CHAPTER IX

THE SINGLE TAX AND THE FARMER

DO NOT let it be thought that the single tax would be less at home in the country than in the city. The farmer was the first wage-earner, himself his own employer, his wages the full produce of his labour. He is the primary wage-earner — the one nearest the ground. His wages (one-third those of the whole country) are sufficient to determine all other wages, and should be the highest imputable to his ability, unabridged by special privilege or by taxation.

One mission of the single tax is to raise and maintain the farmer's wage at the primitive point of the full produce of his labour, and to protect and defend the farmer as his own employer, not merely as a tenant farmer.

What taxes ought the farmer to pay? He should, of course, pay his fair share of the common expenses in proportion as he is benefited by the services of his community. It would not be fair for him to pay any part of the share of another man who has greater benefit than he from this service. What could be fairer than to tax the farmer and the village man respectively, in proportion to the benefits bestowed upon each of them by the social services which his property puts at his command? What better indication can there be of his proportionate share of these public advantages than the site value which they contribute to his land?

The farmer is, so to speak, to a great extent his own commonwealth, his own municipality, and very sensibly municipalises most of his own public utilities instead of farming them out. The usual items of common town expenditure are for water, light, fire department, police, sewerage, pavements, sidewalks, roads, schools, and the poor. As to water, light, fire department, police, and sewerage, the farmer furnishes himself at his own expense, and this is a sufficient practical reason for exempting him from the burden of contributing for village services of the same sort provided at common expense. This leaves in general three things for which the farmer ought to be taxed, viz., the roads, the schools, and the poor. These three things represent needs which the farmer has in common with the community in which he lives, and it is submitted that in justice to him, and greatly to his advantage, they should be provided for by a common tax, levied in proportion to land values, either by the State or by a minor political division, as efficiency and economy may dictate.

A tax laid upon land values is by far the most "proportionate and reasonable" because every man, woman, and child contributes to this value. The farmer today, whose land values are so small — almost insignificant — but whose labour values — his buildings and improvements, such as drains, fences, trees, crops, reclamation and fertilisation of land, and his personal property, which is of course a labour value —

are seen and known of all men, he it is who is bearing in great degree the evaded burden of the owner of stocks and bonds. Such discrimination finds illustration on every hand. For instance, with the value of the buildings and improvements of the Berkshire, Mass., farmer far in excess of the site value of his land, while in Boston, Winter Street buildings have only one-thirteenth the value of Winter Street land, it is easily seen, as a matter of simple proportion, how the taxation of buildings bears more than thirteen times as heavily on the Berkshire landholder as it does on the Winter Street landholder.

In calculating the relief to the farmer through the exemption of improvements, three classes of farmers are to be considered: (1) The small farmers; (2) the large farmers; (3) the bonanza farmers. The buildings and improvements of the small farmer will invariably have a much greater value in proportion to his land than those of the large farmer, and greater still when compared with the bonanza farmer, so that the same amount of tax distributed in proportion to land alone, as compared with a tax laid upon land and improvements, would relieve the small farmer just in proportion as his improvements were a larger fractional part of his total holding. Herein surely lies the only cure for "speculative" farming — i. e., farming more land than can be tilled — and for tenant farming — i e., farming the farmer.

The farmer to-day is doubly discriminated against, first in the over-valuation of agricultural land, and secondly, in the under-valuation of urban or village land. Between these upper and nether millstones he is being ignorantly ground. These inequalities of assessment deserve separate and particular treatment.

1 The Overvaluation of Agricultural Land

Mr. Thomas G. Shearman in his "Natural Taxation"* has made a careful estimate, with which the farmers themselves would no doubt agree, that improvements in the land itself constitute 60 per cent of the assessed valuation of farm land. His language is:

> Upon the whole, it is safe to say that, under a system of valuation excluding all improvements, cultivated farms would be assessed at less than 40 per cent of their whole value, improvements included.

2. The Undervaluation of Urban or Village Land

As already stated the dimensions, as well as the continuous character, of the contribution made by the people to the growth and volume of ground rent, are seldom realised — by many persons hardly suspected, even in cities, where they are more acutely discernible. But especially is this the case in village communities and factory towns, where it has not been the habit to note closely the value of land apart from buildings, and the rise and operation of ground rent.

