

The Professor and The Single Tax

WE reproduce here an article entitled "The Single Tax" written by Irving Fisher, Professor of Economics at Yale University for *The International Musician* for September, 1932, together with a letter with reference to the article written to the Professor by G. J. Knapp of St. Louis, Mo. Also some editorial comment. Prof. Fisher says:

We come next to the so-called Single Tax proposal. The Single Tax would (1) tax land rent, as an "unearned increment," (2) tax nothing else than land rent, and (3) tax that rent nearly 100 per cent. Although I believe there is a good deal of truth in the proposal to tax the so-called "unearned increment," instead of taxing land improvements, there seem to be two chief objections to the Single Tax as it is proposed by the orthodox Single Taxers.

One is that it involves "confiscation." It is true that many Single Taxers have now given that idea up. Yet it was the idea of Henry George, the originator of the Single Tax. He said that land was analogous to stolen goods. If you steal my automobile and someone else buys it of you, it is still mine; I can reclaim it. Any person who buys it from you has no right to keep it, even if he bought it in good faith.

But there must be a time limitation; and when you come to land, the analogy is especially foolish. It may be that men did originally get land by seizing it. We know that gold claims originally were staked out. Sometimes the Government held it first, and on a certain day allowed the public to rush for it and take it. This is "seizing" if you like.

But does this show that you had no right to it and therefore none of your successors have a right to it? It may well be that the land on which you now stand was taken from the Indians by fraud or force some day in the dim and distant past; but if we should now try to find the heirs of the Indians and restore that land to them it would be impossible, or if possible, such "justice" would be silly. The original injustice, if any, would not be corrected; but a new injustice, to the present holder, would be committed.

And so if a person owns a house and lot and has a title deed which is legal, bought in good faith, the fact that it was originally gotten by a process that Henry George doesn't approve of doesn't invalidate the title today in any "sensible" scheme of things. So I can't believe that we ought suddenly and completely to confiscate economic rent. But I do believe, with Henry George, that we can't take the opposite extreme. We can't say that there is a vested right in land such that, since you never taxed certain land before, you can't tax it in the future. We have to use common sense.

In addition to the objection of confiscation, there is a second objection. This is that the Single Taxer—the orthodox Single Taxer—doesn't want to tax anything else than land. That is why the plan is called a *single tax*.

Such a rent tax is to him a natural tax. According to this doctrine we must use that one tax and no other. We must make our expenditures fit exactly what that one tax will yield.

Now look at what this means. We know that the rent of any land is due to the difference between productivity of that land and the productivity of the worst land in use. If land rent is very great because of a big difference between the most fertile and the least fertile land the government will have more money than it needs and will waste it. But if you happened to live in a country where all pieces of land were equally productive you would have no land rent at all and the government would, under the Single Tax, have no funds at all! What would you do then?

Clearly taxation should be based primarily on what is needed by the Government. Taxes must be made to correspond to needed

expenditures, instead of expenditures being made to correspond to accidental land differences. So a mixed system of taxation, such as we have—or rather, not such as we have, but such as it might be after certain conservative tax reforms—is correct.

There are other arguments against the Single Tax. The increment of rent is not always unearned. Sometimes, as is the water front, land is "manufactured," so to speak. Then the increment is not altogether "unearned," but comes about through the same profit motive as any other increment.

Yet we should work in the direction of taxing the land rather than the improvements on land, for the simple reason that when you tax the land the tax cannot be shifted. It does not reduce productivity. But when you tax the building on the land it does discourage the improvement.

The best example of this reaction to a tax on improvements is in the window tax, the famous example in France. There the Government had tried to assess the size of a man's house by the number of windows. The result was that people were having fewer and fewer windows until some people had only one window in the entire house. The tax resulted in less, not more, revenue and discouraged sanitary building.

This called forth the following letter from Mr. Knapp:

Dear Professor:

Have just finished reading your article "The Single Tax," appearing in *The International Musician* for September, 1932.

After reading this article carefully and reflecting that you occupy the chair of Economics at Yale, I cease to marvel at a statement contained in an eastern newspaper some time ago to the effect that about half the street car men, and truck drivers of Philadelphia, New York and several other large eastern cities, are Yale graduates.

Surely, Professor, your mental processes must have been short-circuited when you wrote this article for the musicians magazine. How else can the following lapse of reasoning power be explained? I quote from your article:

"We know that the rent of any land is due to the difference between productivity of that land and the productivity of the worst land in use. . . . But if you happen to live in a country where all pieces of land were equally productive, you would have no land rent at all. . . . etc."

Pardon me for suggesting that there is even greater reason to marvel at such a display of loose and irresponsible thought (or alleged thought) on the part of an "instructor" in a great university, than there is in the alleged fact that the pupils of such instructors, after graduating drive street cars and trucks for a living.

I imagine that upon reflection, you will agree that your statement concerning a condition "where all pieces of land are equally productive," reduces itself to absurdity.

May I respectfully suggest (if that absurdity does not readily present itself to your mind) that in a situation such as you idly infer . . . "where all pieces of land are equally productive," the land rent (unless the land were utterly worthless for any purpose whatsoever) would be "due to the difference between the productivity of THE land," (whatever its productivity may be) and the utterly worthless land that produces nothing whatever.

