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The Single Tax

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## THE SINGLE TAX.

THE attacks which have been made upon the doctrines of Henry George have almost all proceeded upon the assumption that Mr. George is an apostle of socialism while his critics are defenders of individualism. In fact he is the most extreme of individualists. As stated in the single-tax platform, his plan "would leave every one free to apply labor or capital in production or exchange without fine or restriction, and would leave to each the full product of his exertion." The following essay will recognize Mr. George's individualism, but will show that the logical outcome of his doctrines, so far from impoverishing property owners to enrich society, would impoverish society, by depriving it of the part-ownership which it now holds in every form of wealth, and enrich property owners by relieving them of the public duties now recognized as binding upon them.

The religious argument for the single tax need not detain us. It is that "land is the gift of God, and therefore belongs equally to all his children." Those who use this argument, themselves distinguish between "land" and the "value of land," and would inconsistently keep the land, which is the gift of God, in the possession of individuals, while the value of the land, which is certainly not the gift of God, they would divide equally among all his children. It is, however, the social argument upon which Mr. George bases his system, and it is this which demands our attention. As stated by Mr. George himself, the proposition is: "Land values arise from the presence of all"; therefore "the land belongs equally to all." A moment's examination will show that this conclusion does not follow from the premise. The land does not belong "equally" to all unless land values arise *equally* from the presence of all; but this is far from being the case. There are large classes of individuals whose

presence, so far from increasing, absolutely decreases the value of the land. It was the removal of the American Indians which first gave value to American land. The presence of the most degraded negroes in certain sections of the South to-day, instead of enhancing land values, diminishes them. The presence of the Hungarians and Italians who pour into New York City may not absolutely diminish the value of land, but the increment due to them is demonstrably insignificant. If it were true that the value of land arose equally from the presence of all, then each Bohemian family which lands in that city would add \$4000 to the value of its land. If the value of land arose equally from the presence of all, this value in different sections of the city would be in proportion to the density of the population; yet in the tenement-house districts, where the density of the population is five times as great as on Murray Hill, the value of the land, instead of being five times as great, is not one-fifth as great. In the same way, if the value of land came equally from all, its price in different parts of the country would be in proportion to the population. Yet we find that while the value of land per family in New York City is in the neighborhood of \$4000, its corresponding value in Ohio is \$2000, and in Mississippi but \$400. In other words, the proposition that the value of land is created by the brute force of population is almost as absurd as that it is the gift of nature. If the value of the land in Mississippi is but \$400 per family, and a part of this value, as even the most extreme advocates of the single tax will admit, is due to the improvements which have been placed upon the land, then it is safe to conclude that almost the entire value of the land of Ohio, which is \$2000 per family, is due not to the mere presence of population, but to the capital and labor which has been spent in its improvement by the present and the preceding generation. Did Mr. George deny the right of inheritance, then he might claim that the propertyless masses in Ohio — the immigrants of the last twenty years — had an equal right with its present owners to the value of the land of Ohio. But inasmuch as Mr. George admits to the full the right of children

to the values which have been created by the labor and capital of their parents, it follows in logic that the value of the land of Ohio belongs to those families whose capital and labor created it. The public has not even the right to place any "fine" or tax upon it.

It is a striking fact that all the Anglo-Saxon legislation which has had anything in common with Mr. George's doctrines has recognized that the value of land, like the value of everything else, is chiefly the result of improvements, public and private, incorporated within it. It has been said that the Irish nationalist movement recognizes the justice of Mr. George's proposition that land values are the creation of the whole people, and therefore belong to the whole people. Yet the defenders of the agrarian agitation in Ireland have uniformly based their claims upon the fact that the landlords in Ireland have paid for none of the improvements by which the value of the land has been increased. Much has been made of the fact that the taxation of ground rents has been accepted by the majority of the members of the London county council. Yet when we come to examine the platform upon which these members stand, we find that it is merely one which has been accepted in American legislation from the beginning. It is that the value of the land which comes from public improvements belongs to the public. The bill making improvements in the Strand which that body passed in December, 1887, merely provided that if the rental of a piece of land was increased by £100 a year (and its capitalized value by £2000) on account of such improvements, the public should have a right to the increment. This action produced consternation among the English Conservatives, for the reason that in the past the renters in London have been taxed for the improvements which enabled the landlords to raise rents. The injustice of the old system was pointed out in the clearest terms by Thorold Rogers, twenty years ago, and Thorold Rogers was the ablest opponent of Henry George in England. The principle which was tentatively adopted by the London council is one which in America has always been accepted. Street improvements are generally paid for by the

assessment of the abutting land. The principle is that as soon as such improvements will add their value to the land, the land-owners will order them made. In many cases these improvements are ordered by the public before they will add their value to the abutting land. To take an Ohio illustration, in 1889 the city of Columbus expended \$869,000 in street improvements.<sup>1</sup> On a few streets the cost of the pavements laid was greater than the entire value of the abutting lots. Taking the city as a whole, more than four per cent of the value of its land was put into pavements, and it was doubtful if the value of the city's land was increased a like amount. In a few years the pavements will be worn away and the abutting land-owners will again be called upon to replace them. Meanwhile the public has also had the use of private capital without paying interest upon it. This method, which has been adopted so generally to defray the cost of streets, has also been adopted to defray the cost of other public improvements which add directly to the value of the land benefited. Any one who is at all familiar with the extent of these assessments—especially upon land which is held for speculation—will understand that the land values which come from public improvements have been made a charge to the land. The American public has claimed these values and has made the landowner pay for them dollar for dollar in advance. The increment is an earned increment.

