

THE TAXATION OF LAND VALUE

CHAPTER I

THE TAX ON LAND VALUE

§ 1. THE problems of tapping new sources of public revenue and of improving the present systems of taxation tend to grow more and more vital. The reason is patent. Public expenditures are increasing enormously because of the socializing tendencies of the government. Especially in urban communities where the social welfare spirit has taken root, the disbursements for public utilities, for cultural and recreational facilities, as well as for public safety and sanitation, claim a greater percentage of the budgetary requirements from year to year. When we inquire what constitute the taxable sources to meet the growing budgets in most American cities, we find some form of the property tax, supplemented by the franchise, corporation, business, or similar taxes. But since, for purposes of taxation, personal property is as elusive as the will-of-the-wisp, the burden falls mainly on real property.¹ And under the present defective system of valuation and assessment, this burden, it will be agreed, is most unequally distributed. Under these circumstances the discussion of the tax on land value, which has been proposed as a substitute, or as supplementary to the property and other taxes, is opportune.

¹ In most American cities from seventy per cent to about ninety-five per cent of the general property tax is derived from real estate, according to an estimate made from Table 34 of the Special Report of the Bureau of the Census. *Financial Statistics of Cities Having a Population of over 30,000, 1909*. For example in Brooklyn, New York, more than ninety-eight per cent of the taxes was in 1895 derived from this source. Cf. Seligman, *Essays in Taxation* (1913), p. 25.

§ 2. In recent years the taxation of land value has taken on a signification somewhat different from its literal meaning. Literally land has always been taxed on its value. Even in the taxation of land according to acreage, e.g., the danegeld or scutage,¹ we perceive an attempt, though a crude one, to value the land. And in this country there is no more prolific source of local revenue than the land, which is legally and supposedly assessed on its market value. Nor can "land value" mean only the full market or capital value,² for there are a few cities and counties — e.g., Suffolk County, Massachusetts — which claim to tax land on its actual value; nevertheless, in the modern denotation of the phrase the tax on land value does not exist in these communities.³

The distinctive characteristic of the tax is not alone that it is levied on the actual selling or capital value, but that it is levied on the unimproved value, on the site irrespective of the value of the buildings and other improvements thereon. In other words it is a discriminatory tax on land. Though of comparatively recent origin the tax has already assumed various forms, the heterogeneity of which will be gathered from the following. Recently the cities of Pittsburg and Scranton were probably taken aback by the newspaper pronouncement that the tax on land value had there been unwittingly instituted. That is, the Stein bill,⁴ which became a law May, 1913, provides for

¹ Thus the scutage was a charge on the knight's fee corresponding to £20, annual value, a rough estimate of the value of the land. Cf. Dowell, *History of Taxes and Rates in England* (1888), vol. 1, p. 40.

² By capital value of land is meant the sum which the land might be expected to realize at the time of valuation if offered for sale on such reasonable terms and conditions as a *bona fide* seller might be expected to require.

³ In fact the question of full value assessment as an administrative improvement is at present receiving the attention of many state legislatures with the prospect of adoption, yet no country is more reluctant than ours to institute the taxation of land value.

⁴ Pennsylvania H.R. Bill 967 (1913), approved May 15, 1913.

the gradual reduction of the tax on buildings in the second-class cities of Pennsylvania. This, however, is an example of only partial taxation on land value. The study of the subject makes evident the existence of the system: (1) in Australasia, in the tax on the unimproved value of the land and the exemptions of improvements; (2) in Western Canada, in the municipalities where improvements have in recent years been wholly or in part exempted from taxation; (3) in Germany, in the shape of the value-increment tax; (4) in Kiao-chau, where besides a value-increment tax of thirty-three and a third per cent, a six per cent tax is levied annually on the value of the site; and (5) in England, in the form of the land-value duties comprising the increment, reversion, the undeveloped land, and the mineral rights duties. The protean character of the tax is thus evident.

The discriminatory feature of the tax raises the question of its *raison d'être*, the analysis of which is as essential to the understanding of the system as the mode of levy itself. If we analyze the criticism and speculation which the introduction of the above taxes has evoked, we find misapprehension and confusion of thought. By some, for example, the English Lords,¹ it is regarded as an attack upon private property rights; by others, such as Adolph Wagner and the "Kathedersozialisten,"² as a protest against the accumulation of wealth, especially of the "unearned increment," in the hands of a few; by others, Adickes,³ for example, as a tax on special benefit, or a special assessment; by still others, including the general

¹ See *Parliamentary Debates of Commons and Lords* (1909-10). Also *cf. infra*, chapter v, §§ 1, 5.

