

CHAPTER VI

MR. EDWARD ATKINSON'S OBJECTIONS

THE objections urged against the Single Tax doctrine by two eminent economists¹ are worthy of consideration and examination. One of these is Mr. Edward Atkinson, whose numerous objections,² embodied in the following extracts, must be considered *seriatim* :—

“The Single Tax, whatever its amount may be and at whatever point it may first be collected, can be but the taking of a part of the joint product of land, labour, and capital, by due process of law, from the people who do the actual work by which men subsist; such products thus taken from producers being applied to the consumption of those who do the necessary, but not directly productive, work of the Government.”

A tax on the value of land is a tax on rent. Rent is not received by any capitalist or labourer, but by the owner of the land. Even if the same person is capitalist, labourer, and landowner, he still receives the rent, not on account of the expenditure of capital or labour on the land, but by virtue of being the owner. He would receive rent just the same if he were neither capitalist nor labourer. Is the landowner, as landowner, one of “the people who do the actual work by which men subsist”? His only work as a landowner consists in the reception of rent. Is this part of the “actual work, etc.”?

¹ Precedence would have been given to the arguments urged against the justice and expediency of the Single Tax system by Herbert Spencer in *Justice*, but for the fact that Henry George has so fully refuted them, alas! not without excusable bitterness, in *A Perplexed Philosopher*, that further refutation is as impossible as unnecessary.

² “A Single Tax upon Land,” *The Century Magazine*, July 1890.

If this question is answered in the negative, as it must be answered, it is admitted that the Single Tax does not take anything from those "who do the actual work by which men subsist," but merely takes, for the common benefit, common property now absorbed by parasites on production. Mr. Atkinson is, probably, the only economist of any standing, living or dead, who has asserted, or would dare to assert, that rent is the reward for productive services rendered by the landowner. Such authorities as Adam Smith, John Stuart Mill, Cairns, Walker, and Marshall, as well as innumerable others, emphatically assert the opposite. . . .

"Since such a tax must necessarily be the first lien upon the land, and must be paid year by year, even in advance of its cultivation or its use, for business purposes or dwellings; and since the payment of this tax in money would of necessity become the sole condition on which the possession or use of land for any purpose could be granted by the State, it might happen that the burden would become too great to be undertaken, except by persons who already possess ample capital from which they could advance the taxes in anticipation of recovering them from the product of the land or from the income of their buildings.

"Could the poor farmer, the mechanic, or the artisan of moderate means, or, in fact, could any who did not possess ample capital, afford to accept the conditional possession of land under such terms? Each one who now occupies land can answer this question for himself by multiplying the present tax upon his land by five or at least by four."

In making this objection Mr. Atkinson seems to have overlooked several obvious and important facts. The first of these is, that poor farmers, mechanics, and artisans of moderate means are not owners of very valuable land, and that if they want to occupy valuable land now, they have to pay a higher rent for the same than the tax would amount to on the full establishment of the Single Tax system. The second fact is, that in addition to a rent higher than the Single Tax, these poor farmers, artisans, and

mechanics have now to pay taxes and charges of which the Single Tax system would relieve them absolutely, and which—certainly in the case of American farmers, mechanics, and artisans—largely exceed the annual value of the land which they occupy. The third fact is, that the Single Tax system, by compelling the full use of all valuable land, would largely increase wages. Inasmuch, therefore, as the Single Tax payable by the classes mentioned would be less, and considerably less, than one-half of the burdens which they now bear when using land, while at the same time their power to bear burdens, their wages, would be largely increased, it follows that the Single Tax, instead of reducing the power of poor persons to use land, as Mr. Atkinson asserts, would largely augment that power, enabling them to use land now far beyond their reach.

Like results would obviously ensue in those cases in which poor farmers, mechanics, and artisans nominally own properties which are heavily mortgaged. They pay interest and taxes, whereas under the Single Tax system they would be able to occupy land of like value while paying no interest on purchase-money, and a single tax frequently less in amount than they now pay in the multitudinous taxes to which they are subjected.

It may, however, be that Mr. Atkinson, when he made this sweeping assertion, had in his mind only that small minority of poor persons who own, free of mortgage, the land which they occupy. Such persons, under the Single Tax system, would have to pay a tax equal to the then rental-value of the land, and would only save the amount which they now pay in taxation. Where such taxation is higher than the rental-value of their land, they will be in a better position to occupy land. Where present taxation is less—a rare case—they will still be in a better position, on account of the increase in their wages.

