

## CHAPTER VIII

### JUSTICE OF THE SINGLE TAX

**T**O GO to the foundation of the whole matter of taxation, we contend that the social disorder and derangement complained of to-day is mainly due to an unnatural and unequal distribution of wealth. The solution of the problem of taxation will solve the problem of the distribution of wealth. Wealth is produced in proportion to the skill and the industry of the hands and brains of all the world's workers. The annual division of this wealth among these workers, before taking taxes into account, is in proportion to ability and in proportion to special privilege, chiefly the private appropriation of ground rent. After this grossly unequal annual division has been made, comes an unequal and unjust taxation to aggravate still further these inequalities. By the process of taxation, Mr. Shearman estimates, the taxable savings of the very rich shrink 4 per cent while those of the very poor shrink 78 per cent.\* Under the single tax the savings of both rich and poor would shrink in the same proportion, that is, about 50 per cent. Such inequalities tend to increase rather than decrease with time.

We say that the division under the present system (unequal by more than a hundredfold) of the annual taxable savings (before taxation) is regulated in two ways, and in only two ways — by ability and by

---

\* See *Natural Taxation* by Thomas G. Shearman (Doubleday, Page & Co.), pp. 35 to 37.

special privilege. We agree that a large part of this inequality is due to difference of ability, but that much larger part which is due to special privilege (chiefly the private appropriation of ground rent) we would by our proposed system of taxation abolish.

To a discrimination of a hundredfold in the division of savings there is now added another twenty-fold discrimination in taxation. In pursuit of an equitable system of taxation we want to right this glaring wrong at once. First, distribute wealth according to ability, that is, according to production; second, destroy special privilege by a direct tax, which is paid by the man upon whom it is assessed (rich and poor alike), instead of an indirect tax, which is never paid by him upon whom it is assessed.

#### **Land**

By land, we mean, strictly speaking, all natural bounties, forces, and opportunities — the source of all wealth. Blackstone says it means "everything terrestrial."

#### **Franchises**

The single tax theory regards all the special privilege value in railroad shares, telegraph and telephone, gas and electric stocks as "land" and nothing else, subject to taxation with all other land values, and at the same rate, because franchise values are created and maintained by precisely the same public expenditure and service that gives value to land. In this way the special privileges of corporations would be taxed. Their tracks, rolling stock, buildings, and improvements would not be taxed.

A franchise value is a land value. Land value is total value of real estate less value of improvements. Franchise value is total trust or monopoly value less value of improvements. Land value and franchise value should be taxed at the same rate.

Single taxers believe that taxation is the one and only effective weapon, and that right in hand, with which to destroy the evil of trusts and monopolies, without harm to the good that is in them.

### **Wealth**

Man, by the application of his labour to land, the source of all wealth, directly and indirectly produces the things he wants for the satisfaction of his desires. All these things taken together we call wealth. To class land as wealth savours, we say, of economic confusion.

What features, we ask, has land in common with wealth? On the other hand we ask you to note the differences between land and wealth.

Land includes nothing made by man. Wealth includes nothing not made by man. Land is a source. Wealth is a product. Land is raw material. Wealth is a manufactured article. Land has to be created not oftener than once in "six thousand years." Wealth has to be recreated every four or five years. Land is indestructible. Wealth is perishable. Land never wears out, but is worth more the more it is used. Wealth is always going in quick consumption. Land is a fixed quantity. Wealth can be increased at will. The site value of land is determined by demand only. The value of wealth is fixed by supply and demand. Land never requires insurance or repairs. Wealth always needs them. Land can always be found.

Wealth is mercurial and fugitive. While wealth is a private product, so to speak land value is a public product, publicly created and publicly maintained. What more than these differences is needful to make reasonable and convincing a separate classification of land and wealth, especially for purposes of taxation?

The right of property in wealth is the right of a man to eat his bread in the sweat of his own brow. The right of property in land to-day is the right of a man to eat his bread in the sweat of another man's brow.

Usufruct means property in what the land produces this year by the application of one's own labour.

Private ownership, including as it does to-day the private appropriation of ground rent, means property in what the land may produce for the next ten, one hundred, or one thousand years by the application of the labour of others.