² Many American professors of economics so regard the tax, e.g., H. J. Davenport. See "Extent and the Significance of the Unearned Increment," in *Bulletin of the Am. Ec. Assoc.* (1911), ser. 4, vol. 1, pp. 322 ff.

³ Mayor of Frankfurt a. M. Like many German officials, he approved of the "Wertzuwachssteuer" because of its expediency. *Cf. infra*, chapter iv, § 9.

American public,¹ as the Single Tax in disguise, i.e., the entering wedge to the Single Tax; while to others, notably B. Marsh,² it is merely a fiscal measure, an improved method of local taxation, to replace or supplement the realty tax. Which is the correct interpretation? Or is there a common ground of agreement among them?

To disclose the essence of this tax and its *raison d'être* in the face of this heterogeneity of conception is the first purpose of this monograph; the further purpose is to discuss the expediency of its enactment from a study of the actual operation of the tax as well as of its underlying principles.

§ 3. A study of the above-mentioned systems shows that not alone in method of assessment and levy, but also in their rationale great differences exist. From both these standpoints therefore, tentative definitions of the tax on land value will be attempted, comprising not so much the systems in operation, as the hypothetical ideal common to those systems.

From the fiscal standpoint, the tax on land value to be herein discussed is levied on the realized, or anticipated, capitalized income³ accruing from the site, distinct from all structures and other improvements upon it. Thus the tax presumably falls on economic rent, the basis for the assessment being either the market value of the land, or its realized, or potential, annual rental.⁴ The pith of the

¹ The writer has in mind the vehement opposition to the adoption of the tax in Oregon, Washington, and Missouri. Cf. *infra*, chapter x.

² *Taxation of Land Values in American Cities* (1911).

³ In only a few cases, e.g., the English mineral rights duty, the rental is made the basis of the tax, but in these cases the rental bears an arbitrary ratio to the capital value. In the English mineral rights duty, for example, the income is assumed to be two twenty-fifths of the capital value.

⁴ The annual rental is not always the criterion of the capital value of the land. This will become evident when the English rating system is discussed in chapter v. Whether the selling value, the net, or gross rental is the proper taxable basis involves a subtle distinction important only from an administrative standpoint. See chapter vii, § 7.

system from the standpoint of taxation is contained in the following principles: first, all land, whether utilized or undeveloped, whether yielding a rental at the time or not, shall be taxed at its full value, which shall be ascertained by expert assessors according to a scientific system of valuation; secondly, in accordance with the theory of the tax, all improvements and buildings shall be exempted from taxation.¹ This is its essence; the actual methods will become clearer after considering in the next section the various forms of assessment and levy.

The rationale of the tax is fourfold, ethical, economic, social and fiscal.

(a) The ethical justification of the tax is founded on the conception of the "unearned increment." The rôle played by the doctrine of the "unearned increment" as fundamental in the taxation of land value is well known. The term first employed by John Stuart Mill and based on the Ricardian theory of rent has been perpetuated by the Single Taxers. In recent years, however, when the phrase is stretched by economists to include surpluses other than those accruing from land, the term has assumed a different meaning. Value increments accruing from the land are regarded as created through certain social forces² and,

¹ It will be found that these requirements, namely expert valuation and exemption of improvements, are implied, if not existent in all the forms of the tax to be discussed. This is true of the value-increment duty as well (see *infra*, § 5). Practically, however, whenever the rate of tax, or the percentage of assessed value of the site exceeds that of the improvements the principle of the tax on land value may be said to be in force.

² To the argument that the value of all wealth is dependent upon social influences, and that value increment accrues from other forms of wealth besides land because of social causes, and not because of individual effort, the reply is given that whereas competition prevents abnormal profits falling to the capitalist and laborer, land is a monopoly by virtue of which the value of the land, increasing with the population and industrial development, accrues to the owner of the property right. All other artificial monopolies, moreover, are said to have their root in this monopoly of natural resources. Cf., for example, *The Public*, September 12, 1913, pp. 868 ff.

therefore, it is thought, rightfully belong to the community as a whole. Since land is a gift of nature, and its value is not attributable to individual effort, the private appropriation of such value, it is argued, is ethically unjustifiable. On this basis of the distinction between what is socially created and what is privately earned rests the chief argument of the advocates of the tax on land value.