But the increment which the landowners have earned—and received—from the successive assessments they have paid, does not compare in importance with the increment which they have earned—and not received—from the public taxes they have paid. The question has been much discussed whether the single tax, if levied upon present land values, would yield a surplus or a deficit. Fortunately for Mr. George, his critics have taken for discussion long-settled countries and cities, where the public and private improvements made by successive generations have given to the land an enormous value. Yet even in

<sup>1</sup> The repeated use of Ohio illustrations in this article is partly due to the writer's familiarity with that state, and partly to the fact that its decennial appraisal of land and buildings separately gives a trustworthy statistical basis for argument.

these, it is my belief that the single tax would not supply the present public revenue. As regards England, we have fortunately at hand the statistics prepared by Mr. Giffen in his paper before the Statistical Society in December, 1889, in which he was not considering the subject of the single tax, and is therefore not open to the charge of special pleading. The value of the farm lands of Great Britain in 1885 was \$8,400,000,000. The value of the houses was \$9,500,000,000. If we assume that sixty per cent of the value of the English houses was the value of the land on which they stood, then the total value of all the land in England was but \$14,000,000,000. The taxation of England in 1885 was \$750,000,000, of which not to exceed \$100,000,000 rests upon land. The question then is, could the land of England support an additional tax of \$650,000,000? The answer is obvious when we remember that Mr. Giffen arrived at the total land value by multiplying rentals by thirty; that is, the average rental of land in England is three and one-third per cent. Three and one-third per cent upon \$14,000,000,000 would be but \$470,000,000. In other words, the single tax in England, even if the entire rentals of the land inclusive of improvements incorporated within the soil were taken, would produce a deficit of \$200,000,000 annually.

In America the aggregate deficit is less clear. Yet here we find that in most of our Eastern states the local taxes alone have for years been much greater than the aggregate increase in the values of the land. For example, in Connecticut during the past fifteen years the assessed value of the land has increased \$36,000,000. The aggregate taxes paid have been more than \$70,000,000. As these taxes have been contributed by the property owners, the latter have already more than paid for the increment which they have received. The logical application of the single-tax theory would require that the property owners receive back the taxes they have advanced, and turn over to the public the increment that has arisen. This would leave the public vastly in debt to the property owners, instead of the property owners vastly in debt to the public.

But England and our own Eastern states do not furnish a

fair field in which to consider the application of the single tax. In these territories it is necessary to ignore the all-important question whether the value which now attaches to the land has been given to it by improvements or by the public. In a new community we can be clearer upon this point, and the moment we consider the situation of such a community we find that the application of the single-tax formula — that the public should take only the rental of that part of the value of land which is not due to improvements — would leave the public absolutely penniless. Take for example the territory of Montana. The census of 1880 showed real estate valued at \$5,000,000, and personalty valued at \$13,500,000. The direct taxes were \$383,000. Upon the total property of the state this tax amounted to over two per cent. If only real estate had been taxed, it would have been necessary to make a levy of seven per cent; if only land had been taxed, it is probable that the levy necessary would have been fourteen per cent. If only that value which the land has irrespective of all improvements for clearing, draining, manuring and road-making in the case of farms, and for clearing, draining, grading and street improvements of every description in the case of towns, the levy necessary would certainly have been thirty and probably a hundred per cent. In short the value which the land has apart from improvements is nothing, and the single-tax fund is nothing. When we take a new territory like this, in order to show the enormity of the single-tax deficit, it is not necessary to consider the burden which national taxation would place upon the land. In such a territory the adoption of the single tax would mean, not the abolition of poverty, but the abolition of the public schools and every other public institution.

What is true of a new territory like Montana is true of new towns everywhere. When farming land is converted into town lots, the value of these lots is in general only the value of the farm land plus the value of the town improvements. The Ohio tax duplicates for 1880, in which land and houses are separately assessed, show very clearly how little value attaches to land in new and small towns. In the counties of Franklin and

Greene, for example, the tax statistics of the small towns run as follows :

	LAND.	BUILDINGS.	PERSONALTY.	TOTAL.
Winchester . . . . .	\$38,000	\$143,000	\$169,000	\$350,000
Groveport . . . . .	27,000	91,000	56,000	174,000
Jamestown . . . . .	56,000	129,000	242,000	427,000

The taxes levied in all these towns is nearly one and one-half per cent upon the value of all property, real and personal. If realty alone were taxed, the rate would be three per cent. If land alone were taxed, the rate would need to be twelve per cent. If only that part of the value of the land were taxed which is due to the community at large, and not to the public and private improvements paid for by individuals, it is clear that the rentals which the single tax proposes to take would pay but the smallest fraction of the present outlay for local public purposes. This being the situation alike in new territories and in new towns, it becomes evident into what hopeless bankruptcy the single tax would have thrown every American community, had it been adopted from the start. The community must everywhere have placed itself in the position of an investor in real estate who does his entire business on borrowed capital, instead of a public corporation enjoying a part-ownership in all the wealth of all its tenants. The community must not only have borrowed the money for paving, drainage and the like, but for schools, courts, charities and all other public purposes. In short the public treasury would everywhere have been bankrupt from the outset.

