

SELECTED ARTICLES ON  
SINGLE TAX

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Rights of Man. Lyman Abbott.

At present the expenses of governments are chiefly met by three forms of taxation: a tariff tax on imports, a tax on incomes, and a tax on property, real and personal.

The tariff on imports is an unjust tax because it is levied, not upon property nor on income, but upon expenditure. The rich man calls on government for much greater protection than the poor man. If he is a landlord, he has a hundred houses to be protected; the poor man has but one. If he is stockholder in a great railroad, he has a highway thousands of miles long to be protected, while the poor man has nothing but the pathway from his front door to his gate. The rich man ought therefore to pay a very much larger tax than the poor man. It ought to be proportioned to the value of his property, because the value of his property determines, roughly speaking, the amount of protection which he needs. He who has fifty millions of dollars invested in mines, railroads, oil-wells, ought to pay nearly ten thousand times as much taxes as the householder who has a home in the village or a farm in the country worth five thousand dollars. But if the tax is levied upon imports, he who has fifty million dollars to protect does not pay ten thousand times more taxes than he who has five thousand dollars in a homestead to be protected. The millionaire wears somewhat more expensive clothing, lives in a somewhat more expensive house, has somewhat more expensive furniture, eats somewhat more expensive food; but it is perfectly evident that he cannot, if he tries, expend on himself and his family ten thousand times as much as his humbler neighbor. Taxes, therefore, levied on expenditure are always and necessarily unjust.

The second tax is one on incomes. The income can generally be ascertained only by the statement of the man who has the income; an income tax, therefore, tempts every man to make

false statement of his income, in order to reduce his tax. A tax system which involves wholesale temptation is not a system to be commended if any better one can be found. But this is not all. Men who live upon salaries can state their income accurately; men who live upon profits derived from business cannot state their income accurately. It often happens that a business man cannot tell in any given year whether he has made any profit. He never can tell accurately how much profit he has made, for he must always make allowance for the rise in value of some things he has purchased and the fall in value of others, and this estimate of stock in hand is rarely more than a shrewd guess. An income tax, therefore, falls proportionately more heavily on the man whose income is in salaries or wages than on the man whose income is in profits. That is, it falls more heavily on the dependent, if not on the poorer, classes. But that is not all. Income, again, may be derived from industry, or it may be derived from investment. The investment is property which the government must protect, and the protection of this property requires governmental expenditure, while the protection of the individual requires but little governmental expenditure, and practically no more for the man who is earning a hundred dollars a day than for the man who is earning one dollar a day. An income tax, therefore, is, in the third place, inequable because it is not proportioned to the expenditure demanded of the government by the persons taxed. A tax on income derived from industry is a tax on industry itself, which should be the last to be taxed.

The third source of government revenue is a tax upon property, real and personal. If the value of all property, real and personal, could be justly estimated, and the tax could be levied on the property thus estimated in the proportion of its actual value, the result would be a just and reasonable tax; but in effect this is impossible. For government is dependent upon the citizen's own statement for its knowledge of the citizen's personal property. It is largely dependent on his statement for its estimate of the value of that property. The citizen is thus brought under temptation both to conceal the possession of personal property and underestimate its value, and in point of fact this temptation is so considerable that personal property largely escapes taxation. This escape of personal property from

taxation is so common, and the frauds and falsehoods into which men are led by the desire to secure the same exemption which their neighbors secure is so great, that the abolition of all tax on personal property has been very earnestly urged by both moral reformers and financial reformers in the interest both of simplicity and of justice. Yet it seems difficult, if not impossible, to defend on abstract principles a system of taxation which levies all the expenses of government on real estate, for no other reason than that real estate cannot be hidden away from the assessor's inspection. Why should the man who has put his industry into a house pay a tax, while the man who put his industry into horses, carriages, dresses, or bank stock—that is, money loaned to others—not pay a tax? The one derives benefit from the government no less than the other. Justice would seem to require that he should pay as well as the other.

The so-called Single Tax proposes to rid government of all these perplexities by assuming as true what in the previous article I have tried to show is true, that land and its contents are not proper subjects of private ownership; that the land which in the Hebrew commonwealth belonged to God, and in the feudal system belonged to the king, in a republic belongs to all the people. It proposes to make them the landlord, and it asserts that if as landlord they receive a rental which fairly represents the value of the land and its contents, no one will need to pay any taxes; that if, in other words, the people come by their own, they have income enough for all the expenses of government, and probably some to spare.