(b) But this ethical consideration does not appear separately; the economic factor is ever present. Indeed the phenomenon, "unearned increment," arises and can be formulated only when scarcity appears, that is, where economic equality is prevented either by the natural scarcity of the commodity or through legal limitation. Take the duty on undeveloped land or the super-assessment tax in Canada as examples: their object is to prevent the holding of land for speculative purposes. The duty, in other words, puts a premium upon improved land. For instance, when the owner of vacant lots in the vicinity of improved land receives a heavy tax bill on property which yields him no income, he is tempted either to sell, or to utilize the site himself.

(c) To the ethical and economic considerations should be added the social justification which was largely responsible for the adoption of the tax in Australasia and in Canada: namely, to discourage large land holdings and absenteeism. Viewing the land question in these countries as less urgent than in European countries we prefer to regard this influence as social rather than economic. In other words, it was a union of political forces against an unpopular class. Further, the new "social-service" viewpoint, as exemplified in the theory of "socially created increment value," seeking by means of social welfare and public service institutions to level down the economic inequalities among the social groups, has exerted an influence in calling the tax into existence.

(d) However much these causes may have been instru-

mental in promoting the institution of the tax for imperial or state purposes, they nevertheless do not appear to have determined the *raison d'être* of the local systems. In the new communities of Australasia and Canada, where the value of the land tends to rise rapidly with the influx of immigrants, and where land constitutes the chief source of wealth, the tax on the unimproved value of the land has been found fiscally preferable to the tax on capital, which is scarce and the accumulation of which it is desirable to encourage. It will appear, indeed, that while the tax for other than local purposes owes its origin chiefly to the social, economic, and ethical considerations, the local taxes on land value are predominantly fiscal in character.¹

§ 4. Having defined and explained the rationale of the tax on land value, it is necessary to point out the various forms which the tax from the standpoint of administration has assumed: —

1. Direct levies:

(a) Proportional taxes;

(1) general;

(2) specific: undeveloped land, mineral rights, timber land;

(b) Progressive taxes;

2. Indirect levies:

(a) Proportional;

(1) value-increment duty (England);

(2) reversion duty;

(b) Progressive;

value-increment duty (Germany).

Direct² taxes are periodically recurrent, that is, collected

¹ A possible exception is the German municipal "Wertzuwachssteuer" whose origin is discussed *infra*, chapter iv.

² The words "direct" and "indirect" as applied to taxes are here employed in a different sense from the customary one based on the incidence of the tax, the tax being direct if levied immediately on the ultimate bearer of the charge, and indirect if shifted by the immediate payer to the consumer, as in the case of commodities. For authority for the other

annually according to a general assessment; while indirect taxes are charged on stipulated occasions, i.e., at the time of a sale or lease, or upon the death of the owner; in other words, whenever a transfer of property occurs. The latter may be paid in the form of a stamp tax at the time the land is transferred by a deed of sale, or by a lease. By general proportional¹ tax is meant one imposed annually on all land at a uniform tax rate. We shall find this system in vogue for local purposes in those English-speaking communities² where the tax is in operation. When a scale of rates increases directly with the greater value of the land in addition to the ordinary charge on land, we have what is known as the progressive or graduated land tax. Thus in some cases, to the proportional levy of 1*d.* in the pound of the capital value, may be added a scale of rates, e.g., $\frac{1}{8}$ *d.* rising to 2*d.* on the capital value of estates ranging from £5000 to £200,000. This scale will be found levied especially for state and federal purposes,³ in some cases as a super-tax, that is, in conjunction with the ordinary rate as in the above assumed illustration; in others as the principal levy without the ordinary rate.

The specific direct taxes are those levied on unimproved, timber, or mineral land. Whether imposed in conjunction with other forms of the land tax or as a separate levy, the specific tax is intended as an especially discriminatory land charge. This characteristic of the tax on unimproved land, for example, is shown by the methods of levy. Thus, undeveloped land may be subject to a rate

usage of the terms see Eheberg, *Finanzwissenschaft* (1911 ed.), pp. 204-05; also cf. Bullock, "Direct and Indirect Taxes" in *Pol. Sci. Quart.*, vol. XIII, pp. 463-65.

