

**CHAPTER XI**  
**HOW MAY TRANSFER OF TAXATION**  
**BE OBTAINED?**

**Statement of the Problem**

The science of medicine consists of the two great divisions of diagnosis, which determines the disease from which the patient suffers, and therapy, which fixes the treatment designed to restore the patient to health. This treatise on taxation offers a striking resemblance. Thus far we have largely sought to diagnose and to evaluate one of the greatest diseases from which the body politic suffers. We shall now consider methods of applying the remedy.

When one perceives the nature of the disorder caused by present methods of taxation, with attendant injury to civilization; when one reflects upon the poverty and degradation inflicted upon mankind by unjust methods of raising money to conduct government, we cannot withhold sympathy from those generous but impatient souls who would over-night, as it were, change the entire system. Nevertheless, we cannot forget the advice of Talleyrand to a young diplomatist—"Pas trop de zèle, mon ami, pas trop de zèle." (Not too much zeal, my friend, not too much zeal.) Astutely he believed in keeping his eyes on the goal, without by hasty and violent moves exciting the unconsidered antagonism of those with whom he had to deal, and whose good will was essential to progress.

The impatient soul—and when one regards present conditions it is hard for anyone to avoid impatience—demands instant reform. Let the change be made immediately, he says, from poverty and distress to plenty and happiness. He ignores the fact that in the ordinary course of events, in the orderly development of human institutions, this may not be.

Of course violent alterations may and do take place. France was changed in four years from a monarchy to what was esteemed a democracy, and after more than a hundred years still has, we think, great lessons to learn about popular rule—meanwhile having several times lapsed into despotism. At the stroke of a pen, and with the aid of the sword, some sixty-five years ago we abolished slavery, but today its evils are not wiped out. In a week the Russian revolution upset the institutions of ages, and yet we cannot say that it has brought liberty or comfort to the Russians, though their condition seems to be slowly bettering, a result which could have been gained more easily in less time by more orderly methods. On the other hand, England in its politics, despite temporary conditions, shows how much can be obtained and retained by orderly methods that make for steady progress.

The analogies of nature again, though but analogies, should warn us against hasty action. Therapeutics demands that strong remedies should be administered in the beginning by weak doses gradually increased in strength as the patient gains in tolerance for the drug and approaches more nearly to health. The full remedy administered at once may kill.

Another illustration: When the “sand hog” has worked under water with the pressure of several atmospheres and the time comes to bring him back to normal conditions, the process is not sudden, but gradually the man is brought back to his usual surroundings. Action too precipitate would mean death. Again, the temporarily blinded man suddenly exposed to the full light of day may lose his sight.

Thus it is apparent that changes effected gradually, whether to the physical body or the body politic, are the more permanent.

Such methods do not appeal to him who wants immediate results. His desires, in our opinion, are not those easier of application, or which, suddenly applied, can be held in effect permanently.

The demand of the radical is that all taxes shall at once be levied on land values, and not only this, but that the entire rental value shall be taken.

Let us examine this briefly. Through many generations we have become accustomed to the harmful practice of taxing products of industry to pay our common expenses of government, when, as is well known, the presence of an industrial population is creating a common fund far greater than our public expenditures. The result is a condition of fiscal disorder, even disease, that is visible and the subject of constant criticism and complaint. Yet to a limited extent our public affairs have become adjusted to it, and business and home owners have in a way accepted the condition, hoping that it will be remedied, but averse to sweeping radical changes.

We may add that the immediate taking over of all economic rent in the manner described, and with any approximation to exactness is a financial impossibility. Economic rent varies from year to year and often from month to month. Again, any attempt to take it all at once would impair or destroy our present bases of values, and introduce into financial matters a state of confusion which would lead to sudden and disastrous shrinkage of economic rent—the very thing sought to be taxed for government expenses.

Public appreciation of some or all of the facts mentioned above accounts for the general rejection by American communities of such radical attempts; but this rejection is accompanied by a growing appreciation of the justice of the gradual transference of taxation to land values. In foreign countries

where land value taxation has been adopted, there is less agitation for extreme measures and less opposition to taxation of land values, or economic rent, for public purposes.

American extremists, by putting forward their propositions, have stood in the way of real advancement. They have shocked into opposition many of those who could and would render efficient aid, were milder steps proposed.

