fearful lest another underbid him for his opportunity to "sell his labor" (or the product of his labor), is forced to accept less and less, as competition becomes keener and keener—thus he gets for his labor an ever-diminishing proportion of what that labor produces; and, worse than all else, feels himself grow less and less able to assert his manhood and independence.

But suppose we could in some way make more opportunities than there are men to use them: is it not evident that the tendency to lower wages, reduced salaries, and smaller profits would then be reversed and industrial conditions would become normal?

At first thought so far-reaching a change may seem impossible; but such a change can be accomplished.

Careful attention should be given to the difference between what is commonly called "competition" and true competition. True industrial competition may be defined as rivalry in production with equal opportunity—as in making bricks where all have equal access to the material from which bricks must be made. What is commonly called "competition" is a contest in which producers, denied equal access to natural resources, are fighting one another for opportunity to produce at all; the increasing keenness of the struggle being reflected in their willingness to accept lower wages, reduced salaries and smaller profits.

It is necessary to keep this distinction in mind to avoid the

common error that we can solve present industrial problems by "eliminating competition." Competition is natural and as impossible of elimination as is gravitation.

To insure the full and free operation of the law of competition, however, it is necessary to secure to everyone equal access to the field of labor. Men make things to satisfy their desires directly, or to exchange for things that others have made: whatever things men make that have exchange value are called "wealth." The whole universe excepting men and the things that men make is called "land"; these two, human exertion and the earth, are the sources of all production. The expenditure of human energy in producing wealth is called "labor." Hence the axiom that "from land does labor produce all wealth."

But men are tool-making animals; they not only make things for the direct satisfaction of their desires, but they make and exchange implements, the use of which enables them better and more easily to get what they want. These tools and implements, being products of labor and being exchangeable, are "wealth"; but being that part of wealth that is used in the production of other wealth they are also "capital."

While the first crude forms of wealth must have been made without the use of tools, that is, produced from land by labor without capital, it is hard to think of a labor product bought and sold today in the production of which labor has not employed capital. Therefore of modern production we can say that "from land does labor, using capital, produce all wealth."

Contrast the early days of our country's development, when capital and labor had free access to land, with the present time, when so much of the earnings of both must go, either directly or indirectly, to pay some form of rent: then capital and labor could divide between them the full product of their labors; while they today must be content with but a small part of that product, over the division of which they continually quarrel. While the worker's available income, (wages, salaries, profits on goods, etc.) has been shrinking, and while interest on capital has been declining, land value has been going up, up, up, until in some cities it has reached as high as \$20,000,000 per acre. Now, when the employer and his employee must between them meet these ever-increasing demands of landowners, what wonder that little is left of their earnings to

divide between themselves! And the landowners that absorb the lion's share of the product do nothing as landowners except to grant to capital and to labor permission to use land.

And not only are capital and labor deprived directly of their earnings through the exaction of increasing ground rents: they suffer an indirect, though usually far greater, loss through the general overcrowding of all trades and professions, which restricts the purchasing power of the consuming public, and thus limits the markets that every producer of wealth must share with competitors in selling his product. For a restricted market means smaller profits for the employer and usually the absolute necessity on his part to pay reduced salaries and lower wages to his employees. When coal seams, iron mines, oil fields, dock facilities, agricultural lands, city lots and all other parts of the earth that might afford scope for work are either held out of use, merely partly used, or opened only at speculative or extortionate prices, of course labor must be unemployed. Idle lands which are in demand imply idle hands which cannot be in demand. For clearly no one would pay for land which he had no prospect of finding hands to work. If people are willing to pay a million dollars for a building site, it means that enterprise is greatly in need of opportunity to employ labor or will be greatly in need of opportunity in order to supply a social want for a building. From deprivation of this opportunity both the laborer and the capitalist that would erect and use the building suffer alike.

Failure to recognize that capital and labor suffer together, and that their interests are identical, springs from the common thought-habit of confusing capital and monopoly. We see a few men acquiring great fortunes, and are apt to class them as "capitalists"; on investigation, however, we usually find that their great wealth-acquiring power lies not in the exercise of marvelous wealth-producing energies, not in the possession of superior capital (capital today goes begging for favorable opportunity of investment), but in the possession of some franchise, which conveys the power of land ownership—the power to appropriate, unearned, the wealth produced by others. The power of the so-called coal trust, for instance, resides, not in its ability to produce much or superior coal and thus to earn big profits corresponding to the service rendered to coal consumers, but in its power to hold out

from production unused coal lands, and thus to force the public to buy its products at inflated prices.

In view of the real facts, how absurd and yet how natural is the present strife between capital and labor. The ancient rhyme says:

When the cobbler wants clothes,
And the tailor wants boots,
They exchange work for work
And both parties it suits;
When the landlord wants clothes,
He just holds out his hand
And exchanges permission
To live on the land.

Capital and labor clash because both fail to recognize that they are robbed alike by their common enemy, land monopoly, which sufficient taxation of land value will manifestly destroy.

That the present mode of taxation has persisted so long is mainly due to the thoughtlessly accepted dictum that "the payment of taxes should be according to ability." A more reasonable and universal principle is that payment should be according to benefit, that each should pay for what he gets, not according to his wealth, but according to the value of what he receives.