¹ "Proportional" is used in its technical sense of uniform rate for all property or income regardless of the amount of taxable value. In Professor Seligman's terms, "a tax is proportional when the mathematical relation between the amount of the tax and of the thing taxed remains the same." "Progressive Taxation in Theory and Practice," in *Am. Ec. Assoc. Quart.*, vol. IX, p. 565.

² In Australasia and Canada.

³ Characteristically in Australasia.

one hundred per cent higher than that on improved land;¹ or unimproved land may be assessed at a value twenty-five per cent higher than its selling price;² or a rebate from part of the tax may be allowed the owner of improved land.³

Distinguished from the direct taxes are those collectible on certain occasions of transfer of property. As in the case of the direct taxes, the two types, namely, the proportional⁴ and the progressive,⁵ occur also as indirect levies. In the case of the duty on value increment, i.e., the difference between the value of the land on the occasion of levy and its value on a previous occasion, the tax is collectible, as already stated, at the time of a transfer of property, either by sale, lease, or at death.⁶ The occasion for the collection of reversion duty⁷ is at the termination of a lease, when the property reverts to the owner. In all other respects the reversion duty is a value-increment duty. As the nature of the assessment for computing the tax is complex and unique, an attempt will be made in the following section to describe and illustrate the system of taxing the value increment.

§ 5. The progressive tax on value increment, the "Wertzuwachssteuer," is essentially of German origin. In common with the other forms of the tax, it aims to appropriate a portion of the surplus or differential value of the land in behalf of the community; in the method of procedure, however, it is different from the direct levies. First, the direct tax collects its share of the value in annual installments; the tax on value increment collects a lump sum

¹ In the German municipalities.

² The super-assessment tax in Canada.

³ The Western Australian State tax. ⁴ In Kiao-chau and England.

⁵ In Germany for both imperial and local purposes.

⁶ There is only one more occasion for the levy of value-increment duty. That is the arbitrary occasion created, as we shall see, in the English Act for taxing corporations, namely, in 1914, and every subsequent fifteenth year. See *infra*, chapter v.

⁷ Characteristically English, for it is in England that the leasing system is most prevalent.

on the particular occasions mentioned above. Secondly, and this is of vital importance, the tax on value increment falls only on the surplus, or as its name implies, on the value increment, not on the whole capital value. The government, therefore, claims a part of the owner's profit arising from the appreciation in the value of the land.

The method of valuing the increment is as follows: When a piece of property on which duty is chargeable is sold or leased, its selling price (in case of a lease, its appraised price) is compared with its purchase price, i.e., the selling price at a previous transfer when duty was paid; and the differential of the present price over that previous price constitutes the increment upon which duty is imposed. Two selling or appraised prices, then, must be known before the amount of appreciation can be computed. A moment's reflection makes it clear that the tax may be retroactive. In the German laws, in order to compute the tax the first time it is levied, an arbitrary appraisal value has in most cases been fixed. This is called the "original site value," and is ascertained for an arbitrary date stipulated in the bill.¹ To illustrate, the "Wertzuwachssteuer" in Breslau went into effect on June 23, 1907. The bill fixed January 1, 1895, as the time for which the original site value should be computed. If, then, in December, 1907, a lot was sold in Breslau for 15,000 marks which had been worth on January 1, 1895, 9000 marks, duty would have been charged on the difference in the prices, or on 6000 marks. Suppose, now, that in 1910 the same piece of land changed owners and its selling price was then 16,000 marks, the duty would be collected on 1000

¹ The details of this method of computation will be found *infra*, chapters iv and v. It may be here noted that while the German tax is with few exceptions retroactive, falling on the value increment that has accrued in the past, the English bill seeks to appropriate part of the future increment only; the latter bill provides for a valuation of all the land at the time of the enactment of the law, in this way establishing the original site value.

marks.¹ In case of a depreciation in price, of course no tax is levied. Thus, if the price of the lot in 1910 had remained 15,000 marks or had fallen below this amount no increment duty would have been collectible. It is needless to repeat that, as in the other taxes on land value, the value of the improvements and buildings would have been deducted before the value increment was ascertained.