In both California and Oregon constitutional amendments have been submitted, looking to the immediate taking by the community (the State and its agencies exclusively) of all land values within these States. The propositions were of a nature calculated to bring about the destruction of all land value to the individual. These amendments failed for reasons already stated, appreciated by the public, though not by the framers. The failure has been in a measure disastrous—prejudicing a majority of the community against such measure of taxation reform as it might well have been prepared for.

But even to the radicals such proposals could not on reflection have appeared sound. They justified such measures by claiming the right of the individual State to take all community value. They forgot that the land values of California and Oregon were not exclusively the creation of the people of those States, but of all the other States and of the entirety of them known as the United States. It is not, therefore, a sufficient answer to say that the other States could do the same, for the needs of the general government cannot be overlooked. The latter has, under our reasoning, a large claim on these land values which it is proposed the State should take to its exclusive use.

It happens that California is an exceptionally rich State, particularly in its deposits of oil, gas and gold, as well as its climate, all of which have been turned into land values. Putting aside or ignoring the damage which a sudden revolution in matters of taxation might cause to all business and thus also to land values based upon use, what if the State and subordinate agencies were to collect by the change in taxation large amounts of money not required by any necessities of government? The result would be extravagance and waste of public funds, leading to an ultimate loss of real wealth. Thus the State would find itself in possession of unearned increment, a part of which belongs to the national government, which shared in its creation. A large part, if left in private control, would be employed as useful capital to be devoted to the production of more wealth. A sudden change would mean an upsetting of old relations for new ones, and without the period of preparation which seems to us imperative.

Our appeal then must not be to the emotions, whatever ground there may be therefor, but to the sense of justice of mankind. We cannot ignore the conservatism which protests against convulsive changes.

We do not deny that the extreme radical has served and is now serving an extremely important and necessary purpose. He has sounded an alarm which has aroused thousands to the dangers of an arising conflagration. We have now to deal with the matter of its extinction. In this he cannot be permitted to direct. The man who can best sound the tocsin is not necessarily the leader in the work to follow. A cooler head and a different technique than he knows are required. The time is coming, if not

now here, when his shouting and excitement will only interfere with the progress of the worker.

The wide extent and effect of the ideas we have undertaken to elucidate, as shown by the practical operations of government, we shall explain hereafter. We have now to point out that these afford but a scanty measurement of their diffusion among civilized man. In every university we find their believers, though, such is the fear of conservatism and its revenges, fewer teachers. Scarcely a newspaper office of importance but has on its staff those who accept the essential truths of which we write, though the editors yet hesitate to give them expression because of powerful opposing influences.

Among trade unionists and laboring men generally, that is, those who feel the pinch of present conditions, our position has already been accepted. For more than thirty years the American Federation of Labor has favored this side of the question. Many State labor bodies have taken the same position. Even socialist leaders, though deploring what they considered its inadequacy, have not been hostile.

Let one discuss with his more intelligent and unprejudiced friends as an abstract proposition, whether occupations, personal property and improvements should go free from taxation, and how often he will obtain an affirmative response! The queries he may receive will relate to the practicability of exemption, the sufficiency of the revenue, and the effect upon the farming community. These queries we have considered, except that as to practicability, to be later examined. In the cities, its justice, if practicable, will be almost universally recognized.

**Justice, Not Abolition of Poverty, Our Aim**

It may be argued that progress of the essential reform we urge has been delayed because of a misconception of its nature. While we now present it as we believe it to be—a change from wrong to right in taxation—it is often urged as a cure for involuntary poverty. Brilliant writers and speakers have so presented it. This we think is to offer an erroneous method of approach and a misconception of the whole problem.

The object for which we strive is justice in taxation, with whatever consequences may come from its attainment. That such justice once attained will automatically reduce the evil of poverty, we are justified in believing; but such reduction will be a by-product, as it were. The attainment of right relations between the citizen and the State is our true objective. To ensure justice and not, as a specific end, to abolish poverty, is the purpose of the State. While poverty is an individual problem, the State should not by injustice create it. Today, many believe the State to be chargeable with artificially propagating poverty.

**Mechanical Side of Our Procedure**

How should the ideas we advocate be carried into effect? What we may call the mechanical side can be quickly disposed of, certainly as to all taxation other than national.

