

CHAPTER XII.

WHERE THE BURDEN FALLS.

§ I. **Incidence of taxation.** No matter how necessary or beneficial it may be, taxation must always cast a burden upon some one. No matter how justly this burden may be distributed, it still falls somewhere; and it is necessary that we should know where it falls. The great change from unnatural and unjust taxation to natural and just taxation cannot be made without increasing the burdens of *some* classes; and every class will properly insist upon knowing how its interests will be affected. Let us therefore now inquire upon what classes the burden will be increased, and upon what classes it will be diminished. Or, in technical language, what will be the "incidence" of natural taxation?

It must never be forgotten, however, that the burdens of natural and of unnatural taxation are not the same. It has long ago been explained that the burdens imposed by the clumsy and corrupting methods of taxation, now in force, are twice or thrice as heavy as would be the necessary burdens of a natural system. But, as readers are sure to forget this, their attention will be recalled to it more fully at a later stage, when some results will appear which, for want of bearing this in mind, will seem at first incredible.

In the United States, the three principal classes for consideration are wage-earners, farmers, and other land-owners. To some extent these different classes mingle together. But only a small minority of farmers work for

wages (for of course farm laborers are not included under the head of farmers); and a vast majority of wage-earners own either no land or so little as to have no effect upon their interest in this question.

A division of the people into these classes, however, would be very incomplete. There is a considerable number of persons who do not work for mere daily wages or on farms and who own no land. The correct division would be into two classes, the land-owning and the landless. But American traditions so closely identify farmers with land-owners that farmers, whether owning or hiring farms, must be set apart as a class by themselves, in any popular discussion of these subjects. The most convenient arrangement, therefore, for practical purposes, seems to be to consider the interests of the people in three classes, not scientifically distinct, as follows:

1. The landless class.
2. The land-owners.
3. The farmers, whether owning or hiring land.

§ 2. **Relative numbers of different classes.** The relative proportions of these classes were ascertained, for the first time, by the census of 1890.

The whole number of families was.....	12,690,152	
Families on farms.....	4,767,179	
Other families.....	7,922,973	12,690,152
<hr/>		
Families owning land.....	6,066,417	
Families owning none.....	6,623,735	12,690,152
<hr/>		
Owners of unincumbered land.....	4,369,527	
Owners of incumbered land.....	1,696,890	
Owners of no land.....	6,623,735	12,690,152
<hr/>		
Families owning land, free and clear.....	4,369,527	
Families hiring or mortgaged.....	8,320,625	12,690,152
<hr/>		
Male owners.....	5,019,659	
Female owners.....	1,046,758	6,066,417
<hr/>		
Male tenants.....	5,837,590	
Female tenants.....	786,145	6,623,735
		12,690,152

It is interesting to note the relative proportions in rural and urban districts. The census gives the figures separately for farms, for towns of 8,000 to 100,000 inhabitants, and for cities of over 100,000. From these figures an approximately correct table may be framed, under the heads of farms, villages, large towns, and cities, as follows:

	Land-owners.	Landless.	Total.
Farms.....	3,142,746	1,624,433	4,767,179
Villages.....	1,849,700	2,374,800	4,224,500
Towns.....	629,092	1,120,487	1,749,579
Cities.....	444,879	1,503,955	1,948,834
Total.....	6,066,417	6,623,735	12,690,152

The number of adult male persons in the United States, in 1890, was returned at 16,940,311.

The numbers "engaged in gainful occupations"—in other words, earning their own living—was returned at 22,736,229; of whom 19,321,700 were over 20 years of age.

These figures show that more than half the heads of families, more than two thirds of the adult males, and over 70 per cent. of the persons earning their own living, belonged, in 1890, to the landless class.

As practically all adult males are possible voters, it thus appears that more than two thirds of the voters are landless.

Confining our views to the white voters, it appears that the number of white adult males was 15,199,856, while the number of white males owning the homes or farms in which they lived was 4,800,799. The landless whites, therefore, compose two thirds of the white voters.

The possible colored voters numbered 1,740,455. Of these only 218,860 owned homes or farms, being almost exactly one eighth of the whole, and leaving seven eighths in the landless class.

§ 3. **The landless.** The immense advantage which would be gained by the landless class, through the abolition of all taxes, except upon ground rents, is of course obvious. It would relieve them from all the taxes which they now pay, together with all the burdens, incidentally resulting from the present methods of taxation, which now fall upon them. They would continue to pay rent; but, while they now pay *both* rent and taxes, they would then pay rent alone.