Thus properly speaking, the Single Tax is not a tax at all. It is an exemption from all taxation by means of a resumption of the commonwealth by its owners, the common people. What would be called a tax would really be a rental, and this rental would be based, not on the idea that the man who pays it pays for the protection which government affords his property; it would be based on the idea that the man who pays it pays to the owner of the land a rental for the land of which he is the tenant. This rental would be paid, or this tax would be levied, not on real estate, but on land and its contents. All that human industry had done to improve the land would belong to the owner—he would pay no tax on it; all the value inherent in the land as God has made it, or added to the land by what the

public has done for it, would belong to the public, and this value the public would receive, in rental, or taxation.

Thus, let the reader imagine two plots of ground, each one hundred acres in extent, side by side in a rural district where wild land sells for five dollars an acre. One of them is wild. No tree is felled, no plow has ever turned the virgin soil, no fence has been erected. Everything is as nature made it. The other is a cultivated farm, with house, barns, outhouses, orchard, cultivated meadow-land. The uncultivated land is worth in the market five hundred dollars; the cultivated farm would be worth five thousand dollars. But for purposes of taxation each would be estimated as worth five hundred dollars, and on that five hundred dollars the tax or rent would be estimated, and for the simple reason that the man who had built the house and the barn and the outhouses, and planted the orchard, and constructed the fences, would not pay any tax on this wealth, which is the product of his industry. Of this the people are not the owners; he is the owner. Or, again, let the reader imagine two lots side by side in the center of a great city, where a lot one hundred feet by fifty is worth a thousand dollars. One stands vacant; on the other a ten-thousand-dollar building has been erected. On each lot the same tax would be paid, or, to speak more accurately, for each lot the same rent would be collected, because the owner of the building would pay no rent for that building, which is the product of his industry; he would pay rent only for the land, which is not the product of his industry, the value of which has been created partly by the God who made it, partly by the entire community who live in its vicinity, and who, therefore, should receive the benefit of the value which their presence and activity have conferred upon it.

In a similar manner the owner of a mine—whether coal, gold, copper, or iron—would pay in rent the value of the mine as fairly estimated before ever a pick had been put into the hillside. All the product of the industry which had opened up the mine and made its treasure available would belong to him. All the value of the mine as raw material, and all the increased value of that mine due to the opening of railroads, the increase of population, the development of civilization, would belong to the State, not to the owner, because it would be the gift of God enhanced by the product of the general activity of the commu-

nity. The value thus added by the general social conditions which surround land is the "unearned increment" of which the reader so often hears in the discussion of this subject.

But, as we have seen, it is not only land and its contents that belong to the public. Forces of nature belong to the public also. The right of the public to these forces is now recognized by our patent laws, which give to the patentee a right to his special use of them only for a limited term. It is quite conceivable that these patent laws should be so modified as to enable government, and perhaps any individual, to take advantage of the patented device on paying, not whatever the patentee may choose to ask for his device, but what a disinterested tribunal may think that it is worth. Not only the forces of nature, but the great franchises created by the state, belong to the state. The exclusive right to run a car-track through the street of a great city, the exclusive right of a railroad corporation to run a railroad from New York to Buffalo, belongs primarily to the people, in the one case of the city, in the other case of the state. That it belongs to them is evident from the fact that the track cannot be laid down in the street of the city, nor the railroad built from New York to Buffalo, without special authority from the people. The work which the car company or the railroad corporation does is to be paid for. The fruit of their industry belongs to them. But the highway of which they make use in their industry belongs to the people of the city or the state, and the so-called tax paid by the railroad corporation should be so adjusted that the industry of muscle and of brain which has produced and carried on the railroad shall receive its just compensation, which should be paid to those who have constructed and are managing the railroad; and the rental of the highway, whether in the municipality or across the state, should be paid to the people to whom that highway really belongs.

This rental may be charged either in the form of a tax or in the form of a rental. Hitherto franchises, that is, the exclusive right to use a public highway, have been given to private owners, personal or corporate. Sometimes, as in the case of the Pacific Railroad, not only the highway has been given, but a bonus has been added in order to induce the private owner to take the highway as a gift. This was always folly. The folly has been now so demonstrated that to continue to give away these high-

ways is scarcely less than criminal. A single case will serve to illustrate the value to a city which takes possession of its highway and rents it instead of giving it to a corporation.

