

CHAPTER XV

PRINCIPLES OF TAXATION

The method of raising public revenues indicated in the preceding chapter, is today generally known as the Taxation of Land Values, Strictly speaking, however, the term "taxation," as applied to this system of providing for the necessary public expenditure, is both inappropriate and misleading. "To tax" means to lay a burthen on the individual for the benefit of the community, or to exact money from the individual, or to deprive him of some portion of his earnings for the support of the Government. A system such as we have indicated, however, though it would secure a sufficient, and in a progressive community an ever-increasing revenue, would, as already shown, lay no burthen on anybody, nor would it deprive a single member of the community of any part of his individual earnings. It would simply secure to the community what is due to the presence and united activities of the whole population, and would absorb, for the common benefit of all, any differences in the value of the natural opportunities in use, thus tending to place all utilisers of such opportunities, no matter how different in quality, on a footing of equality. To use the simple and impressive words of the great advocate of this righteous method of providing for the public needs: "It would simply take from the community what belongs to the community, the value that attaches to land by the growth of the community; leave sacred to the individual all that belongs to the individual."

As already sufficiently emphasised, the unimproved rental value of land is due entirely to natural advantages of fertility or of situation; it will at all times be proportionate to the numbers, activities, knowledge, and enterprise of the community as a whole, and be increased by all its reproductive expenditure. As Professor Thorold Rogers expresses it: "Every permanent improvement of the soil, every railway and road, every stimulus applied to consumption, every facility given to production, every bettering of the general condition of the community raises rent." Hence, even though, in any given community, this natural public revenue may for generations have been diverted into private coffers, the appropriation of such rent for the benefit of the whole people, to whom in equity it belongs, cannot well be termed "taxation," if this term is to retain its original and current meaning. Of course, if, owing to its being deprived of its natural revenue, the community has to resort to other means of providing for the necessary public expenditure, then all such means, however necessary, may aptly and appropriately be termed Taxation, or even Confiscation.

Without laying any special stress on this point, indisputably true though it is, let us now examine this proposal in the light of principles already accepted in the abstract by all attentive to social and political questions. As already pointed out, the principle

underlying the institution of private property, is the guarantee to individuals of the full enjoyment and possession of the fruits of their own labour; and no one would, we think, care to contend that this principle is not equally applicable to communities, to groups of individuals. Hence, if the individual can equitably claim to be secured what is due to his own personal activities and efforts, the community as a whole can equitably claim to be secured what is due to its collective activities and efforts, viz., the unimproved, or "economic" rental value of the country it occupies. Hence, the private appropriation of land values, or the private appropriation of the natural public revenues, is not only, as we have already shown it to be, an infringement of the Law of Justice, not only a denial of the equal claims of all to life, but also a direct violation of the fundamental principle on which the institution of private property rests, a direct violation of the great ethical or social commandment "Thou shalt not steal."

Unpalatable to many though it may be, there is no gainsaying this conclusion. For, though some may be able to convince themselves, and honestly think that they can show some reason why they should be allowed to retain control of certain portions of the land of the community, no sane man can profess to be convinced that he can have an equitable claim to values yet to be created by the presence and industry of future generations, and to be allowed to reap the harvest of their labours without any equivalent counter-service.

But even if judged solely on its merits as a method of taxation, this natural means of raising public revenues will be found in every way preferable to any of the numerous artificial means which the ingenuity of statecraft can devise. For not only has it advantages peculiar to itself, but it can be shown to conform to the requirements of all the tenable canons of taxation as formulated by Adam Smith, and theoretically accepted by almost every subsequent writer on this much-discussed question. Or to be more exact, it conforms to the requirements of all of them save one, which, however, can be shown to be untenable — to be, in fact, no principle at all. As formulated by him, these classical canons of taxation read as follows:

"1. The subjects of every State ought to contribute towards the support of the Government as nearly as possible in proportion to their respective abilities; that is," he adds by way of explanation, "in proportion to the revenues which they respectively enjoy under the protection of the State. ... In the observation or neglect of this maxim consists what is called the equality or inequality of taxation."

"2. The tax which each individual is bound to pay ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor, and to every other person."

"3. Every tax ought to be levied at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay it."

"4. Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the State."

The last three of these four maxims are not only easily understandable, but are such as immediately to commend themselves to every common-sense business man. That each citizen should know beforehand what he will have to pay, and also what his fellow-contributors are called upon to pay; that the taxes should be paid in the most convenient manner and at the most convenient time; that, other things being equal, that system of taxation is preferable that costs the least to assess, collect, etc.: are all contentions which are self-evident. And of all methods of taxation, the Taxation of Land Values best conforms to the requirements of these accepted principles. Under it each would know, not only what he himself was contributing, but also what each of his neighbours was contributing to the common revenue; it could be easily, effectively and cheaply assessed and collected; and, as each has to use land, each citizen would contribute towards the common expenses, not in proportion to his ability to pay, but in exact proportion to the value of the advantages or opportunities granted him by the community — by his fellow-citizens.

And this brings us to a consideration of Adam Smith's first canon, which we are unhesitatingly compelled entirely to reject. The contention that each citizen should be called upon to contribute to the public expenditure in proportion to his ability to pay, seems to us absurd. Other things being equal, it would be to put a premium on and encourage extravagance and idleness, and to fine and discourage industry and thrift. It is, in fact, no principle at all, and as a guide to conduct is on a par with that adopted by the Irishman at Donnybrook Fair, who made it a rule whenever he saw a head to hit out at it. As a principle of taxation it might commend itself to any malevolent despot, say a Sultan of Turkey, desirous of finding a reason, or rather an excuse, for the special taxation of the more industrious and thrifty of his unfortunate subjects; but it can be of no assistance to the citizens of a free community, anxiously desirous to formulate a system of taxation that shall bear equitably on all. As such a principle, however, we would submit the following:

Each member of the community should contribute toward the public expenditure in exact proportion to the value of the advantages or opportunities granted him by the community.