Nine tenths of the absolutely landless persons belong to what is, for want of a better name, usually called the laboring class. The abolition of all indirect taxation, it has already been shown, would increase the possible savings of this class, fivefold (*Ante*, pp. 36, 37). Nothing need be added to what has been said on that subject.

The landless class, as will be seen by reference to the figures last given, constitutes more than half of the families and more than two thirds of the self-supporting population. It includes a majority of the voters, even upon farms, two thirds of the voters in villages, three fourths of the voters in large towns, and nearly, if not quite, seven eighths of the voters in cities.

§ 4. **The land-owners.** It has already been shown that the concentration of all American taxes upon American land-owners would not absorb half of their ground rents. But it would be a great mistake to assume that such taxation would absorb half of their whole income, or anything approaching to it. No allowance has thus far been made for the important fact that, considered as an entire class, *the owners of ground rents also own all the buildings and other improvements upon their land*, besides a much larger share of all personal property, in proportion to their number, than any other class of the community. All these things would be relieved from taxation

under the system here proposed. *All* taxes on real estate and probably 75 per. cent. of the taxes on personal property are paid by land-owners.¹ They also pay at least their full share, in proportion to their numbers, of tariff and excise taxes, and of the burdens which indirectly flow from those taxes. As American land-owners constituted 48 per cent. of the heads of families in 1890, they will be released from 48 per cent. of those burdens, the amount of which was estimated, on a previous page, at \$1,050,000,000 per annum.

The local taxes on both real and personal property in 1890 amounted to \$470,652,000. As real property constituted three fourths of all assessed values, its owners paid three fourths of these taxes (\$352,989,000), three fourths of the taxes on personal property (\$88,248,000), and 48 per cent. of the \$1,050,000,000 burden, created by federal indirect taxation (\$504,000,000). These were the burdens borne by real-estate owners, *as a class*, in 1890: all of which would, under the taxation of ground rents alone, be replaced by a single tax of \$828,541,000.

The effect of such a change in taxation, upon American owners of real estate, *taken as an entire class*, would be as follows:

American real-estate owners paid, in 1890, under the present system of taxation:

All local taxes on real estate.....	\$352,989,000	
75 per cent. of local taxes on personal estate.....	88,248,000	
48 per cent. of federal taxes and burdens attendant thereon.....	504,000,000	\$945,237,000

They would pay, if all taxes were concentrated on ground rents:

All local taxes.....	\$470,652,000	
All federal taxes.....	357,889,000	828,541,000

Net *reduction* of burdens on real estate..... \$116,696,000

¹ Not more than one tenth of the persons who are not assessed for some land are ever assessed for any personal property, taking the whole country together.

§ 5. An apparent impossibility explained. This conclusion will, at first sight, seem impossible and perhaps absurd. "What!" the incredulous reader will exclaim; "do you expect us to believe that the concentration of all taxes upon real estate, whether including improvements or not, can possibly *reduce* the burdens of real estate owners? The very idea is repugnant to common sense."

Nevertheless, the idea is well within the range of common sense. The hasty reader has forgotten that indirect taxes always involve enormous burdens in their train, not known as taxes, not collected for public use, not capable of accurate computation, but none the less real and heavy. These incidental burdens have been estimated, throughout this book, at \$700,000,000 per annum. They include a large private profit, through enhanced prices, maintained by tariffs and excise laws; and they also include a sum, quite as large, absolutely wasted, by keeping up prices on goods which, after all, do not afford an average profit to domestic producers. Land-owners *as* land-owners do not get the profit, and nobody gains by the waste.

No doubt a small section of the land-owning class do get a large share of the profits arising from the monopolies fostered by protective tariffs and excise taxes. But more than nine tenths of the land-owners derive no benefit from these monopolies. All of them must pay their proportion of the taxes and private tribute, levied by laws creating monopolies; but the profit accruing goes to those who can run the monopolies, whether they own or only hire land.

Direct taxation would put an end to all such monopolistic profits and all the indirect effects of indirect taxation. Owners of land, who did not hold any share in tariff-bred or similar monopolies, would save, by substituting direct

for indirect taxation, their share of the \$700,000,000 annually lost to the people at large in this way. And this saving more than outweighs all the additional taxation falling upon them, through the exemption of labor and personal property from taxes.

Another reason is of even greater importance, and clears up the whole apparent mystery. These statistics show that, if all the land were owned by a class, on perfectly equal terms, in equal shares, they would *all* gain by direct taxation. But they do *not* stand on an equal footing or own equal shares. On the contrary, it is now undisputed that more than 75 per cent. in value of all American real estate, including railways, is owned by less than 10 per cent. of the whole number of land-owners. Indeed, it is practically undisputed that this amount is held by less than 5 per cent. of the whole number, and that half of all the value is held by one-hundredth of all owners.