Mr. Atkinson's apprehension, however, becomes somewhat ludicrous when the value of land usually occupied by such poor persons as he enumerates is considered. A mechanic or artisan does not generally occupy more land than suffices to support his cottage. Nor is his domicile usually to be found in those quarters of great cities where

land-values are high. From £60 to £100 is usually the value of all the land occupied by cottages of which artisans and mechanics acquire the freehold. Even if rent is calculated at the high rate of interest of 5 per cent, such men would be burdened with annual payments in substitution for, not in addition to, present taxation of from £3 to £5.

The freehold farmers of the United States own farms of an average value of \$2000, inclusive of improvements.¹ As the latter in new countries bear a larger proportion to land-values than is the case in other classes of real property, \$1000 may be safely taken to be the average land-value of American farms. The annual tax payable under the Single Tax system by American farmers, therefore, would, at 5 per cent, amount to \$50 or £10, or less. This sum they would pay, not in addition, but in substitution for existing taxes and undue railway charges. Every one of them also would thus find his burdens largely reduced by the Single Tax system, instead of their being increased as Mr. Atkinson asserts.

Finally, Mr. Atkinson assumes that the Single Tax must always be paid in advance of occupation and cultivation. There is nothing to warrant this assumption. Local authorities assessing and collecting the tax will naturally cause it to be payable at a time which embarrasses their constituents least. Any one entering upon the occupation of waste land—of land surrendered by a former occupier—or taking over land under agreement with its occupier, will, if the land have value, pay the tax on the date fixed by law. This may be the day after he entered upon the land or twelve months later, according to the date of such entrance. To exact the rent in advance, which under Land Nationalisation may be necessary, is not only unnecessary under the Single Tax system, but is foreign to its spirit, and impracticable under the regulations which the application of the system imposes. Mr. Atkinson's apprehension, therefore, is groundless. The Single Tax system, instead of making it more difficult for poor men to occupy and use valuable land, will render it infinitely easier and more profitable for them to do so.

¹ *Report of Bureau of Labour Statistics of Illinois, 1894, subject, "Taxation," p. 131.*

“If this theory of a single tax on land were carried into effect it would probably load all desirable lots of land, either in city or in country, with such permanent burdens that none but large capitalists could thereafter afford to occupy them for any purpose whatever. The owners of capital would not then be obliged to pay any principal sum or capital for the purchase of land. They would, therefore, retain the whole of their large capital for its improvement, and they would thereafter secure as large an income from their capital only as they now derive from the rent of the land which they now purchase and capital combined.”

In refuting the previously cited objection it has been shown that the Single Tax makes it easier for poor men to occupy and use land. The present objection relates to land of great value, and first expresses a fear that such land will be “loaded with such permanent burdens that none but large capitalists could afford to occupy them.” How can the Single Tax add to the burdens of intending occupiers of very valuable land? Take a piece of land of a value of £50,000. Under existing conditions the intending occupier may either purchase or rent it. If he does the former, the occupancy and use of the land is burdened with an annual interest charge, which, at 5 per cent, amounts to £2500. If he rents the land on long lease his use and occupancy may be burdened with more, and will certainly be burdened with this same amount as rent. In addition, his use and occupancy is in either case burdened with taxes on capital or income, or both. Under the Single Tax system, other conditions being equal, he will be burdened with a smaller rent charge, say £2000, and with no taxes on capital or income. Obviously, therefore, whatever the value of the land may be, the Single Tax system must reduce, and cannot increase, “the permanent burdens” on its use and occupancy. Smaller capitalists, therefore, than can now afford to do so would be enabled to use land of great value.

The second objection is, that owners of capital, instead of paying part of it for land, would devote all of it to improvements, thus reaping as large an income as now.

If this objection were urged by a socialist working man, ignorant of the rudiments of political economy, it might create no astonishment. But when it is seriously advanced by one of the foremost economists of the United States, innocent of socialistic tendencies, it shows the straits to which the opponents of the Single Tax theory are put. For it is obvious that incomes derived from the ownership of land and from the ownership of improvements differ widely in their economic and ethical character. The former is not a reward for services rendered, but a tribute; it is deducted from the product of the national labour, without the recipient having rendered any assistance to this labour. The latter income is a reward for services rendered; it is a deduction from the product of the national labour, generally less, and never more, than the value of the assistance rendered to this labour.