The Boston subway has been let to the corporation which operates the trolley-cars of that city for 4 7-8 per cent annually on the cost. This 4 7-8 per cent meets all interest on municipal bonds, and leaves a surplus sufficient to repay the entire principal invested in less than forty years. The corporation which has hired the subway has leased its lines to another corporation which guarantees seven per cent on its common stock and eight per cent on its preferred stock. That is, in the city of Boston, the corporation which operates the trolley-car system makes a profit such as enables it to give satisfactory dividends to its stockholders and pay the whole cost of the subway, principal and interest, in less than forty years. The city of New York, learning a lesson from this and other analogous experiments, has now in a similar manner undertaken to build its own subway. It will build this on money borrowed upon its bonds. It has already leased this subway to a corporation on such terms that at the end of the fifty years the bonds, principal and interest, will have been paid. In other words, the subway will belong to the municipality, though it will not have expended a dollar of the people's taxes in its construction. It is clear that the same principle might be applied to surface roads in town and country, long or short, operated by steam or operated by electricity. Whether this rent shall be paid for the highway by the railroad corporation in the form of a rent or in the form of a tax is immaterial. The essential fact to be noted is that, if the people keep possession of the highways which belong to them, the rentals therefrom would go far toward paying the expenses of the government.

It does not come within the province of this article to go into detailed argument with figures in support of any particular scheme. My object is to give the general reader as clear and coherent an account as I can, in a limited space, of the method which modern thinkers have wrought out, by which the common people can secure joint benefit of the common wealth, without revolution. He who desires to study the philosophy of this plan more fully will find material for his study in Henry George's "Progress and Poverty." He who desires to estimate

scientifically its economic effect will find material for his study in Thomas G. Shearman's "Natural Taxation." He will in the latter book find reasons given for the belief that a fair rental to the people as landlord for the value of wild land and its contents, and of public franchises created by and belonging to the people, would be adequate to pay all the expenses of government, municipal, state, and federal. He will also find there given the reasons for believing that such a rental, instead of increasing the burdens of the agricultural class, would decrease them; and, finally, the reasons for believing that such a rental could be collected with almost absolute equity, since there would be no possibility of concealing the land or the franchise for which the rent would be paid, and not much difficulty in estimating their natural market value. This last, the moral argument for the Single Tax, will, to him who regards ethical considerations as more important than economic, appear of the first importance. It is thus stated in a recent letter by Mr. Charles Francis Adams:

On this moral side, which to my mind is the most important side of all, there can, so far as I see, be but one way of looking at the thing. The Single Tax would be an enormous improvement over the existing system, or over any other system which I think could be devised. It would reduce taxation to a basis of absolute certainty and fairness, rendering evasion impossible. A complete stop would thus be put to the whole system of cheating, and consequent unjust transfer of a burden from those who have no conscience to those who have a conscience—from those who can escape the law to those who cannot escape the law—which is the unanswerable argument against the continuance of the present system—a system which puts a confessed, because quite undeniable, premium on perjury; and no system which puts a premium on perjury admits of justification. This argument alone, to my mind, would be conclusive in favor of the Single Tax. Any possible amount of wrong or injury it might incidentally inflict would to my mind be little more than dust in the balance compared with the advantage which would result, after the thing fairly adjusted itself, from the complete freedom it would bring about from all temptation to evasion and false swearing. From the moral point of view, consequently, there do not seem to be any two sides to the question; and the moral point of view is, in my judgment, the all-important point of view.

The question may be and has been asked, Would not the carrying out of this plan amount to a confiscation of landed values? Henry George concedes that it would, and defends such confiscation on the ground that land is not a proper subject of ownership. He compares the loss to the landowner involved in the Single Tax with the loss to the slaveholder involved in

emancipation. The cases do not seem to me parallel. Society has no right to organize a system involving ownership of man; society has a right to organize a system, involving ownership in land. If the community thinks the private ownership and control of land is best for the community, it has a right to provide for such private ownership and control; but it has no right to provide for the private ownership and control of one man by another, against the protest of that other, though he be but a minority of one. Society having provided for the private ownership and control of land, and individuals having invested their earnings in that land on the faith of that provision of society, society has no right by revolutionary act to confiscate the property and destroy for the individual owner the economic values which it has itself created. If, therefore, it were proposed suddenly to abolish all taxes on imports, on incomes, on personal and real property, and levy them all on land and its contents and on franchises, the proposition would involve an industrial revolution which would be at once inexpedient and unjust. But no such sudden change is possible. If taxation is taken off from all other objects, and levied only on those things which are properly a common wealth, the change can be wrought out gradually, and there will be time for industry to adjust itself to the new conditions as they are created. There is very little reason to believe that the practical injustice to individuals which would grow out of the adoption of the Single Tax theory, in any way which would be possible in America, would be so great as the injury which has come to individuals through the use of steam and electricity, through the influence of machinery, through the organization of labor and of capital, and through the consequent necessary changes in industrial conditions and in values depending on those conditions.

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**Tax Reform. F. W. Blackmar.**

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My notions of tax reforms are briefly as follows: First, that there is no automatic method of taxation which would be satisfactory to everybody, nor no tax system that would be a