And, apropos of nothing in particular, if in your wanderings (mundane and not mental) you should happen to run across a "country where all pieces of land are equally productive;" or in which all the land will produce nothing whatever, so that there would be "no land rent at all," (as you say), I will be greatly obliged to you if you will kindly call my attention to that place. I have travelled a great deal but I have yet to run onto a country, or even a State, county, township or town, in which all the land is 100 per cent unproductive. At times, according to your own exposition of the law of rent, land rent arises wherever ALL THE LAND is NOT 100 per cent unproductive; it needs no powers of clairvoyance to enable you to see the absurdity of your proposition.

Of all the places I have ever been, the middle of the great Salt Lake

Desert comes as near being 100 per cent unproductive as any; but not even there would your statement hold true.

I shall not bother to notice several other glaring absurdities in your article, "The Single Tax," because I feel certain that once you get the foregoing straight in your mind, your other errors will become apparent to you—unless you have some special reason for not wanting to see them.

G. J. KNAPP.

The professor does not like "confiscation." That is, he does not like the confiscation of stolen property after it has been stolen a sufficiently long time. "There must be a time limitation," says the professor. He says nothing about the confiscation by land owners of the peoples land value. The professor, of course, knows that land value is the creation solely of society; that land owners have nothing whatever to do with its making or its increase; he is evidently not concerned about the individual confiscating communal property.

The professor implies that land secured by settlers in government organized "land rushes" is rightly owned. In his position as an economist, the right of government so to dispose of land should form a part of his economics and his argument. The professor characterizes as "silly" the hypothesis that the land be restored to the heirs of the Indians from whom it may have been taken by fraud or force. The hypothesis, of course, is his own. Presuming to know the Single Tax—for he essays to write upon it learnedly, pointing out its shortcomings—does the professor assume that the adoption of the Single Tax implies any such procedure? If so, would not his characterization apply more correctly to such assumption?

The professor seems to rely on a "sensible scheme of things." Just how far from equitable or ethical "things" need to be in order to be "sensible" the professor does not say. Presumably Ethics, Justice and Right, form no part of the professor's idea of "sensibleness."

On the one hand the professor fears that the Single Tax would produce so great a fund that "the Government will have more money than it needs and will waste it," and on the other hand he fears that somewhere "the government would under the Single Tax have no funds at all!" The "somewhere" is "in a country where all pieces of land were equally productive." It would seem that as Prof. Fisher is an authority in economics, for he is Professor of Economics at Yale University, he would not find it necessary or advisable to rest his case on any so indefinite a place as "somewhere." It would be interesting to know something about this land of "somewhere."

It is strange what words can do, especially when used by a learned professor. "Clearly taxation should be based primarily on what is needed by the Government." Sounds convincing, doesn't it? The incidence upon which it is to be placed according to this statement forms no part of the primary consideration. A non-graduated income tax that would take the same percentage of income from small as it would from large incomes, a tax on consumption, a tax on production, tariff taxes, poll taxes, and any other

taxes, all are justified according to this fundamental tenet of taxation, so long as the Government gets all the money that it needs!

But the Professor doesn't really mean what he says, or what this criticism has read into his statement, for he says further on: "Yet we should work in the direction of taxing the land (he means land values) rather than the improvements on land, for the simple reason that when you tax the land the tax cannot be shifted. It does not reduce productivity, but when you tax the building on the land it does discourage the improvement." So the incidence *does* matter! Perhaps the Professor may go so far as to agree that the incidence and the manner of taxation, too, are "primary considerations" upon which taxation should be based.

If we may presume to argue with a Professor of Economics on matters of taxation, may we suggest to Prof. Fisher that there are considerations much more primary in the matter of where taxes should be based, than "on what is needed by the Government." Among these considerations are, what has the Government the *ethical* right to tax? Has the Government a right to tax any individual wealth or product of any individual person or effort until it has taken the value that the mere presence and activities of the community create, the rent of land? Has the Government the right to favor one class of people (land owners) by permitting them to collect the social value produced by the community and which value these land owners do nothing to create, and penalize another class (producers) by forcing them to pay taxes on labor or commodity values of which they are the sole creators? There are only two kinds of values, those created by individual human efforts (services and labor products) and those created by the community *as a community* (land values). If ethics and equity have any place in matters of taxation (and Single Taxers believe they should have) how can government reconcile its neglect to collect the rent of land which belongs to it, and the taxing of services and labor products which belong to individuals? It would seem that this too should be a "primary consideration."

We are mindful of the fact that Ethics have no place (as yet) in Economics, at least not in the Economics taught at Yale, and that in advancing our "more primary considerations" we are assuming Economics "as it ought to be," not as it is taught in some colleges.

The columns of LAND AND FREEDOM are open to Prof. Fisher for a reply.

WERE all taxes upon land values, irrespective of improvements, the scheme of taxation would be so simple and clear, and public attention would be so directed to it, that the valuation for taxation could and would be made with the same certainty that a real estate agent can determine the price a seller can get for a lot.

—PROGRESS AND POVERTY.