The benefits of good government and of civilization result in increase of land values. As Thorold Rogers says—"Every improvement in the condition of the earth, every bridge, every highway, every railroad, raises rent." Is it not then obvious that it would be just to tax equally all lots of equal value, whether they be used or unused, built upon or vacant, highly improved, poorly improved, or unimproved? Would it not be fair and equitable to require of every lot owner that he pay a tax equal to that paid by each of the others, provided the lots are equally desirable and valuable? Why fine people for making improvements? Why not have every one pay in taxes into the common treasury an amount proportionate to the value of the land he owns, regardless of whether that land be used or not used, thus encouraging landowners to employ labor in making improvements, rather than to hold land out of use in the hope of future higher prices?

The first step in this proposed change in taxation is to assess

the value of the land separately from the value of the improvements thereon, as is now done in New York City and in many other municipalities, so that the taxation on the value of land becomes separate and distinct from all other taxation. Then can follow the reduction or the abolition of the more objectionable of the taxes now levied, with an increase in the land-value tax sufficient to make up the necessary revenue. This process can be made as slow or as rapid as may be deemed expedient—slow enough as in Pittsburgh, Pennsylvania, to permit new adjustments to be easily made, or more rapidly as in Vancouver, where it is proved to be desirable.

Many of the holders of unused lots, and of lots but partly used, if compelled to pay taxes thereon as great as those imposed on fully improved lots of equal value, would at once begin to make improvements. This would give to labor increasing employment at increasing wages; business of all kinds would be stimulated, and this would cause a still further increased demand for houses by the people thus financially enabled to occupy them. This increase in buildings would go on until the market was fully supplied at prices little more than the cost of producing the buildings. Except for the natural increase in demand caused by increase in population, this newly stimulated demand for houses would eventually reach its limit and cease; but with labor fully employed at good wages such demand would not be satisfied until every industrious and deserving man had a comfortable home. And then there being more lots than would be needed for building, holders would seek purchasers, at reduced prices, among those who could put the land to other uses. The extraordinary results of the cultivation of vacant lots by the unemployed in Philadelphia and other places show that there is a steady and unsatisfied demand for such lands for various purposes.

And if land values became the one source of all public revenue (federal, state, county and local) the tax on land values would be sufficiently heavy to reduce the selling value of land to almost nothing. This has in fact been the practical result in the single tax experiment colonies at Arden, Delaware (near Philadelphia), and at Free Acres, New Jersey (near New York). For the selling value of land is but the capitalization at the current rate of interest of so much of the rental value of the land as is not taken in taxation.

This is what single-taxers mean by "free" land—not that possessions would be disturbed, nor titles invalidated; not that there would be any decrease in deeds or books of record, but that land would, under the new system of taxation, be very cheap and its use therefore easily had by whoever desired to work it.

No adequate idea of the vastness of the benefits to follow this change in taxation can be gotten by considering town lots only. It is proposed that all land be taxed at its full rental value. A very few men now own the anthracite coal deposits of the country; they permit the mining and marketing of only a limited amount of coal, withholding from use the far greater part of the coal lands to maintain an artificially high price in the coal market. But were all unused coal lands (now rated at merely nominal figures) taxed at their full rental value, and thereby forced into the market either for sale or for lease, capital would be attracted to the opportunities thus offered and new mines would be opened up. The operators of these new mines would be free, not only from the burden of interest charges on bonds issued for the purchase of surplus lands and from the cost of holding other mines and lands out of use, but also free from taxes on buildings, machinery, animals, timbering, piping and all other capital invested. To cut out these fixed charges and abolish taxes on the capital used, and to introduce free competition among coal-mining operators, would both lower the price of coal and increase the amount of coal marketed. At the same time, competition among the increased number of coal-mining operators for the services of miners would tend to raise miners' wages—a tendency that would be stimulated because the actual coal mine workers would always be free to pool their capital and form operating companies on their own account.

And when we further consider that the lands to be taxed are not only town building sites and coal fields, but the immensely valuable lands that lie in or near the large cities or border our harbors, and the millions of acres of virgin farm lands, but also railroad rights of way, vast mineral resources, etc.,—then we see that in land-value taxation we have an easy, simple method of forcing the hand of monopoly to relax its hold upon natural resources. This will remove the artificial barriers that we have found to be the cause of industrial and business overcrowding, the removal of which would be the means of opening more opportunities of em-

ployment for both capital and labor than could be taken advantage of by increasing population for generations to come.

As a fiscal measure, practical men will see that greatly improved industrial and business conditions must result and have resulted from the proposed tax.

This "reform" has already passed the merely experimental stage. New Zealand, the Canadian northwest provinces and many other places have had it in partial operation for years. So it is sufficient for us to note, without giving a history of the development of what Thomas G. Shearman called "natural taxation," that every district that has tried a little wants more of it, and by its competition forces its rivals to adopt it also. There are no steps backwards.

It is true that nowhere, as yet, has enough of the annual rental value of land been taken to kill speculation. When some place does take enough to make it unprofitable to hold any lands idle, it will hardly be necessary to call attention to the plan; it will call world-wide and insistent attention to itself.

But to them that take a higher and a broader view of man's social relations—to them that can feel the power of a great truth and by it be lifted "above the mists of selfishness"—to them should the proposal appeal even now with greatest force. For while it is not claimed that this reform will really alter human nature, as it would not be claimed that removing a plank from the lawn would cause the grass to grow, yet, just as removing the plank would permit the expression of nature's forces in healthy, growing grass, so will the destruction of land monopoly make men economically free—free to employ themselves individually or coöperatively, each free to acquire and enjoy without encroaching on another's opportunity; free to be generous and high-minded without fear of coming to material want. This freedom of both labor and capital to work can fairly be expected to be the most complete of all cures for unemployment. Then, with superabundant production, will be realized the ideal that without bringing want upon ourselves, we may "give to him that asketh and from him that would borrow turn not away."