A few illustrations will show how this potential agency, ground rent, escapes observation both in small and large towns, and in small cities as well.

In the following illustrative examples, the ratio between assessed valuation and actual net value of land, as indicated by actual rentals, is calculated by deducting from the net income of the entire estate (i. e., total income less taxes) an amount equal to 10

* Chapter XII., Section 11, p. 188.

per cent of the assessed valuation of the buildings, to cover interest, insurance, repairs, and depreciation. Twenty-five specimen estates in Lawrence, Scituate, Clinton, and Whitman, Mass., show ratios, thus calculated, as follows:

25 estates . .	average tax rate per thousand,	$16.85
Assessed valuation	Land	$197,828
	Buildings	236,955
	Total	$434,783
Gross rental of properties actually received by the owners		$56,067
Taxes (on $434,783, at $16.85 per thousand) . .		7,325
Net rental after paying all taxes		$48,742
Less 10 per cent on buildings ($236,955) for interest, insurance, repairs, and depreciation . . .		23,695
Net income from land alone (equalling 12½ per cent on $197,828)		$25,047
This income is 5 per cent return on an indicated net value of at least		$500,940
Instead of on less than 40 per cent of that amount, or the amount at which the land is assessed . .		$197,828

Leaving out the City of Lawrence, the ratio for the three smaller communities of Scituate, Clinton, and Whitman averages only 30 per cent.

The figures for the above twenty-five estates in detail are as follows:

IN LAWRENCE, A COTTON MANUFACTURING CITY OF 70,000 INHABITANTS

Of seven estates the several assessed valuations were respectively 72, 67, 62, 48, 42, 38, and 15 per cent of the net value. The average assessed valuation was 48 per cent of the net land value.

IN SCITUATE, MASS., A SHORE TOWN OF 2,600 INHABITANTS

Of four estates the several assessed valuations were respectively 52½, 50, 48, and 13 per cent of the net value. The average assessed valuation was 37½ per cent of the net land value.

IN CLINTON, A MANUFACTURING TOWN OF 13,000 INHABITANTS

Of five estates the several assessed valuations were respectively 38, 37, 34½, 27½, and 22½ per cent of the net value. The average assessed valuation was 32 per cent of the net land value.

IN WHITMAN, A SHOE MANUFACTURING TOWN OF 6,500 INHABITANTS

Of nine estates the several assessed valuations were respectively 83, 62, 45½, 43, 32, 27, 23, 19, and 14 per cent of the net value. The average assessed valuation was 21 per cent of the net land value.

If Mr. Shearman's estimate of the overvaluation of farm lands is approximately correct, and if the foregoing illustrations of undervaluation of municipal lands are fairly representative of general conditions, then the conclusion seems inevitable that the farmer pays more than six times as much tax on every $1,000 of unimproved land value as does the villager.

In other words upon every $1,000 unimproved or site value of his land —

The farmer pays on $2,500, or two and a half times the actual value, say at $20 a thousand, a tax of. . .	$50
The villager pays on $400 which is 40 per cent of the actual value, at $20 a thousand	$8

Under the single tax each would pay the same.

Should the Farmer Be Taxed on Fertility

But the story of deduction is not yet done. The question remains whether even the whole unimproved value of the land is properly taxable? There is respectable economic opinion* to the effect that fertility is not a social but an individual product; that it is the result of individual labour expended upon

* "Treat the land as mere situation and ascertain what would be its value if the fertility of the soil were exhausted. The value of the soil itself will be the cost which would be necessary to bring it up from a state of exhaustion to its existing state of fertility. The valuing of improvements will remain as it is at present. We shall then have three items for the assessor to ascertain, namely, land, soil, and improvements. The first is a social value based on a market surplus, which is true rent. The second and third are individual values, the product of effort and abstinence. The first is individually unearned, but socially earned; the second and third are individually earned. . . .

"If the single taxers will work out both a theoretical and a practical system by which the situation value of agricultural land can be identified with the site value of urban land, and by which the fertility of the soil can be identified with capital, the prospects are good for winning over both the economists and the farmers."—*Professor John R. Commons, University of Wisconsin, in The Public, March* 21, 1908.