From this brief analysis it will be observed (1) how different the modes of assessment are, and (2) how heterogeneous are the forms which the tax on land value has assumed. It will further be observed that several forms may coexist in the same community. The best illustration of this protean tax is to be found in the English system which comprises four separate duties on land. To define further the distinctive character of this tax it will be necessary to differentiate it from other land taxes.

§ 6. The pivotal distinction between the land-value tax and the other land taxes lies in the theory of incidence. In accordance with this theory, the only tax on land which cannot be shifted is one which falls on economic rent; such a tax is that on land value.

Regardless of this theory of incidence, the earliest system of land taxation made area the basis of valuation, e.g., the scutage or danegeld. In such taxes the rent, or income-bearing capacity of the land, is ignored. Survivals of this crude system are to be met with even to-day.² Later, product, or fertility, superseded area as the basis of assessment, e.g., in the "taille," or tallage. Product, however, theoretically represents wages, interest, profit, as well as economic rent. Hence this form of the land tax

¹ The system of assessment is more complicated because of a minimum exemption, of the deductions and additions to the selling prices, etc. Cf. *infra*, chapters iv and v.

² Even yet instances occur where area is made the basis of assessment. In Greece, for example, land is taxed according to area. Cf. Bastable, *Public Finance* (1895), p. 406. Also in Alberta, Canada, land is subject to a provincial tax based on area. Cf. *State and Local Taxation, Second Conference of the International Tax Association* (1908), p. 299.

does not satisfy the requirements of the discriminatory tax on land, the so-called tax on land value.

Another land charge which should be distinguished from the tax on land value is the apportioned land tax. As its name implies, the amount of revenue expected to accrue from its levy is apportioned by the central government among the subordinate taxing jurisdictions, each of which becomes responsible for the collection of a quota determined by the assessed value of the land at the time of apportionment. Now, were the tax frequently reapportioned in accordance with periodic "cadastral" valuations, and were the assessment made on the actual selling price of the land,¹ the tax would fall on the value of the land. As a matter of fact, however, apportioned taxes become fixed charges, the same quota being paid to the central authority irrespective of the changes in the value of the land due to the progress or retrogression of the district.² Thus the English land tax (instituted as far back as 1692) has yielded an almost constant sum, less than one million pounds, for about a century, in spite of the enormous appreciation in the value of the land during that time. Such taxes practically become permanent rent charges.

The prevailing form of land taxation to-day is the tax on real property. Whether we consider the English system of rating on rental, or the real estate tax on selling price in this country, they differ from the tax under consideration in their failure to accept the principle of exempting buildings and improvements, and in the system of assessment. As ordinarily levied, the tax on real property is characterized as follows: —

(1) Unused land is generally assessed at a lower value than the surrounding improved sites; thus a premium is

¹ More often not rent but product formed the test of value.

² Such taxes may, as happened in England under Pitt's redemption scheme, be redeemed by the payment of a lump sum representing the capitalized value of the tax.

given to the owners who for speculative purposes hold land out of use.

(2) Largely because of the crude methods of assessment, land under the realty tax is rarely assessed at its full market value. Although this is a matter of common knowledge, the following statistics showing the extent of under-assessment are significant. Summarizing the data prepared by S. Wolff ¹ from the Census Bureau Reports, real property was assessed on an average in four of our states at from fifteen to twenty-three per cent of its actual value, in eight states at from thirty to forty per cent, in thirteen states at from forty-one to fifty per cent, in seven states at from fifty-two to sixty per cent, in five states at from sixty-two to sixty-nine per cent, in seven states at from seventy-five to ninety per cent. Only one county in the entire United States (Suffolk County, Massachusetts) had its real estate assessed at its full estimated value.

(3) With few exceptions,² no provision is made in this country for the expert valuation of land, so that the surplus or value increment, which increases rapidly in progressive communities, for long periods remains untaxed.³ It is important to note that in view of this exemption of value increment from taxation for long periods of time, the burden of an increased rate of tax on realty is to some extent compensated. In fact, granting the validity of the principle of tax capitalization, whereby the capitalized value of the tax is deducted from, or "absorbed" in, the selling value of the land, under-assessment and inexperienced valuation reduce the burden of the tax to a minimum.⁴ For as a result of this "amortization," the tax on realty ceases to be a tax in the proper sense of the word.