This fact immediately puts a new light upon the whole question. Accepting the far too conservative estimate that one tenth of all the owners, or 600,000 families, own three fourths of all the land, and constructing a table, showing the effect of the change in taxation upon them, we should reach very different results.

These families, being much richer than the remaining 5,500,000, of course pay even now a much larger share of taxes of all kinds. Owning three fourths of all real estate, they must now pay three fourths of the taxes on that, or, in round numbers, \$264,000,000. They doubtless pay one fourth of all personal taxes, or \$29,000,000. Their quota of federal taxes, etc., would be very much larger than that of the same number of small land-owners. It would not be less than \$200,000,000. On the other hand, this class includes nearly all those persons who derive profit from tariffs, monopolies, and bounties; all of

which would be swept away by a natural system of taxation. This class, as a whole, would suffer some loss.

§ 6. Where the burden would fall. But the line must be drawn still higher up. The profits of artificial monopolies and bounties are almost entirely divided among less than 50,000 land-owners. The remaining 6,000,000 get practically none of these profits. The line of division, therefore, must be drawn between the 50,000 families, which own at least 30 per cent. of all the land values of the United States, and the 6,000,000, who own the remainder.

Allowing one half the burdens, indirectly resulting from tariffs and excise laws, to be mere waste, bringing no profit to anybody, still, in years of average prosperity, annual profits to the amount of \$350,000,000 would remain; of which more than \$300,000,000 go to the 50,000 largest land-owners.

Let us now construct a table, showing the incidence of direct taxation upon

The 50,000 largest land-owners.

They paid, in 1890:		
30% of taxes on real estate.....	\$106,000,000	
10% of " " personal estate.....	11,700,000	
10% of tariff, etc., taxes, profits, and waste.....	105,000,000	\$222,700,000
		<hr/>
They gained profits from the tariff, etc.....	300,000,000	
		<hr/>
Their net profits from the system of indirect taxation were.....	77,300,000	
Under direct taxation, they would make no tariff profits, and would pay 30% of all taxes.....	249,000,000	
		<hr/>
Their net loss, from direct taxation.....	\$326,300,000	

This explanation makes it easy to understand how the vast majority of land-owners may actually gain by assum-

ing the whole burden of direct taxation. By so doing, they get rid of paying a tribute of \$350,000,000 to a small band of bounty-fed capitalists, and of an annual waste of \$350,000,000 more. The loss of this tribute will fall entirely upon the few who depend upon unjust legislation for their profits.

But the case, even of the afflicted 50,000, is not so bad as it at first seems. Let us review their whole situation. Possessing 30 per cent. of all real-estate values, they enjoy an annual rent, from land and building, of close upon \$700,000,000. Their income from tariff profits and the like has been put at \$300,000,000. They would lose by the adoption of direct taxation only three per cent. of their rents; although they would lose, and ought to lose, the whole of the tribute which they levy upon their fellow citizens, by means of an abuse of the taxing power. The immense benefits which would be conferred upon the country, by the abolition of indirect taxation, would certainly increase rent by much more than three per cent.; and thus even this small class would lose nothing but the illegitimate profits, which they make by an abuse of the taxing powers of the national government.

Yet there must be some class which will lose absolutely by the concentration of taxes upon ground rents. There is. It is that small number of persons whose chief investment is in vacant land, and whose chief occupation is keeping land out of use.

§ 7. **The farmers.** In Great Britain and Ireland, no one who speaks of farmers thinks of men who *own* farms. And, indeed, the very word "farmer" signifies properly one who hires land from another. But, while we in the United States continued to use this English word, the totally different circumstances of our early history completely transformed its meaning. So vast a

majority of those who tilled American farms owned their farms, in fee simple, that the name of farmer has, for long generations, necessarily implied the ownership of a farm. But little more than twenty years ago one of the best informed Americans, addressing an assembly of learned and distinguished Europeans, declared that the number of American farmers who did not own their farms was so small as to be entirely unworthy of consideration in the discussion of social or political questions.

This tradition still remains with us; and it is so ingrained in our ideas that in all discussions of public questions it is uniformly assumed, in good faith, that all American farmers are farm-owners. And no class appears to be more convinced of the truth of this assumption than farmers themselves. Indeed, so deeply rooted is this conviction in all their habits of thought, that, so far as can be judged from the public utterances of their especial representatives, American farmers are unanimously of opinion, not only that they all own their farms, but that they own substantially all the land in America, except a few thousand acres in a few large cities.