Moreover, under existing conditions capitalists do not always devote any great part of their capital to the creation of improvements. In progressive communities they run less risk by devoting nearly all of it to the purchase of land. By keeping this land idle, they, if their speculation is successful, obtain an equivalent to income through the rise in the rental-value of land due to the progress of the community, while avoiding the trouble and risk of seeking investments for surplus income. This action, keeping land out of use, even more detrimental to the general wellbeing than their appropriation of rent, may and frequently gives them a larger income than capitalists could obtain under the Single Tax system, who, with equal success in their speculation, had used a like amount of capital in creating improvements. The income obtained by capitalists who purchase land, therefore, is, either in part or wholly, detrimental to the community; the income which capitalists obtain under the Single Tax system is wholly beneficial to the community.

The following two objections, separated in the essay by other matter, are here brought into juxtaposition in order to show their utterly contradictory character:—

“It matters not where the tax is first imposed—whether by a single tax on land or by multifarious taxes on other

objects—this work will be distributed as a part of the cost of the national product, either on the whole or on the special products subject to taxation. Under the Single Tax system the tax would be distributed substantially in proportion to the consumption of all products of every kind by the people of every class. Taxes will not stay where they are put; if they would, the tax question would be solved with very little difficulty.”

“Now let it be admitted that a way can be conceived for determining the relative value of every parcel of land in the United States . . . and that a tax of 5 per cent upon that land would yield a revenue sufficient to defray the entire expenses of the Government; in such event substantially all rent of any kind would be absorbed by the tax. What would next ensue? . . . The moment land ceased to yield an income or rent to the owner no one would pay him anything for it. The market value of land would no longer exist.”

If the Single Tax “will not stay where it is put”; if it “would be distributed” among consumers “substantially in accordance with the consumption of products,” it could not lessen the incomes of landowners. Land could not then “cease to yield an income or rent to the owner.” If, on the other hand, the imposition of the Single Tax on land does deprive the owners of land of all income or rent, it is obvious that they pay the tax; that the tax does “stay where it is put,” and cannot be “distributed” among the consumers. Yet Mr. Atkinson asserts that both these mutually exclusive results must be expected.

“It requires but little observation to prove that neither the area of land nor the value of land as now computed bears any positive or equal proportion to the product. In the production of the crude materials which are converted into food, or the crude fibres which are converted into clothing, a very large area of land is required both in ratio to the quantity and the value of the crude product. .

“With respect, for instance, to wheat, the area of land which must be devoted to its product in a crude form—*i.e.* as grain—is very great in proportion to the area of land which must be occupied by either the railway, the miller,

or the baker, or the dealer who distributes the bread ; yet the value which is added to the wheat by the work of the railway, the miller, the baker, and the tradesman who distributes the bread is about two to one as compared with the value at the farm of the crude product of the wheat of which the bread is made. If land only is taxed, the farmer must pay the larger part of the tax or recover it from consumers in the best way he can devise. If he cannot recover it he must stop work."

Though in the first sentence of the above quotation it is insinuated that the subsequent argument will take into account the value of land, no further notice is taken of it, and the conclusion is reached that "farmers must pay the larger part of the tax" because they use "a greater area of land" than subsequent manipulators of crude products. Two facts are overlooked : First, that farmers generally pay rent or interest on mortgage and taxes as well, whereas under the Single Tax system they would pay rent alone, and a smaller rent, in the form of a tax. The second is, that though the area of land used by farmers is larger than that used by railways, millers, bakers, and distributors of bread, the value of land used by farmers is not necessarily greater than that used by other classes of the population. As the Single Tax is to be imposed in accordance with value and not in accordance with area, the statement that "the farmer must pay the larger part of the tax" could only be true if farming land was more valuable than all the other land of a country. This is a question of fact, and the facts prove that the value of agricultural land everywhere bears but a comparatively small proportion to the value of all land. In the United Kingdom the annual value of all agricultural land, apart from improvements, is about £42,000,000, or 20 per cent of the total annual value of land.¹ Instead of paying the greater part of the Single Tax, agricultural land would, therefore, pay only the fifth part of it.

In the colony of Victoria, agricultural land, inclusive of the land of country towns and hamlets, has a capital value of £57,324,405² as compared with a total land

¹ See Appendix, Table I.

² Return of Government Statist, 1893.

value of £145,569,000.¹ The value of agricultural land may, therefore, safely be placed at less than 35 per cent of that of all the land privately owned. Such land would, therefore, pay less than 35 per cent of the Single Tax, even in this pre-eminently agricultural and pastoral community, instead of its larger part.

In the United States the census of 1890 returns the aggregate real value of farms (in round numbers) at \$13,729,000,000 out of a total taxable real estate value of \$46,000,000,000.² The value of farming land would thus appear to be just under 30 per cent of all land-values, and the contribution of farming land to the Single Tax would also be less than 30 per cent instead of "the larger part." It is, however, more than probable that, owing to undervaluation of city properties, the proportionate contribution of farmers has been overstated.