¹ *First National Conference on State and Local Taxation* (1907), p. 113.

² *Cf. infra*, chapter VII, § 12 ff.

³ See quotation *infra*, p. 14.

⁴ *Infra*, chapter VII, § 5. It seems very probable that the possibility of the amortization of the tax, added to the Anglo-Saxon respect for private property rights, is responsible for the defective administration of the realty tax in this country.

§ 7. Recently an improved system of taxing real estate has been introduced in a few cities,¹ with the purpose of assessing property on its actual selling value. The improvement consists in the method of assessment and valuation. To ascertain the full market value of the property a scientific system of valuation has been devised, in accordance with which the land is valued apart from the improvements. It must be noted, however, that the improvements continue to be taxed at the same rate as the site. As the system is in operation to-day, it varies from the tax on land value, first, in that buildings and improvements are not exempted from taxation; secondly, in that the assessed value is kept below the selling price of the property. Take New York City as an illustration. Efficient tax administration has indeed made the tax on selling value in that city an object of commendation.² Yet even there the assessment and valuation until recently failed to keep pace with the enormous growth in the value of the land. "The growth of the City of New York and the great increase in realty values since that time (1903) have been such that, in spite of the rapid marking up of values at that time, the assessed valuation to-day, taking the city as a whole, probably does not exceed seventy per cent of the market value, and in many cases is not over sixty per cent. An examination of the books for different parts of the city and for all classes of improvements, whether business houses, private dwellings, or tenement houses, leads me to believe that the assessed valuations of land lag about thirty per cent behind the extraordinary rise in values which has occurred in the last three

¹ Notably New York City, Newark, New Jersey, Houston, Texas, Cleveland, Ohio. Cf. also *Papers Bearing on Land Taxes and on Income Tax*, etc. (1909), *Brit. Parl. Papers* (Cd. 4750), pp. 92 ff., 106. Mention should here be made of the attempt of about a dozen of our states to assess the land separately from the buildings. See *infra*, chapter VII, § 11; also *State and Local Taxation* (1907), p. 131.

² See *ibid.*, pp. 375 ff.; also (1908), pp. 237 ff.

years. In the case of unimproved property in many cases, the assessment is about fifty-five to sixty per cent of the market value.”¹ In the interest of uniformity, the tax on land value proposes to take account of all the fluctuations in the value of the land.

§ 8. The association of the tax on land value with the Single Tax is so prevalent and the consequences of this association so serious that it is necessary to differentiate between them. There is ground for the confusion of the two. On the one hand, the opponents of the tax on land value have prejudiced the public against it by identifying this tax with the Single Tax; on the other hand, the Single Taxers exult in the introduction of the tax on land value, regarding it as the vindication of their theories, and as the entering wedge to the Single Tax.

No one will dispute the fact that fundamentally they have something in common. Both, for example, stand for an efficient, expert valuation system; both favor the exemption of improvements from taxation; both insist upon assessing and taxing land at its full value. Nevertheless, as enacted to-day, the tax on land value bears no closer relation to the Single Tax than does the recently enacted parcels post system in the United States, for example, to state socialism. England, for instance, with her value-increment duties is no nearer the Single Tax régime than is this country with her public utilities legislation near collectivism.

¹ *First Conference on State and Local Taxation* (1907), pp. 384-85. Other authorities corroborate this estimate of undervaluation. Cf. *Papers Bearing on Land Taxes*, etc. (Cd. 4750), pp. 95, 105.

Mr. Purdy, President of the Tax Commissioners of New York City, nevertheless claims that the assessment in New York City represents the full value of the land. There is abundant proof that, excellent as the work of the commissioners is, their land-value assessment is not accurately on the full value. (Cf. Cederstrom, *Unjust Taxation*, *passim*.) For example, to make the accrued rental, so long as the value of the site is less than the combined value of the land and building, the basis of computation of the selling value of the land is not to attain an accurate full value assessment. See *Seventh Conference on State and Local Taxation* (1913), p. 264.