The inevitable consequence is that, in all discussions of taxation, the mass of American farmers take it for granted that every proposition to increase the share of taxation which falls upon the value of land is a proposition to increase their share of the public burdens; and up to this time all tillers of the soil have voted, with almost absolute unanimity, against every such proposal and in favor of every measure which even pretends to increase the burdens of taxation on buildings, improvements, and personal property.

The census of 1890 has struck a fatal blow to this illusion. It has demonstrated, as the figures now to be given will show, that more than one third of American

farms are held by mere tenants (who are, almost always, tenants only from year to year), and that less than half of them are held by absolute owners, free of mortgage.

The official returns on this subject are as follows :

<i>Ownership and Hiring of Farms.</i>			
Families owning, free.....	2,255,789		
“ “ incumbered....	886,957	3,142,746	
Families hiring.....			1,624,433
Total.....			4,767,179
Families owning, free.....	2,255,789		
Families hiring or mortgaged....	2,511,390		4,767,179

§ 8. **Farmers as a political factor.** In addition to the 1,600,000 landless farmers thus hiring farms, there must be taken into account fully 3,000,000 farm laborers, of voting age, who constitute part of the farming population, but who neither own nor hire farms. Thus the landless farm-voters number at least 4,600,000; while the land-owning farmers number only 3,100,000. Assuming that each of them is a voter, or the wife of a voter, the farm-owners constitute less than one fifth of the voting population.

The proportion of land values held by farmers shrinks when put to the test of statistics as much as does their numerical proportion. The same census returns the aggregate real value of farms at (in round numbers) \$13,279,000,000, out of a total taxable real estate value of \$46,000,000,000, including railroads, etc. As much more than one third of all farms are not owned by farmers, we must deduct at least one third from this farm value, in estimating the amount owned by farmers. This would leave them in possession of a value, in both land and its improvements, of about \$8,800,000,000, or less than one

fifth of the whole value of real estate, which closely corresponds with their proportion of the population.

The independent farmer, therefore, is a rapidly diminishing factor in American politics. He has had almost supreme power in his hands, in the past; and the result of his control of the government has been to put his class into a course of speedy extinction. Nevertheless, the interests of the farmers and farm-owners are entitled to full consideration; and they shall have it here. They, or those who assume to represent them, are the most clamorous opponents of intelligent and just taxation; and wherever they have control, they strenuously maintain a system of indiscriminate hodge-podge taxation, with its inevitable accompaniment of more perjury and more fraud to each cent collected than is attached to the collection of a dollar under even moderately scientific methods of taxation.

It has already been demonstrated, it is hoped, to the satisfaction of every intelligent reader, that the tax on personal property, to which the average farmer clings so tenaciously, only increases his share of taxes. But the effect of abolishing taxes upon buildings has been reserved, so far as the farmers' interest is concerned, for this place.

§ 9. Do farm-owners gain by taxing improvements on land? The farmer is apt to cry out against what he calls the injustice of exempting from all taxation the magnificent buildings sometimes erected in cities, forgetting that such buildings always stand upon the most expensive land, while his own farm house and barns stand upon land of utterly insignificant value. In adjusting taxation, *the only question of importance is as to the relative proportion which will be borne by different classes*; and it is of no importance whatever that any single piece of property should pay much or little, provided all other

properties of the same kind pay in exact proportion with it. A farm house, costing \$1,500 to build, will stand upon a piece of land which, including the surrounding garden, on an ample scale, would not be worth more than \$15. But an average city house, costing \$10,000 to build, will stand upon a lot worth at least \$5,000; while a warehouse, costing \$50,000 to build, will frequently stand upon a lot worth \$50,000.

So far, therefore, as the mere value of land which is required for the purpose of supporting the house or building of any kind is concerned, the farmer would gain largely by concentrating taxes upon that and exempting all buildings.¹

But he holds, in addition to the land upon which his house stands, a number of acres which he uses for farming purposes; and he assumes that these will be heavily taxed under a system of taxation upon land values alone, and that thus a larger proportion of the burden will be thrown upon him. This is an entire mistake. When buildings are exempt from taxation *all other improvements* on the land must also be exempted; and the result of this would be to assess improved farm lands at no higher

¹ Some readers may wish to see this statement proved in detail. Taking the illustrations from the text, and supposing a tax of \$1165 to be laid upon the three pieces of property mentioned, the result, under the present system, would be as follows:

Farm house and land, \$1515; city house and land, \$15,000; warehouse and land, \$100,000. Total, \$116,515; tax rate, 1%. Tax on the farm house, \$15.15, on the city house, \$150, on the warehouse, \$1000.