#### **The Capitalised Tax**

By the capitalised tax is meant a sum, the interest of which would pay the tax. It is usually found by multiplying the tax by twenty because 5 per cent interest is one-twentieth of the principal. For every \$16 of tax, the selling value of land is less than it would be if free of this tax, by \$320, an amount which at 5 per cent would pay the tax, \$16, and leave for the selling value a purchasing price which would net 5 per cent return to the investor.

#### **Value and Valuation**

There can be, strictly speaking, only one value for anything, and that is, what it will sell for. But there may be many valuations of the same thing, and a thing

subject to charges is not, scientifically speaking, the same as a thing free from charges. Title to a tract of land subject to taxation, is not by any means the same thing as title to the same land free of taxation. Therefore, in dealing with land, we speak of a gross value, and an assessed valuation.

Gross value is the capitalisation of the gross ground rent. If the current rate of interest is 5 per cent, the capitalisation is said to be "at twenty years' purchase," that is, twenty times the amount of the annual income. In other words, it is an amount 5 per cent of which would be equal to the annual rent which the land commands for use, free of charges. What pays \$1,000 annual net income, is worth \$20,000 to buy. This gross capitalised value is the value, which, as we claim, should even under the present system be taxed uniformly with other private property.

If the gross ground rent of a tract of land is \$1,000 a year, and it is subject to no taxes, the market value, assuming the usual rate of interest to be 5 per cent, will be \$20,000. But if it is subject to an annual tax of \$200, the tax reduces the net rent by 20 per cent and hence reduces the price of the land correspondingly to \$16,000.

Net value is the capitalisation of the net rent (the income less the tax) at the current rate of interest, and is more familiarly known as the selling value.

The assessed valuation is the valuation placed upon land by assessors for purposes of taxation. It varies in different localities, being in Massachusetts usually from 13 to 100 per cent of the selling value.

We often speak of this tax upon land value as a tax according to benefits bestowed, but, strictly speaking,

it is a tax neither according to benefits nor according to ability, because it is a tax only in form, not a tax in substance. The public merely takes out of the land with its left hand the value which, with its right hand, it has put into the land.

Our platform has but one plank, "Equal opportunities for all and special privileges to none" — or, yet more briefly, "Special privileges to none," because payment for special privileges will take the place of taxes, and there can be but one result, viz., equal opportunities for all.

We ask your thoughtful criticism of the single tax tenet regarding wages. We believe in high wages and low prices, which are the equal opportunity channels for the equitable distribution of wealth, instead of low wages and high prices, which are the special privilege channels for the inequitable congestion of wealth. Contrary to popular illusion, wages are not regulated by dollar wheat, but the price of wheat is fixed by the competition of dealers, and wages are fixed by the competition of labour. The benefits of high prices go to the few, while the benefits of low prices go to the many.

If a man has the best corner lot in a city, he has a monopoly, because by the private appropriation of ground rent (a special privilege conceded to him by the State, and having all the sanction of law and custom), he cannot help diverting, without fault of his own, into his own private pocket, the public expenditure in its transmuted form of ground rent. So we say that the special privilege greater than all others put together is the private appropriation of ground rent. We are entirely agreed to the private ownership of land,

with the right to possess, "to buy and sell, bequeath and devise it," provided only that equal rights shall be asserted and secured by taking in the form of taxation enough of the ground rent to meet all public expenses. Because taxes are spent upon the land, we would take them from the land.

The tendency to-day of this regulation by taxation, of trusts, monopolies, franchises and special privileges in all its forms would, we claim, be strongly toward a rectification of the admittedly unjust distribution, not of present wealth, but of wealth hereafter to be produced.

When all special privileges, including the special privilege of private appropriation of ground rent, are abolished by exacting payment for the same at their market value, then taxation, which now so grievously aggravates an unjust distribution, will be unnecessary, and you will have one channel only, and that the one proper channel, for the distribution of wealth, viz., wages proportioned to skill and industry.

In all primitive societies the soil has been held as common property with equal rights of the many to natural opportunities. To-day the land tenure pendulum has swung clear to the other side, and in highly civilised society land has come to be held by the few in private ownership with its special privilege of the private appropriation of ground rent. The single tax aim is to bring the pendulum back into a position of reconciled equilibrium, modern individual ownership by the few brought into harmony with primitive common ownership by the many. One reason why so many men are averse to conceding to the individual the right of ownership in land is that the right has

been so often abused. The single tax offers itself as a means of correcting this abuse.

