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Single copy . . . . 5c postpaid  
12 copies . . . . 25c postpaid  
100 copies . . . . \$2 postpaid  
Sample series . . . 25c postpaid

LAND

THE RENT CONCEPT

THE PROPERTY CONCEPT

2-489

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The aim of this pamphlet is to contribute something toward the correction of what are believed to be four grievous errors, viz.:

- (1) That the indestructible properties of the soil are a source of rent.
- (2). That agricultural values should not equally with urban values be classed as site values.
- (3). That "to appropriate rent by taxation" means the abolition of the institution of private property in land.
- (4). That the joint right to the rent of land is a logical deduction from the equal right to land itself.

## The Rent Concept

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Mr. George in his brief chapter on "Rent and the Law of Rent" often repeats the agricultural definition of rent, mostly in confirmation but sometimes in expansion of Ricardo. Certain features of this definition, namely, "the original and indestructible properties of the soil," "the share in the wealth produced which the exclusive right to the use of natural capabilities gives to the owner," and "the reduction to individual ownership of natural elements which human exercise can neither produce nor increase," which have been assigned by Ricardo, George, and many others as the cause of rent, are now discarded as errors by most economists, if, indeed, they were ever held by them.

The following quotation from Sir John Macdonell suffuses this economic position as to the original and indestructible properties of the soil with a convincing Oriental light:

"If rent be such, then in no old country of the world . . . is there much of such a thing as rent, for the natural and inherent properties of the soil have long ago been des-

troyed, or, if they have not been destroyed, they are not economically useful. Except in the most rudimentary form, agriculture cannot long subsist without a careful renewal of the properties of the soil. . . Why has Sicily, once the granary of Rome, with its meadows producing unexampled returns, sunk into a miserable country, one-third of it barren, or exporting a little olive oil? Why is Palestine, once a land flowing with milk and honey, barren and thinly peopled, the veritable antithesis of that which it is painted by the prophets? Why, to take a still more striking instance of decadence in wealth, have the banks of the Euphrates, which once may have been as fertile as the banks of the Thames, been transformed into baked and parched plains? One agency alone did not accomplish all these changes; . . . though conquest and misgovernment may have exercised a blighting influence, the present barrenness is principally attributable to the so-called original and indestructible properties of the soil being peculiarly transient, to agriculture being long possible only if the properties of the soil are perpetually renewed. . . The Sicilian at last drained the fertility of his milch cow, as Michelet calls the island. When the cisterns that crowned, or the terrace walls that girdled the hills of Palestine fell into ruins, vegetation was parched by the heat of summer,

and the soil swept away by the unfertilizing rains of winter. The canals that intersected and watered the banks of the Euphrates were suffered to fill up and a goodly region became 'a wilderness, a dry land, and a desert.' These are the consequences of trusting to 'the original and indestructible powers of the soil.'

Mr. Shearman's definition was: "Ground rent is the tribute which natural laws levy upon every occupant of land as the market price of all the social as well as natural advantages appertaining to that land, including, necessarily, his just share of the cost of government."\*

Is it not a little curious to note that a law of rent plainly stated by Anderson, West, Malthus, and Ricardo nearly a century and a half ago should continue to be defined in the agricultural terms of no rent land, rather than in the urban terms of manufacture and commerce, to which some of these early pioneers even denied that they yielded rent? Perhaps not even all economists realize how modern a matter is the cumulative growth of urban rent, which increases almost in geometric ratio. It would seem as though the classical economists were more excusable than their successors in overlooking the importance of this factor. Would it not be an improve-

\* *Natural Taxation*, p. 116, Doubleday, Page & Co., 1915.

ment to let the definition stand naturally and squarely like a pyramid upon the ever broadening base of urban rent, rather than try to balance it upon its toppling apex, as it were, of agricultural rent?

The general economic conception of the land tax is largely a compound one, to wit,—that it is on the one hand a tax on the fertility value of agricultural land, and on the other, a tax on the site value of urban land. It would seem to need no argument to show a great simplification both for teacher and learner if “site” might here be substituted for “fertility,” making a rent tax applicable to the single attribute of site value only.

The following conclusion is presented for consideration:

On the surface of the globe are countless varieties of exhaustible fertility, i. e. chemical constituency, differing in kind and combination, from the nitrogen, hydrogen, oxygen, and carbon of the soil to the carbon of the coal and the diamond. Fertility as an attribute need not be predicated of agricultural land alone. Economic fertility belongs equally to any other land which yields to labor its product whether in food, mineral, or metal. Land may be fertile in wheat, corn, and potatoes. It may be fertile in cotton, in tobacco, or in rice. It may be fertile in diamonds, in gold, silver, copper, lead, or iron. It may be fertile in

oil, coal, or natural gas, in water power or water front. The value of artificial fertility is an improvement value. The value of natural fertility of any kind is a site value.

Perhaps the shortest definition of economic rent yet suggested is one that is applicable equally to agricultural and to urban land, one approved by the decision of one hundred and thirty-five economist judges without a dissenting opinion. The definition is:—ground rent is what land is worth for use.