Under a system exempting all buildings and improvements, the assessment would be as follows:

Farm land, \$15; city land, \$5000; warehouse land, \$50,000.

The gross tax remaining the same (\$1165), it would be divided on a total assessment of only \$55,015, requiring a tax rate of 2 $\frac{1}{3}$ %. The farm house owner would pay 32 cents; the city house owner, \$106; the warehouse owner, \$1059. *Reduction of farmer's tax, 98 per cent.*

value than perfectly wild, uncultivated land in the immediate vicinity. All fences, all growing crops, all improvements of every kind would be left out of account; and land would be assessed only at the value which it would bring if it had been just swept clean by a prairie fire. Very little consideration is required to enable any one to see that under such a rule of assessment the taxes levied upon farms would be much less, in proportion to those levied upon town lots, than they are to-day, and that such a change in the methods of assessment and taxation would result in lessening the burden of farmers and farm owners.

§ 10. Proportion of improvements in farm values.

As, however, this point is most obstinately disputed, and statistics are constantly brought forward which upon their face indicate that improvements upon farms bear a much smaller proportion to land values than is the case in cities, the question needs further consideration. For, while we ought not to be affected by the mere fact that farmers constitute so large a portion of the voters in the United States as to give them a controlling influence in the decision of tax reforms, especially in view of their total failure in the past to exercise that power for their own good, we ought to give great weight to any evidence that an apparent reform would increase their burdens.

But the manifest tendency of wealth to concentrate in cities, the rapid rise in the value of city lands, and the stationary values of farm lands raise a strong presumption that land values bear a larger proportion to improvements in cities than in the country; and we may well distrust the correctness of any figures which indicate the contrary. Improvements, moreover, are merely items of personal property, which have been fastened to the land; and having seen that wealth in general flows into cities,

we have good reason to doubt any statistics which seem to show that a disproportionate amount of one kind of personal property settles on farms. On the other hand, having seen that the taxation of movable chattels falls most heavily upon farmers, notwithstanding the universal expectation that it would not do so, we are prepared to find some similar miscalculation with respect to those immovable chattels which are called improvements upon land.

§ 11. **The true test.** Some assessments profess to separate the value of lands from the value of improvements. But it would seem, in all cases, that only *buildings* are reckoned as improvements; and it is certain that the value added to land, by drains, irrigation, and all the different forms of preparing land for cultivation, is never separately stated. It is true that much of this added value cannot now be distinguished, having been created so long ago that no estimate of it can fairly be made. But precisely the same thing is true of still more expensive improvements made in cities, paid for by local assessments in past years. Setting these aside, as balancing each other, farmers have a great advantage in certain universal tests, of easy and almost uniform application. Almost every farm has some land within its limits, or closely adjoining it, which is entirely unimproved, either never having been prepared for cultivation, or having lost all that had been done for that purpose. The value of this land will afford the proper measure for valuing the rest. The improved land should be estimated at no greater value than the unimproved. In the very few cases, in which every foot of ground in a farm is cultivated, the price which could be obtained for land taken out of an adjoining highway would afford as good a test. In the latter case due allowance would be made for the superior value attaching to such land, over the rest of the farm,

by reason of its nearness to the road. The valuation would, in every case of farm assessments, be based on the market price of the land, as it would be if the soil had never been broken up or in any way prepared for use. The assessor would not inquire what was on the land fifty years before; but he would look at the surrounding land, under present conditions; and it would be his duty to reduce the valuation of land which had been broken up, plowed, fertilized, drained, cleared, and cultivated, to a level with other land, equally well or ill situated, for which nothing of the kind had been done.

At the present time, it is understood that Western wild land, which may be had for \$5 an acre in its original state, sells for \$15 when even fairly prepared for farming. A deduction of 66 per cent., therefore, would seem to be the lowest allowance required on this account. But this low rate is only applicable to land free from heavy stones, stumps of trees, and similar natural defects. The deduction to be made from the market value of lands which have been cleared from such defects, or which have been drained, irrigated or otherwise permanently improved, would be much greater. In Massachusetts cultivated farm land is worth, on an average, \$55, while uncultivated but improvable land is worth only \$15.¹

As a matter of course, no assessment would be made upon the transient increase of value arising from fertilization, plowing, growing crops, fruit trees, or anything of that kind. To this extent the principle has been recognized in the new Constitution of California, which directs that cultivated and uncultivated land shall be assessed alike.