#### **The Self-operating Social Law**

We ask you to look with us until you see, as we think we see, in ground rent the self-operating law for the social system, something that will, if unobstructed, tend to hold in just equilibrium the conflicting factors of land, labour, and capital,

The particular factor in our reform which we would press upon your attention, because generally least understood, is the nature of ground rent. While land and wealth (or other wealth) have no feature in common, taxes and ground rent appear to us to have close resemblance in every feature. Taxes are the cause, ground rent is the effect. Taxes are the fertilizer, ground rent is the crop. Where there are no taxes, there is no ground rent. Where taxes are scanty, ground rent is scanty. Where taxes are abundant, ground rent is abundant. The ground rent of a community is, roughly speaking, one-half of it the result of public expenditure and one-half the result of quasi-public and private expenditure; but all taxes (public expenditure) are transmuted into ground rent, a change of name without a change of nature.

The single tax, we claim, is absolutely just and equitable, because it gives to every man equal (not joint) access to the land; because it exacts tribute from every man in proportion to his use of the land; because it leaves untouched the wealth which labour creates; taxes for the public use only a value of its own creation upon land of God's creation, giving full value received in the privilege of exclusive possession and hence is



not a tax at all, but a divinely natural provision, restoring to every man his inalienable share in the value of the land.

#### **Just in Its Apportionment**

Full single tax would mean all national taxes apportioned to cities and towns in proportion to their respective land values; all local taxes, including national, assessed upon land values alone. In "Natural Taxation," page 147, Mr. Shearman makes a plausible claim that for the year 1890 "all national and local taxes, if collected exclusively from the ground rents of the United States would have absorbed only 44½ per cent of those ground rents, leaving 55½ per cent to the owners of the bare land as a clear annual income, besides the absolutely untaxed income from all buildings and improvements upon their land."

Repeated calculation of the ground rent of the state of Massachusetts and of the City of Boston, as well as of many other cities and towns, has fully justified Mr. Shearman's position that gross ground rent is approximately double the amount of taxes in each case.

The constitutions of the several states and the moral sense of all the people maintain that government should not take private property for public use without full compensation. Single taxers maintain not only that there is no right, but that there is no need to do this, even under forms of taxation.

We would exempt personal property because by the same system under which you collect a tax upon the poor man's "visibles," you are putting upon the rich man's "invisibles" a tax which you cannot collect. Equalisation is possible only by abolishing the tax

on both "visibles and invisibles." We would exempt buildings, because, by the same system under which you collect from the poor man a tax upon his house in which he lives, you are assessing the rich man for his store, his office building, and his apartment house, a tax which he himself can never be made to bear. Equalisation is possible only by abolishing the tax on all buildings.

Single taxers want to shift the taxes from the house to the land, because every time this is done it is made easier for the individual to get the house; whereas when the tax is shifted from the land to the house, it becomes harder to get both house and land.

We say, tax the land and exempt all other wealth, because, when you tax both the opportunity to produce (land), and the thing produced (wealth), you are in the broadest sense inflicting double taxation.

You do not tax the old building, because, commercially speaking, it has "gone to decay." Why, then, should you tax the new building, which, from the moment it is finished, is fast "going to decay"? We say, tax only the land value, which never decays.

The millionaire should pay for the same sort of land the same tax per acre as the poor man, and no more. When he occupies a similar seat in the theatre, to see the same show, he simply pays the same price for his ticket, full value for what he gets. When taxes are levied in proportion to "benefits bestowed," no need remains for taxation according to ability to pay.

#### **Justice of the School Tax**

We sometimes hear the question: Is it proportionate and reasonable that the poor man's vacant lot should

be taxed to send the rich man's children to the public school? But what difference does it make whether the rich man sends a dozen children or none to the public schools? Public schools add their cost to the land value of the city or town. They add just as much value to the land of the man that sends no children as to that of him who sends a dozen. Is not this fact sufficient to reconcile the childless man to the justice of his school tax? The cultivation of a family would not increase his tax any more than the cultivation and improvement of his farm would add to the farmer's tax, and thus by the single tax both farmers and families would be encouraged.