If it were not for the obvious deductions from it already indicated, this principle

would, we feel confident, commend itself to all who will take the trouble impartially to consider this most important subject. The community has no right to exact contributions from its members in proportion to their ability to pay; but it has an undoubted right to claim that each should contribute toward the necessary public expenditure in proportion to the value of the advantages or opportunities, of the special benefits, it is conferring on him. In the absence of any other special privilege, creating artificial monopolies — such as the sole right to carry on certain industries, which, in accordance with this principle, would also have to be taxed according to their value — this would mean that each would be called upon to contribute toward the common revenue in proportion to the value of the natural resources and opportunities, the common inheritance of all, he was being allowed to utilise, monopolise, or "engross."

When considering the general question of taxation, the student would do well to remember that taxes on commodities do not fall upon their producer or owner, but is passed, in enhanced prices, on to the ultimate consumer. In other words, every tax on industry, no matter in what form imposed, can be, and always will be, shifted on to the ultimate consumer of the products of such industry. Thus a tax on coal does not fall upon the owner of the coal mine or of the coal already produced, but simply tends to increase the price of coal, to be paid by the consumer. Or, a tax on tea is not borne by the man who happens to pay the duty into the Treasury, but has to be repaid, plus interest and profit on the amount expended, by its consumers. A tax on houses discourages the building of houses, thus increasing the value of existing houses, and ultimately falls, in increased house-rent, on the occupiers of houses; and so on. Moreover, all taxes on machinery, tools, and other auxiliaries of production, are not borne by their owner or utiliser; they tend to increase the cost of production of the different commodities in the production of which they are being utilised, to the evident detriment of the community as a whole, whether as consumers or as producers for the markets of the world.

The Taxation of Land Values has no such injurious effects. It simply appropriates for the common benefit of all some portion of that which in equity belongs to all. It does not tend to increase the price of any commodity; and it cannot be shifted by those called upon to pay it. The direct tendency of such taxation is to break down land monopoly, and thus to reduce rents; to make the natural sources and opportunities available to industry at their lowest natural, or economic value, and thus to increase earnings.

The control of land, by others than the utilisers thereof, will be desired so long only as its mere ownership confers advantages; and the most tangible advantage of such ownership is the enjoyment of its rental value. But if to the privilege of land

ownership be attached corresponding duties, or if these values are appropriated as they arise for the benefit of the whole community, then, manifestly, no one would be inclined to claim the control of a single foot of land other than that he himself desires to use for agricultural, manufacturing, mining, dwelling, or other purposes. Today, in Great Britain, as well as in other countries, there are practically inexhaustible natural resources and opportunities, much of which are not in use, all of which, however, are owned. Of some of these the public is constantly being informed that it would not pay their owners to put them to use, or rather to allow them to be used; but, manifestly, since they do not give up their control, which they could easily do, being in law but tenants of the State, it seems to pay to continue to own them, to prevent others from using them save on their terms and on their conditions. But if all such owners were called upon to contribute towards the public expenditure in exact proportion to the value of each mine and field they claim to control, whether in use or not, then, evidently, they would have to reconsider their position. Under such conditions they would have to put their holdings to use, in order to derive therefrom, at least, the payments their ownership involves, or to give up their claim to control them, and thus make them available to those who would be prepared to make such payment in return for the privilege of being allowed to put them to use. Thus, all engrossing of the natural opportunities and forces would speedily come to an end; land would soon cease to be regarded as the property and heirloom of a limited section of the community, as a "means of investment," as a mere counter in the great gambling centres of the privileged classes and their parasites. Its mere ownership would cease to confer special advantages; its control would tend to pass into the hands of the community as a whole; its use made available to all on equitable terms and constantly tend to pass to those who would put it to its best uses; and each member of the community would be paying to the common fund, to be expended for the common benefit, in exact proportion to the value of the natural opportunities he was being privileged to use. Under such conditions, though land ownership, or the exclusive possession of land, would continue, land monopoly, or property in land, would soon become a thing of the past.

Though this chapter may be regarded as somewhat of a digression, the importance of the subject treated of seems to us sufficient reason for having indulged in it. It is, in truth, impossible to over-estimate its importance. The prosperity, progress, contentment, and well-being of the community will be greatly influenced by the method of raising the necessary public revenue adopted by it. For the system adopted may either encourage the monopoly of Nature by a few, or it can render any such monopoly practically impossible; it may tend either to encourage or to discourage industry and enterprise; it may tend to promote an equal or an unequal, an equitable or an inequitable, distribution of the fruits of industry; it may either fall equitably upon all, or heap advantages on some, impose crushing disabilities upon others; it can either

secure for the united benefit of all the natural public revenue of the community, or it may leave this in the hands of a privileged caste, and still further lessen the earnings of the rest by any of the numerous means which the ingenuity of statecraft has invented in order to make good the deficiency created by the legalised private appropriation of the natural public revenues. It may, in short, make for Righteousness, for Justice and for Freedom, or for Privilege, for Injustice and for Slavery; it may serve to foster and encourage the industrial and social instincts and tendencies; or it may serve to foster and encourage the predatory instincts and tendencies. Hence, the earnest consideration of this subject may well be urged on all who desire to promote the coming of the reign of Reason, Righteousness, Justice, Liberty, and Peace.¹

¹ Those desirous of further information, or to co-operate to promote the adoption of the system of taxation indicated in this chapter, would do well to communicate with The English League for the Taxation of Land Values, 376-377 Strand, London, W.C.; or with The Scottish Single-Tax League, 13 Dundas Street, Glasgow.