In distinguishing between the tax on land value and the Single Tax, we are comparing a tax reform with a social philosophy. The Single Taxers are not interested in the tax as an adequate source of local revenue under existent conditions; they would employ the tax as the weapon with which to clear the way to their Utopia, the essence of which is an ideal society based on an equality of opportunity. The important, ultimate object of the Single Taxers of the Georgean type is the nationalization of the land; the method by which they propose to attain this object is through a one hundred per cent tax¹ on the value of land. In addition, these theorists claim that, with the enormous income from the public domain in the hands of society, the imposition of other taxes will be superfluous. In short, the one hundred per cent tax on land value, and the abolition of all other taxes, that is, the institution of the Single Tax, is merely the machinery necessary in the realization of their Utopian society.² Contrast this doctrine with the slight tax on land value, adopted in part for fiscal purposes, in part in the interest of social amelioration, e.g., to relieve congestion in urban communities, to prevent speculation in land, and, on behalf of the community, to appropriate a little of the enormous appreciations in the

¹ The writer is aware that the Single Taxers propose to leave the land in the hands of individuals who will practically act as agents of the government and who will receive a small share of the land value — about five per cent or more — as recompense. This, however, does not alter the theory as interpreted above, for the Single Tax is primarily opposed to the private appropriation of land value, hence of private property in land. As to those moderate (limited) Single Taxers who, like C. B. Fillebrown, would limit the Single Tax “to the needs of the state for an effective and economical administration of government,” the theory remains unaltered. Cf. *The A.B.C. of Taxation*, p. 153. Moreover, the needs of the state, as Shearman admits, are unlimited. Cf. *Natural Taxation*, pp. 133-34.

² It is interesting in this connection to note that Henry George himself regarded the nomenclature “Single Tax” as a misnomer. Mr. George’s son, in the *Life of Henry George*, says in a footnote (p. 496), “Mr. George never regarded the term as describing his philosophy, but rather as indicating the method he would take to apply it.”

value of the land, to meet the growing budgets. Nor is the difference between them one of degree, merely; the doctrine of abolishing all taxes is as foreign to the principle of the tax on land value, as is the confiscatory feature of the Single Tax.

Having thus attempted to epitomize a complex system, it is necessary to show to what extent it is prevalent.

§ 9. Mention has incidentally been made of the several countries where the tax on land value is in operation. As early as 1873 the Canadian province of British Columbia enacted a wild-land tax, a duty on unimproved land. This tax is in force to-day. New Zealand, the pioneer in social reform legislation, in 1878 passed a measure taxing the unimproved value of the land. But the act was repealed in the following administration, and it was not until the nineties that the system was reintroduced into New Zealand and instituted in Australia. Since then the tax has gained a foothold in numerous Australasian municipalities, in its several states, and, in 1910, was made part of the federal revenue system of the Commonwealth of Australia.

An interesting experience with the tax on land value, instituted in 1898, is furnished by Kiao-chau, the German province in Asia. In Germany, the duty on value increment was first incorporated in the fiscal policies of numerous municipalities, Frankfurt a. M. taking the lead in 1904. According to Adolph Damaschke,¹ 652 local governments in Germany had by 1911 adopted the tax. The "Reichszuwachssteuer," the imperial tax, went into effect April 1, 1911.

In England, by the enactment of the "Finance Act, 1910," the new duties on land value became law. Turning to Canada, besides the wild-land taxes, a number of local authorities, notably Vancouver and Edmonton, have recently revised their realty taxes, so that they not only are taxes on land value, but constitute practically the sole

¹ "*Geschichte der Nationalökonomie*," p. 549 (5th ed.).

source of local revenue. It has long been customary in these and other communities of the western provinces to assess the improvements at a lower percentage valuation than the sites. It is noteworthy, not only that the number of municipalities which exempt improvements is increasing, but that in Alberta and Saskatchewan general provincial regulations have been enacted providing for the taxation of land value for local purposes, thus assuring the extension of the tendency in that country to rate on land value.

§ 10. Summary: It will be observed that the tax on land value is of comparatively recent origin. And to judge from its protean character, it seems to have had a spontaneous growth. That is, the tax was no theory or scheme of definite form and shape, so to speak, taken over as a whole by this or that country. It would appear rather that the form or forms of the tax which were adopted in the several countries were those that seemed to be most suited to the needs and conditions of the community. That this was actually the case will be seen from the following chapters, in which the causes for the introduction of the tax in the various countries will be considered. The following chapters will also attempt to explain the nature and the working of the systems in detail, and to clear up the complexities resulting from the numerous methods of exemptions, assessment and rates.