"When studying the phenomenon of land rent, urban land and land used in manufacture and commerce rather than that utilised for agricultural purposes should be considered. Writers who persist in studying agricultural rents are investigating the more obscure manifestations of rent phenomena. . . . The true function of all land is, in fact, reduced to that of land in a city; namely, to that of furnishing a site upon which to do business. The value of the site depends upon the 'market opportunity' which it offers. . . . Land in its proper sense furnishes standing room and situation with regard to markets. According to this definition, land performs the same function in agriculture as for all non-agricultural purposes." *Professor Frank T. Carlton, Albion College, Quarterly Journal of Economics, November*, 1907.

the land; and that the amount paid for the fertility of land, as distinct from its situation, is interest on capital invested, rather than a true rent. If this opinion be sound, and I strongly incline to the belief that it will ultimately prevail, then it would be a grateful simplification of the problem and would operate greatly to the benefit of the farmer if in taxation the element of fertility were to be entirely disregarded.

Since, then, the farm land of Massachusetts, as already shown, accounts for only one-tenth of the assessed land value of the whole state, and since the unimproved land value, which alone would be taxable under the single tax, is less than 50 per cent of the assessed valuation, or one-twentieth of the whole, it follows that the value of fertility as a contributor to rent is not only a debatable value, but almost a negligible factor in the diminishing twentieth of the taxation problem.

The Minor Importance of Agricultural Rent

Search in the principal authorities shows that in the treatment of rent about fourteen times as much space has been devoted by them to agricultural as to urban rent.* The Massachusetts valuations for 1907 offer a marked illustration that actual conditions call for an apportionment the very reverse of this academic treatment of the subject. Thus:

ASSESSED VALUATIONS	LAND	BUILDINGS	TOTAL
33 cities	$1,088,329,177	$998,896,745	$2,087,225,922
37 large towns . .	139,965,083	178,810,787	318,775,870
70 cities and towns .	$1,228,294,260	$1,177,707,532	$2,406,001,792
284 small towns . .	123,986,089	216,017,954	340,004,043
354 cities and towns .	$1,352,280,349	$1,393,725,486	$2,746,005,835

* For details see Appendix C.

Thus the land valuations of the 284 small towns ($123,986,089) and of the 70 cities and large towns ($1,228,294,260) are seen to be about in the ratio of one to ten. Nor must it be overlooked, that there is a larger proportion of urban property in small towns than of farm property in the large ones. The state census, which gives farm values by themselves, corroborates the above estimate that the Massachusetts farm land value left for the agricultural illustration of Ricardo's law of rent does not exceed one-tenth of the assessed land value of the whole state.

Putting the foregoing statements together — that is, considering at once the relative weight assigned to the two, as indicated by the treatment of the authorities, and the relative importance of the subjects — we are confronted with the spectacle of fourteen times too much attention given for a hundred years to ten times too small a matter. Proceeding now to the multiplication of fourteen by ten, we are brought face to face with the mathematical conclusion that in order to restore a lost equilibrium, the schools might reasonably from now on give one hundred and forty times more study to the subject of urban or city rent than they have been in the habit of doing in the past.

This extravagant conclusion is set forth in the hope that it may prove a magnet that shall draw present attention away from agricultural ground rent, which may almost be ignored, and fix it upon the fifty-five millions of ground rent in Boston, which the people pay yearly for the use of its land; upon the one hundred and fifty or two hundred millions of ground rent in Greater New York; upon the two or three thousand millions of ground rent in the United States; and upon the billions of franchise values which in recent years have sprung up all around us like gourds in the night.

Confronted, as we are to-day, by such acute conditions, we ask you to pardon whatever may seem like impatience with a theory that has dealt so laboriously with the cuticle instead of with the heart of production.

We seek a proper understanding and economic treatment of this vast river of ground rent, which, like a great Mississippi, drains every field of industry, labour and capital, wages and interest, in the whole country around. Our earnest contention is that to such wise treatment we must look for the correction of most that is now wrong in the distribution of wealth. Out of this vast current of ground rent, we would provide for all public need.