Upon the whole, it is safe to say that, under a system of valuation excluding all improvements, cultivated farms

¹ See Appendix to this chapter.

would be assessed at less than 40 per cent. of their whole value, improvements included.¹

§ 12. **Comparison of farms with cities.** The case of cities stands in strong contrast. In no large city are buildings worth more than 50 per cent. of all real estate; while in Boston they are valued even by assessors at only 40 per cent. As under the present system vacant land is uniformly assessed much lower, in proportion to its market price, than is land covered by buildings, it is evident that the bare land of cities is worth much more than 60 per cent. of their real estate. From this value there can be no such deduction as is proper in the case of farms. Cultivation, crops, and fences add nothing to the market price of city lots. The cost of roads and other public improvements has not been deducted from the assessable value of farms; and therefore it must not be deducted from the value of city lots. If allowed in one instance, it must be allowed in the other; and in the end it would make little or no difference in the relative burden of taxation. It is better, therefore, to make no allowance for it in either case.

The result of a total exemption of improvements from taxation would thus appear to be a reduction of more than 50 per cent. in the taxable value of farms, and of less than 40 per cent. in the taxable value of cities. Of course, the reduction would be less in farms lying close to cities, and more in towns of small population, even though dignified with the titles of cities. Farms, when really held on speculation as town lots, are not entitled to rank with farms; and villages are not made cities, by labelling them as such.

Comparing *real* farms with *real* cities, the exemption of all personal property and improvements would reduce the taxation of farm owners in states having large towns by

¹ See Appendix to this chapter.

at least 30 per cent. For every \$100 now paid by them they would then pay less than \$70.¹

Nor is this all which the farm owner would gain. Under the present system, an enormous amount of land value, in the form of railway, telegraph, telephone, gas-light and electric light franchises, goes untaxed. Most of this is found in cities and towns. All this would be taxed at its proper value, under the system which would immediately spring up if personal property and improvements were exempted; and the taxes thus collected would go in relief of farms. But this belongs to a later period of this discussion.

§ 13. The farmers' loss and gain. It having now been shown that taxes upon personal property and improvements of land bear more severely upon farmers than upon any other class of property owners in the United States, it only remains to give a summary statement of the general effect which the concentration of all taxes upon ground rents would have upon American farmers, taken as an entire class.

Using round numbers, it has been shown that the total ground rent of the United States for 1890 was \$1,380,000,000; the whole amount of taxes to be provided for was \$828,000,000; the local taxes on real estate were \$354,000,000, and on personal property, \$117,000,000; the national taxes, all indirect, were \$358,000,000; while the burden of private profit or of waste, caused by the nature of indirect taxes, was about \$700,000,000 in 1880, and could not well be less in 1890.

¹This may be verified by comparing the assessments of Hamilton County (Cincinnati) and Medina County, Ohio (*Anti*, p. 90). It will be found that if these two counties were assessed on land values alone, estimating them at 60 per cent. of real estate in the city and 50 per cent. in the country, Medina's share would be fully 30 per cent. less than it is now.

It will not make much difference whether the farmers' share of land values in the United States is estimated at more or less than 30 per cent., since their proportion of local taxation will vary in proportion thereto. But according to the census of 1890 the value of farms was less than 30 per cent. of the value of all taxable real estate and land privileges.¹

Farmers have never made any profit out of the higher prices caused by indirect taxation; and therefore they have paid their share of all profit so made, without receiving any part of it back.

Since American farms constituted, in 1890, 30 per cent. of all real estate, their owners must have paid at least 30 per cent. of the taxes on real estate. In fact they paid more; because land franchises did not pay their share. It has been demonstrated that they have always paid more than their proper share of taxes on personal property; and they have certainly paid at least one fourth of such taxes, taking the country at large.

Indirect taxes are of course paid, not in proportion to wealth or income, but according to consumption. If farmers live as well as other people, they pay such taxes in proportion to their numbers, not their property. It may be assumed that they are more frugal than most other land-owners. But farm *owners*, who form one fourth of all families, live in much better style than do the great mass of landless people. They therefore pay at least one-fourth of all indirect taxes. We thus reach the conclusions now stated:

American farm owners pay, under the present system of taxation:

¹ True value of all taxable real estate, over \$46,000,000,000; of farms, \$13,279,000,000.

30 % of taxes on real estate (\$354,000,000).....	\$106,200,000
25 % of taxes on personal property (\$117,000,000).....	29,250,000
25 % of indirect taxes and profits thereon (\$1,050,000,000).....	262,500,000
	\$397,950,000

They would pay under the system here proposed:

30 per cent. of all necessary taxes, with no indirect burdens attached. (\$828,000,000).....	\$248,400,000
Reduction of Farmers' Taxes, through direct taxation.....	\$149,550,000

Thus the farmers would save much more than one third of their present tax burdens by the concentration of taxes on ground rents alone.