The further assertion, contained in the last sentence of the preceding quotation, that the farmer must stop work unless he can recover the Single Tax, again overlooks the fact that it will be imposed in substitution and not in addition to all the taxes and excessive railway charges which unencumbered freehold farmers now pay; and that more than one half the farmers of the United States, being either tenants or burdened with mortgages,³ are now paying more than the Single Tax in addition to all other taxes and charges. All the farmers, and especially the latter class, would, therefore, reap much larger incomes under the Single Tax system than they do now, though they cannot shift the tax. As they have not stopped work under existing conditions, it is not to be apprehended that they will do so when their work is so much more profitable.

"If land should be taxed at its 'site' value, without regard to the capital or value of the buildings or improvements upon it, then the poor man who may now be in possession of a small house must pay as much as the rich man who owns a large house in the next lot of the same site-value, or an expensive warehouse in the

¹ See Appendix, Table IV.

² Shearman, *Natural Taxation*, p. 184.

³ *Ibid.*

immediate neighbourhood on another lot of the same site-value."

Where poor men own a small house next door to a rich man's large house, the respective site-values of the land on which these houses stand cannot possibly be the same. It may be so foot for foot, but inasmuch as the large house necessarily occupies a greater area than the small house, its site-value, and the Single Tax which the owner must pay, must be greater than that of the small house and of the tax which its owner must pay. Moreover, in the rare cases in which land is occupied by rich men's houses in working men's quarters, the rich man's house is generally surrounded by grounds, while the poor man's house is not. The rich man, even in these exceptional cases, would, therefore, pay far more than his poor neighbours. As a general rule, however, rich men's houses are built on land which foot per foot is far more valuable than that of which poor men possess the freehold. And further, while the land on which his cottage stands is all the land and all the monopoly-right owned by the poor man, the rich man generally owns other land and monopoly-rights besides the land on which his house stands. While the contribution of this poor man to the Single Tax, therefore, will be insignificant, that of the rich man will be large.

"Their (the single taxers') main object would be attained if land should cease to have any saleable or market value, as the result of the Single Tax imposed upon it. Yet the necessity is admitted by them that land should be placed in the possession of private persons in order that labour and capital may be applied to its use and occupancy for purposes of production and distribution. . . . Would it not become necessary for assessors to be appointed by the national government to establish what the Single Tax system calls the 'site' value of land? How would these assessors determine the exact or full amount which any person could afford to pay for the choice of land or for the selection of a particular site in order either to cultivate or to occupy it?

"How could this 'site' value be established without

practically leasing the land at specific or fixed rates of annual taxation, established so as to cover long periods of time? Without such permanent possession at a fixed rate who would expend capital upon land?"

This, the last quotation from Mr. Atkinson's essay, embraces two objections: one, that it is practically impossible to determine the value of land for purposes of taxation under the Single Tax system; the other, that no one would expend capital on land unless the land were leased for long periods at a uniform rental or tax.

As to the first of these objections, the annual value of land is determined by competition, and will be so determined under the Single Tax system. The rent payable for houses in a given street will vary with the demand. If a given house, which has a building value of £1000, returns a rent of £100 one year and of £120 the next year, the local assessors know that the rental-value of the 'site' and not of the house has increased. It is not the assessors who assess the site-value, but the public demand for the site. No difficulties, therefore, can be encountered in assessing this value.

As to the second objection, it is true that few persons are foolish enough to expend a large amount of capital in improvements on land belonging to private persons unless they have a long lease of the land. The reason is, that the owner of the land, in the absence of a lease, would be free to confiscate the capital expended or force the tenant to pay rent for improvements made at his own expense. Both these methods of oppression have been and still are prevalent; both would be impossible under the Single Tax system. The value on which the tax is assessed could not be raised or lowered arbitrarily; improvement values could not be included in the assessment; and as long as the tax is paid neither the present holder nor his assignees could be deprived of possession. The occupiers' security, being practically a perpetual lease at a variable rent, judicially fixed, would be better than the longest lease granted by a private owner. Therefore no one would hesitate to expend capital in improvements under the Single Tax system on the ground that he had not a lease for a number of years.

That which Mr. Atkinson pronounces impossible is actually being done. In the Chinese possession of Germany the Single Tax system has been adopted. Land is taxed at the rate of 6 per cent on its capital-value, improvements are exempted and no other tax is levied. Re-assessment takes place every three years. Yet merchants and others have erected and are now erecting buildings and other improvements—are expending large amounts of capital on land, under conditions of which Mr. Atkinson asserts that they would make such action impossible.