The fundamental mistake of Mr. George and the single-tax advocates is their conception that in the value of the land the community has a vast element of wealth which has somehow come of itself, without the expenditure of labor or capital. A correlative error is their assumption that another amount equally vast may now be created without labor, by adopting their system. Their platform promises that the single tax

would make it impossible for speculators and monopolists to hold opportunities unused or only half-used, and would throw open to labor the illimitable field of employment which the earth offers to man. It



would thus solve the labor problem, doing away with involuntary poverty, raise wages in all occupations, and cause such an enormous production of wealth as would give to all comfort, leisure and participation in the advantages of an advancing civilization.

Here it is assumed that if the taxes now levied upon houses and improvements were repealed, there would at once be an immense addition to the national wealth. All the unimproved farm land would at once be brought under cultivation; all the vacant building lots would at once be covered with houses. This were indeed a consummation devoutly to be wished, but this is the most absurd portion of the entire single-tax programme. Houses cannot be built except out of new savings, unless capital can be withdrawn from other enterprises. To withdraw capital from other enterprises where it is more remunerative, and put it into the building of houses which will not be needed by the community for years, or into the improving of farms whose cultivation is not yet demanded, would be the most enormous possible waste of our national wealth. There is no vast fund of wealth in the air which can be brought to earth by the touch of Mr. George's magic wand. The amount of wealth which society can produce is limited by the amount of labor and capital which society has at its disposal. Any plan to turn this investment out of its natural channel involves an economic loss. Except in trivial and exceptional cases, there is no wealth which is not the product of labor, and no wealth can be created except as the product of labor. The single-tax plan, logically carried out, would leave society to be supported by a non-existent fund.

In conclusion, however, a word needs to be said in reply to those who, without concerning themselves about the logic of Mr. George's doctrines, are nevertheless in favor of repealing all taxes on personalty and buildings, leaving land alone subject to assessment. This plan would accomplish one of the ends proposed by Mr. George. It would absolutely free the propertyless masses from such taxes as now rest upon labor. A tax upon land does rest upon the landlord. He cannot shift one dollar of the burden upon renter or consumer. Yet such a tax

would in America have the effect of reducing to poverty the great class which has suffered most from our tax policy in the past. It is not strange that the plan makes converts in England so much more rapidly than in America. Land is the only form of wealth in America whose possession is widely and well distributed. While in England, four thousand two hundred landowners possess more than half of the land, in America the half of it is not owned by the richest four hundred thousand. There are in this country nearly four million owners of farm lands. The taxation of land alone would confiscate the bulk of their property. This is vehemently denied by the single-tax advocates, but official statistics confirm common observation. In Ohio the value of the land on the farms is \$625,000,000; the value of the land in the cities and towns is but \$240,000,000. Yet only forty per cent of the people of Ohio are farmers. In many counties the injustice to the farmer would be even greater than in the state at large. In Greene County, for example, where sixty per cent of the people live upon farms and forty per cent live in towns, the townspeople own thirty-eight per cent of the personal property, but only eighteen per cent of the realty and only nine per cent of the land. The single tax, therefore, would compel the farmers of this county to pay ninety-one per cent of the taxes.

The only good end which the single tax upon present land values would attain—the freeing of the propertyless masses from indirect taxes—might be attained equally well by rigorously carrying out the American principle that taxation should be in proportion to wealth. Nothing is simpler or easier than for every state to tax without exemption all property, individual or corporate, within its own borders.<sup>1</sup> The taxation of property is the taxation of the property owner. None of this burden can be shifted upon any one else. The national government might

<sup>1</sup> The attempt to tax intangible certificates representing property in other states should be abandoned. If carried out, it would mean double taxation. The principle of the property tax is that all property should be taxed once and only once, and taxed where the property has real and tangible existence. The principle is as practicable as it is just.

with equal ease make large holdings of property subject to a contribution which, supplemented by the taxes on liquor, would render possible the immediate abolition of all taxes upon the comforts and necessities of the propertyless masses. In 1798 this government adopted a progressive property tax which levied a duty of one-fifth of one per cent upon the smallest holdings, and of one per cent upon holdings in excess of \$30,000. A tax of one-half of one per cent to-day upon holdings in excess of this largest amount would make possible the abolition of the custom houses. The same end could be accomplished by a progressive tax averaging two per cent upon all incomes from property, and a like tax upon all inheritances. There are a million people in America earnestly in favor of these remedies, where there are ten thousand dreamily in favor of the single tax.

CHARLES B. SPAHR.