Already in many States of the Union, division is made on the tax books between land, improvements and personal property, the latter sometimes being divided into tangible and intangible. A like division should obtain in the remaining States. With this as a beginning, the columns other than that devoted to land should be gradually eliminated either by juris-

dictions or by percentages, or combinedly, and at the same time corresponding increases of rate be made upon the land. A steady education must accompany such a change, particularly as to farming and mining adventures, with regard to the elements entering into land and improvement values. We have pointed out that today a large part of the improvement values on farms are repeatedly treated as if such part were land values; that subsoil values to only a small extent are taxed, and among those lightly taxed are included oil and gas in place.

Laying aside the objections to a sudden change from the present methods to a complete transference of all taxes to land values, we have next to consider the situation offered by our particular form of government. Ignoring for the purposes of this book the operations of the national government, we find the States are the supreme taxing units. Several derive most of their revenues from a tax on real and personal property, often collected through the counties as the agents. In addition, State revenues are derived from taxes on inheritances, public utilities, corporation franchises, sometimes incomes, and in other minor ways. Nearly all the States levy a tax upon the sale of gasoline, the proceeds of which are almost exclusively devoted to road maintenance and improvement.

We need hardly remind the reader that, subordinate to the State and acting as its agencies in the full exercise of the powers of government, we have the counties, cities, and various kinds of taxing districts, each with certain powers of local taxation. Only by a complete change in our system of government—a centralization contrary to the traditions of our people—would or could all these jurisdictions and agencies change their methods simultaneously.



The first requisite for progress is freedom to act in matters of taxation. To determine whether or not such freedom exists in a particular State should be the task of every progressive citizen. In certain States, as for instance Maryland, large freedom of local action is allowed. In others, the constitution or the statutes impose definite restrictions. In those States having a constitutional initiative and referendum, freedom, if non-existent, is obtainable with minimum effort.

The argument in favor of local home rule in matters of taxation is one strongly appealing to the American mind. To obtain home rule is by no means a difficult task.

After firm legal ground is obtained, further progress calls for consideration of local conditions. Perhaps the merchants will regard an occupation tax as a grievance and be willing to join in a movement for its abolition along with that on improvements. Building trades should always be with us.

If the jurisdiction is one like a California irrigation district, where a large percentage of the taxes are now levied on land values, our fundamentals are already understood and progress should be rapid. If the community is accustomed to charging the cost of special improvements to the property assumed to be benefited, our argument is already half accepted and further progress is facilitated.

Every jurisdiction adopting this plan makes it easier for the next to follow in its footsteps, and custom among minor entities naturally extends to larger ones.

Advancement may be tempered in some instances by being progressive. Some may think that entire change in a single jurisdiction in one year would be too drastic, or, being an experiment, progress should

be cautious. The community may therefore determine to remove taxation from improvements at a given rate per annum or over a certain period of years. In orderly development we may expect favorable action from a State after a number of its subordinate units have abandoned taxation on occupations, personal property and improvements.

In this necessarily prolonged course of events, of one thing we may be sure—ground once firmly gained, receiving the general and intelligent support of the people—will never be lost.

The application of our ideas will be simple but progressive. The labor is made greater by the number of our States, each presenting its individual problems, but the outlines are clear.

If local home-rule in taxation seems to offer too slow a process (as may well be the case) it is possible in any State possessing popular initiative constitutional provisions to propose amendments quickly eliminating taxation upon personal property and progressively diminishing taxes on improvements until their extinction in from five to twenty years. A determined group of twenty men can convince their fellow citizens to this end within a politically brief period. The process in non-initiative States will be more difficult.

Nothing has been said of the national field as outside the scope of this work. In addition, its features are to a great extent beyond the immediate present. Income and inheritance taxes come for the most part within its limits and are least objectionable when enforced nationally. Anything in the shape of a general governmental tax on land values is probably as yet far away. We need not lose sight of the fact, however, that a tax upon the corporate privilege of landholding would doubtless be free from successful

constitutional objection. At the same time, there is no legal reason why, in the District of Columbia and the territorial possessions, a land-value tax to the exclusion of all others should not be imposed. Before any large success can be obtained, however, a long course of education among the States must precede. Meanwhile, our interfering tariffs must be displaced as speedily as may be. As even the great manufacturing concerns on whose behalf—rejecting other pretenses—tariffs were created, are now finding them useless and even mischievous, it may be that customs duties will not much longer be important in the life of the nation.