§ 14. Relief of farmers, without injustice to others. The question is naturally asked: "Since a certain sum must be raised, in any event, for the support of government, how can the burden of farmers as a class be lightened, without increasing to the same extent the burden of cities and towns?"

Of course, the proposal to collect taxes from only one source implies that the burden is to be increased upon the class which controls that source. But the proposal is that the whole burden shall be placed upon the *owners of ground rents*, including the franchises on land. Such owners form a very small minority of the residents of cities and towns; and therefore a vast majority of such residents would not suffer any increase of burdens, through any amount of relief which might be given to farmers. Town people will always pay most of the rent of every highly civilized country. They pay no less rent when the farmers are taxed heavily than they would pay if the farmers were not taxed at all. There is no conflict of interest between those who live in cities and those who live on farms. But there is a great conflict

of interest between those who own city land and those who own the farms. Under a single tax upon ground rents, farm owners, as a class, would not pay nearly so large a share of taxes as they do now; because the value of their land is so much less than the value of city, town, and railway land. All that they would thus save would be cast upon the owners of city and town lots, or deducted from the excessive profits of monopolies. But the *tenants* of town property would gain fully as much as the *owners* of farms.

APPENDIX TO CHAPTER XII.

The census of Massachusetts for 1885 (the latest published) gives a full statement of the assessed value of farm property, distinguishing between improved land, unimproved land, unimprovable land, and buildings. The writer is not aware of the existence of any other statistics of this kind worthy of the least confidence. But these are evidently prepared honestly and intelligently, although large allowance must of course be made for errors.

This census showed the results of investigations into 45,010 separate farms or farm plots. On these "farms" (as it is most convenient to call them) there were 46,109 dwelling houses and 50,275 barns or other outbuildings. The average value of each farm was \$2,459.47, of each house \$1,009.76, and of each outbuilding \$408.70.

The real estate of all farms was classified as follows:

Cultivated land.	939,260 acres.	\$59,891,868
Unimproved	1,479,454 "	24,719,798
Unimprovable	90,213 "	809,892
Woodland	1,389,502 "	25,279,209
Total land values.		\$110,700,767
Buildings.		74,418,218
Total value of land and buildings.		\$185,118,925

The average value per acre, for the entire State, of farm lands without buildings, was, for cultivated land, \$63.76; for

uncultivated, \$16.26; for woodland, \$18.17; for unimprovable, less than \$9. But these values include land in cities, which of course was held for sale as town lots. Omitting land in cities, the average values were, for cultivated, \$55.05; for uncultivated, \$15.15; for woodland, \$17.46.

Under the California rule, which would be followed under any system for the taxation of pure ground rents, the cultivated land would be assessed at no higher value than the other land. Assuming, however, that cultivated land is better situated than other land, and should therefore be valued about one third higher, say at \$20 per acre, the total valuation of Massachusetts farm lands would have been, in 1885, about \$69,594,100. This would have been the taxable value, instead of \$185,118,925, which was the taxable value under the present system, so beloved by Massachusetts farmers.

The result of excepting all buildings and improvements from taxation would, therefore, be to reduce the assessment of farms 62 per cent. Or, to put it in the other way, farms would be assessed at only 38 per cent. of the present rate.

Now let us compare the reduction in the farm assessments which would be made under the tax on ground rents alone, with the reduction which would be made in city assessments as returned in 1890. The proportion has remained the same, substantially, for many years.

Boston and Brookline (which are territorially one) were assessed for \$386,735,775 in land and \$263,181,500 in buildings. There is no deduction to be made in cities on account of the non-cultivation of land. The pure land value of Boston was, therefore, 59½ per cent. of all its real estate; and the reduction in its assessment would be only 40¼ per cent., as compared with 62 on the farms. The reduction to farms would thus be 50 per cent greater than the reduction in Boston. In Lowell, Springfield, and Worcester, which have within their limits a good deal of farm land,¹ the value of land and buildings are

¹ Farm land in Lowell, 3478 acres out of a total of 5989; in Springfield, 13,277 out of 16,807; in Worcester, 18,249 out of 20,835.

nearly equal. But even as against them, farms would have an advantage of 25 per cent. under the proposed system.

If all the taxes of Massachusetts were collected from real estate and divided between Boston and the farms, the farms would pay 45 per cent. *more*, under the present system of taxing both land and improvements, than they would pay under a tax upon the value of land alone.