A minute enumeration of the specific things that contribute to ground rent is here offered for what it may be worth:

Gross ground rent—the annual site value of land—what land is worth annually for use—what the land does or would command for use per annum if offered in open market—the annual value of the exclusive use and control of a given area of land, involving the enjoyment of those “rights and privileges thereto pertaining” which are stipulated in every title deed, and which, enumerated specifically, are as follows: right and ease of access to water, health inspection, sewerage, fire protection, police, schools, libraries, museums, parks, playgrounds, steam and electric railway service, gas and electric lighting, telegraph and telephone service, subways, ferries, churches, public schools, private schools, colleges, universities, public buildings—utilities which all depend for

their efficiency and economy on the character of the government; which collectively constitute the economic and social advantages of the land independent of any quality or content of the ground or land itself, and which are due to the presence and activity of population, and are inseparable therefrom, including the benefit of proximity to, and command of, facilities for commerce and communication with the world, an artificial value created primarily through public expenditure of taxes. For the sake of brevity, the substance of this definition may be conveniently expressed as the value of "proximity." It is ordinarily measured by interest on investment plus taxes.

## The Property Concept

One of the serious maladjustments of the situation to-day is the conflicting opinions as to Mr. George's views upon the question of private property in land which have operated as a serious impediment to the progress of the Single Tax. Believing that this is the proper place and time I submit the conclusion at which I have arrived.

In chapter after chapter of *Progress and Poverty*, as well as thirteen years later in *The Perplexed Philosopher*, Henry George reiterates his own and Spencer's error (which both had recanted) viz.:—that private property in land is unjust and should be abolished.

Notwithstanding his apparent contradiction of expression, it is manifestly due to Mr. George's intellectual honesty to credit him with the same clear conception with which he in turn credited Spencer when he summarized in *The Perplexed Philosopher* the latter's "Social Statics" chapter, viz.: "Private property in land, as at present existing, can show no original title valid in justice," etc.

In assuming to suggest to students of Henry George, perhaps at a critical period in his change of base from an old dispensation to a new, what seems to me a rational interpretation of his language, it is ventured to paraphrase the form of argument used by

of *Progress and Poverty* Mr. George found in the doctrine of natural rights—the equal right of all men to land. Taking for his main premise the right of all men to the soil in its original state, he deduced from this premise the right of all men to economic rent. The soundness of this deduction has been in these latter days seriously questioned.

In proof of the wrongfulness of private property in land, as it lies in the private appropriation of ground rent, he puts forward the doctrine of natural rights to land as the premise and basis for the joint right to rent, a form of proposition which he and most of his predecessors in land reform accepted as axiomatic, viz.: the equal right of all men to the soil in its original state, from which he deduced the equal right of all men to the rent of land. Since, as Mr. George himself has said, “the primary error of the advocates of land nationalization is in their confusion of equal rights with joint rights. . . In truth the right to the use of land is not a joint or common right, but an equal right; the joint or common right is to rent, in the economic sense of the term,”\* this whole line of argument from natural rights is unnecessary.

In the light of the foregoing question

\**Perplexed Philosopher*, Chap. XI, p. 242, Doubleday, Page & Co., 1906.

whether or not Mr. George meant to assert that the taking of any part or all of ground rent in taxation would destroy individual ownership in severalty of the land itself does not appear to be debatable. In any event, his assertion cannot make a right out of a wrong. None of his *confreres* in the company assembled in this volume advanced such a proposition. Smith, Mill, Dove gave no hint akin to it. Burgess, Macdonell, McGlynn, Shearman made it no part of their proposed system; indeed no economist can be recalled who has hazarded this view, thus leaving such a position unique by Mr. George's sole occupancy. This fact makes us the more strenuous for an interpretation that shall harmonize with his generally accepted tenets.

In 1872, he wrote in “Our Land and Land Policy”:

“It by no means follows that there should be no such thing as property in land, but merely that there should be no monopolization — no standing between the man who is willing to work and the field which nature offers for his labor. For while it is true that the land of a country is the free gift of the Creator to all the people of that country, to the enjoyment of which each has an equal natural right, it is also true that the recognition of private ownership of land is necessary to its proper use — is, in fact, a condition of civilization.”

The ethical justification of the single tax can be derived much more simply. A careful study of the nature of economic rent will show that it arises from the growth and efforts of the community and not from the labor of the landowner. The taking of rent by the community can therefore be put on the simple basis that property rights in any commodity should be vested in the person or persons who produced that commodity. Indeed it is somewhat curious that after devoting so much space to the argument based on natural rights to the land, Henry George himself finally rested his case on this very line of reasoning. At the end of his chapter on the "Canons of Taxation" he says that *"a tax upon land values is the taking by the community, for the use of the community, of that value which is the creation of the community. It is the application of the common property to common uses. When all rent is taken by taxation for the needs of the community, then will the equality ordained by nature be attained. No citizen will have an advantage over any other citizen save as is given by his industry, skill, and intelligence; and each will obtain what he fairly earns. Then, but not till then, will labor get its full reward and capital its natural return."*

A score of years ago it was my privilege, under criticism, to make public the avowal that in the long run I would prove myself

Henry George's most friendly critic and vindicator. Thus I have frequently found myself standing between him and many false and harmful impressions that have operated to his prejudice and to that of his cherished reform. Among these, the insistence upon a full one hundred per cent rate, and the abolition of private property in land as Henry George's standard measures for sound doctrine, have been painfully wasteful and enervating, beside being a standard upon which neither Canada nor Australia nor Germany, nor indeed any other country except the United States, has laid misleading emphasis.

Henry George himself was a persuasive writer and speaker, little given to denunciation. The followers of his teachings who have done him greatest honor have been those who have talked over his principles at their own hearthstones and in their own council chambers, and voted for them at their own hustings, rather than those who by militant intrusion into foreign bailiwicks have aroused and fostered a wholly gratuitous prejudice.

If those devout followers of Henry George who still insist that he should go down to posterity as advocating the destruction of private property in land would exercise his care to avoid misinterpretation, they would thereby better serve him and the reform he so wonderfully expounded.



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