### **Socialism**

The single taxer appeals also to the socialist to see and realise the self-evident truth that, without the socialisation of ground rent, were every other possible dream of socialism, political socialism or Christian socialism, brought to a perfect realisation, its full benefit to the last farthing would be reflected in the enhanced value of the land and so go straight and unearned into the pockets of the land owner.

There is in natural taxation nothing of technical socialism,\* which means the artificial assumption by society of a function that is primarily individual. It is rather a resocialisation of that which by its own nature, in its inception and its growth, can be nothing but socialised, but which has been artificially desocialised.

Socialism would replace artificial discord with artificial concord. Single tax is natural harmony in

\*See Appendix A.

the absence of artificial discord. We speak paradoxically of the socialisation of ground rent as though it were something to be artificially done. How can we socialise that which by its very nature socialises itself, and can never be naturally anything but socialised?

#### **A Puzzling Question and a Simple Answer**

What are the obstacles that to-day so impede a thorough consideration of the basic economic principle of the single tax by pulpit, press, and legislator?

The answer to this apparently puzzling question is after all a simple one:

First is the notion that the single tax contemplates public ownership of land, which is not true; second, the impression that it would disturb present land titles, which is not true; third, the charge that it would take for the community what belongs to the individual, which is not true; fourth, the poisoning misapprehension that, right or wrong, it would amount to-day to taxing into the public treasury practically the whole rental value of one species of property.

All men are agreed as to the ethics of the single tax, that the earth was made for all men and not for a few. This is what Mr. George calls an instinct, an intuition of the human mind, a primary perception of the human reason. If we were to-day starting anew, the single tax would be manifestly wise as a method of taxation; if it could to-day be put in operation without injustice to any one, it would still be a manifestly wise plan of taxation. Can it be done?

The single taxer is firmly of the opinion that it is no part of God's economy that justice to one man can work injustice to another; that for every alleged

injustice to one man there would be a far greater justice wrought to hundreds and to thousands; that the vacant lot which is his only all, is not the poor man's universe; that his individual loss or benefit will be measured, not by his relation to that vacant, unproductive lot, but by his relation to the social fabric into which he is woven and to the universe of which he is a part; and that for every alleged confiscation there would be a score of compensations.

If the moral theory of the "compensationists" were sound, it would apply — and many of its advocates claim that it does apply — as well to slavery as to landlordism, so that slaves could not be justly set free unless the masters were compensated. The most outrageous act, then, of what the "compensationists" call confiscation, was committed by God himself, when he led the Israelites out of Egypt. Instead of compensating the Egyptians, who thereby lost valuable "private property" which had had the sanction of four hundred years' acquiescence, He engulfed in the Red Sea those whose sensitiveness to the injustice of "confiscation" stirred them to follow and reclaim their confiscated property.

If the cinder is not removed from your eye at once, and inflammation follows, what then do you do? Do you bathe the head, apply a plaster to the back, hot water bottles to the feet, and some specific to the stomach? Or do you forthwith remove the speck from the eye whatever the pain it costs you? The smaller the offending cinder, the more intense oftentimes the inflammation, and the more difficult of removal. The longer the operation is delayed the more painful the conditions. While guarding well "the apple of the

eye," what irritation from mote or beam or cinder can compare with the social irritation caused by injustice?

**Single Tax and the Massachusetts Constitution**

QUERY: Is not the present system of taxation clearly in violation of those state constitutions which, like that of Massachusetts, provide that assessments shall be "proportionate and reasonable" since, under that system a whole class of property holders is practically exempt from taxation?

QUERY: Is not a system of taxation which so favours one class of citizens above another in direct violation of the constitution of Massachusetts, which provides, Part I., Article VI., that "no man, or corporation, or association of men, have any other title to obtain advantages, or particular and exclusive privileges, distinct from those of the community, than what arises from the consideration of services rendered to the public?"

QUERY: Is not the taxation of ground rents in lieu of all other taxation manifestly in harmony with the constitution of Massachusetts, which reads as follows, Part I., Art. VII.: "Government is instituted for the common good; for the protection, safety, prosperity, and happiness of the people; and not for the profit, honour, or private interest of any one man, family, or class of men. Therefore the people alone have an incontestable, unalienable, and indefeasible right to institute government; and to reform, alter, or totally change the same, when their protection, safety, prosperity, and happiness require it."