No statement of the whole amount of personal property assessed upon Massachusetts farms alone is accessible. But by comparing three counties, Berkshire, Franklin, and Hampshire, in which the value of farms in 1885 constituted more than *half* the value of all real estate, with Suffolk County, in which farms constituted only the *one hundred and twentieth* part of real estate, we can reach a very fair conclusion as to the effect of the exemption of both personal property and improvements.

As we are compelled to compare the farm values of 1885 with the total assessments of 1890, there is no use in giving precise figures; and round numbers will therefore be used. The assessed value of all property in Suffolk County was \$851,000,000. In the three farming counties it was \$91,000,000. If personal property and buildings had been exempted, and land had been assessed at its unimproved value, the assessment of Suffolk would have been \$377,000,000, and that of the three farming counties would have been less than \$22,000,000. Thus the assessment of Suffolk County (which is only another name for Boston) would have been reduced 56 per cent.; but the assessment of the farming counties would have been reduced 76 per cent. Assuming the rate of taxation to be 1 per cent. on the present valuation, Boston would pay, under the present system, \$8,510,000, and the farming counties, \$910,000. Under the reformed system, Boston would pay \$8,900,000, while the farming counties would pay only \$520,000. The burden upon farms would be lightened by 43 per cent., and yet the burden of Boston would be increased by less than 5 per cent.; the State receiving precisely the same revenue, in any case. Or, to put

it the other way, Massachusetts farmers are paying 75 per cent. *more* of the State taxes, under the present system, than they would pay under a tax upon the unimproved value of land alone.

And still the Massachusetts farmers are clamorously demanding the perpetuation and extension of the very system which makes their burdens heavier, and would almost lose their senses if their taxes were reduced 40 per cent. by a rational system of taxation.

These statistics are taken from the Massachusetts "Census of agricultural products and property," for 1885, and the official "Aggregates of polls, property, and taxes," assessed in 1890. The census can be found in any good library. The other document can probably be obtained from the Secretary of State.

After the foregoing pages were in type, it was suggested by a critic, worthy of the highest respect, that these differences in value might be mainly the result of differences in site, nearness to markets, or inherent qualities of the land. But it will be found that this is not so. The Massachusetts census shows that about the same ratio of difference runs all through the State, in the towns nearest to markets as well as in those most distant, in the largest cities and in the smallest villages, on the hills and on the plains, where land is dear and where it is cheap. The allowance of twenty per cent. made above for the probable superiority of natural advantages possessed by cultivated land seems, upon close examination of the returns, to be ample.

Taking the three counties in Massachusetts where farms are of greatest importance compared with other investments, we find the average value per acre of all farm real estate, including buildings, of cultivated land, of pasture land capable of cultivation, and of all unimproved land, to run as follows :

Counties.	Real Estate.	Cultivated Land.	Pasture Land.	Unimproved Land.
Berkshire.....	\$31 20	\$38 87	\$12 43	\$11 19
Franklin.....	29 20	40 19	9 00	9 00
Hampshire.....	34 70	39 32	10 50	9 65

All land which is considered not worthy of improvement is excluded from pasture land. Yet it will be seen that, if improvements of all kinds were excluded from assessment, the real estate of farms in Berkshire County would be assessed at only 40 per cent., in Franklin County at only 33 per cent., and in Hampshire County at only 30 per cent. of the assessed value under the present system.

All these counties are within easy reach of good markets, but Franklin and Hampshire are especially so. Berkshire, on the other hand, has a much larger number of summer-visitors, who are good customers for the season.

Selecting single towns, at the extremes of wealth, we find much the same results. In Berkshire County Stockbridge has the highest-priced land and Savoy the lowest-priced. In Stockbridge the average value of improved land is about \$112 per acre, of unimproved land \$49, and of land and buildings \$118. In Savoy improved land is valued at about \$7, land and buildings the same, and unimproved land at \$2.87. Therefore, if assessments were made upon the value of unimproved land only, farms in wealthy Stockbridge would be assessed at 41 per cent. of their present rate, and in poor Savoy precisely the same.

The writer is well aware that statistics can be prepared from assessment rolls in other States showing apparently different results. He has carefully studied such returns from a dozen different States. If any of them had even pretended to give an extended statement of farm values, it should have been analyzed here. But not one of them does this; nor does one pretend to distinguish between buildings and other improvements. Almost without exception, they are admitted, by the officers issuing them, to be worthless. In Nebraska, the auditor states that the assessments are only about 5 per cent. of true values. In Illinois, they are about 12 to 15 per cent. If there were any uniformity in such undervaluations, the tables might still be useful; but there is none. These returns are simply monuments of the phenomenal incapacity or dishonesty of American assessors.