

THE SINGLE TAX REVIEW

A Record of the Progress of Single Tax and Tax Reform
Throughout the World

ANOTHER FORERUNNER OF HENRY GEORGE

In the Single Tax Year Book Mr. Samuel Milliken contributes an important article on those who anticipated in part the teachings of Henry George. It would seem that Mr. Milliken had well nigh exhausted the subject in his industrious research through library shelves and in forgotten books, and certainly there will be few important additions to the forerunners whose testimony the writer has drawn from an infinite variety of sources. . But one name, and his an important one, remains to be included, and that name is Thomas Fyshe, of Halifax, Nova Scotia.

One of the forerunners treated in Mr. Milliken's article is Edwin Burgess, a journeyman tailor of Racine, Wis., whose letters advocating a tax on land values in lieu of all other taxes were published in the *Racine Advocate*. Similarly the letters of Thomas Fyshe were printed in the '70's in the *Morning Chronicle* of Halifax, and like those of Burgess are models of clear statement. Mr. Fyshe was a banker, we believe, and a man of some standing in the community. We append extracts from these letters which are of more than passing interest and have lost nothing of their relevancy to conditions that exist everywhere. Mr. Fyshe advocates the Single Tax purely in its application to municipalities, saying that "in the wider area the principle would be more difficult of application." But he says: "I do not see that any government has the right to take higher ground on the question of taxation than this, namely, that each citizen shall contribute toward the general expenses of the community he lives in only in proportion to what is done for him, in a material sense, by the community." And he continues:

"It is almost idle to talk of petty economies in the civil administration when the great source of our difficulties is in the law itself. What good can be expected of a cheese-paring economy on the one hand, showing itself in petty savings from policemen's wages and the salaries of the minor city officials, when, on the other, tens of thousands of dollars of the city's revenue remain uncollected and uncollectable?"

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"As to the third great evil from which we are suffering, viz., the gross inequality of our city taxation, it is no less easy to find its source in the assessment law, which provides six different sets of amateur assessors for the six different wards of the city, each set no doubt with a standard of its own and with its own notions of how the law should be carried out. With a professional assessor, who should make it his first and only duty to assess all citizens according to the same standard and by one rule, the inequalities in the valuations of real estate would, no doubt, disappear. But the difficulties in the way of an equitable assessment of personal property are altogether insuperable. A West India merchant may escape altogether if he should happen to have shipped off all his fish, and his inward cargoes have not arrived, or have just been sold when the assessors come round; while goods in transit which have come into the city for shipment abroad, are liable to be pounced upon by the assessors and forced to pay tribute. One dry goods merchant pays on about half the value of his stock, while his wealthier competitor in the next ward, with a larger stock and finer store, pays only on a third or a quarter of his. And there is no possibility of bringing about equality by an appeal, for both are under-taxed.

Then again there is no effort made to reach personal property other than household furniture, merchandise and ships. Indeed there is no possibility of doing so in most cases except by putting the parties under oath and making them declare what investments they hold. Yet it is well known that hundreds of our well-to-do citizens have large amounts of money in the banks on deposit receipt, or hold investments of various kinds which are subject to assessment. But even if it were possible to carry out to the letter the provisions of the law, the results would probably be more disastrous than now follow from its being to a great extent ignored."

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"The same inequalities are complained of wherever personal property is assessed, and nothing could be easier than to pile up evidence on this point. It is clear, therefore, that the first step towards a rational system must be to abolish the assessment of personal property.

Some people will immediately say, let us substitute income for personal property. This proposal has, I believe, many influential supporters, chiefly on the ground, as the City Auditor puts it, that 'taxation should be in proportion to the ability to pay.' But the history of the income tax wherever it has been imposed has not been such as to render its introduction among us desirable. Like the tax on personal property it would be productive of the most glaring injustice. Those only would be fully taxed whose incomes were fixed and known. Those whose incomes were at all uncertain would make large allowances in their own favor; many would not stop short of false returns, and so the honest trader would be handicapped and a premium put upon fraud. As a means of demoralizing a community, blunting the moral perceptions, and in fact training men to be dishonest, there is probably none more potent than such a tax. For the gross inequalities which it could not fail to produce would lend an air of justice to attempts to evade the law on the part of those who might think themselves overtaxed."

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"The imposition of an income tax for local purposes has been tried in England but is now completely abandoned; so also has the personal property tax, which has shared the same fate.

Both taxes work disastrously in practice, because they are wholly unjust in principle. The one infers that it is just and equitable that the citizen should contribute in proportion to his income, and the other that it is equally so in proportion to possessions. In both, the claims of the city on the taxpayer are carefully considered, but in neither is any account taken of the proportionate benefit which each taxpayer is supposed to derive from citizenship, and for which alone he is willing to pay taxes. Now this is an all important factor in the problem. People are not willing to pay a certain sum in taxes for particular services or advantages if they do not get the value for their money, or if they know, or have reason to suspect that others receive the same or greater advantages for a much smaller sum.

"The standard of perfection in municipal taxation I take to be this, namely, that every citizen should be taxed in proportion to the value of the advantages which are derivable by him from living or doing business or owning property within the city. By advantages I mean all the benefits accruing to the citizen from the city government from the maintenance of order, the making, repairing and cleaning of streets and sewers, the supply of water, etc., and above all that chief advantage which comes from the mere presence of a large population, giving variety of industry, easy intercourse, a large market and facilities of co-operation for personal profit or public benefit, in a word, the total advantages of what kind soever derivable from city life.

"If this principle were carried out no one could have any reason to complain on the score of inequality of taxation, for each would pay at the same rate just for what he received and for nothing more. No one probably will deny the abstract justice of such a principle. But the question immediately arises—is it practicable? I say it is eminently practicable; that no principle can be more easily put in practice; that in short its superiority over every other principle of municipal taxation is shown, not more in its theoretical equity than in the facility with which practical justice can be attained by it. This I shall endeavor to show in my next letter."

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"There is one kind of property which may be said to reflect in its value the exact sum total of all the different advantages to which I have already referred as pertaining to city life. That property, it is, perhaps, needless to say, is not goods, wares or merchandise, household furniture, ships or vessels, debentures or deposit receipts; it is not stock of joint stock companies, banks or insurance companies, all of which our assessment laws so greedily seize upon; it is not even shops, warehouses or dwellings, but it is the land which is necessary to all of these. The area of land within the city limits reflects in its value all the advantages which are usually derived from living or doing business within those limits. Not only so, but each particular lot of ground or water front reflects in its value—in its selling price—the average net advantage derivable by the individual who occupies or owns it.

"The advantages usually derivable from city life arise from two different sources. The greater portion of them come, as I have already said, from the mere presence of a large population, brought together, no doubt, by the natural resources of the locality. Others are the result of city government—in the preservation of order, and in the other services it renders to the community. The latter class of advantages are obtained at considerable cost. The former are what may be called necessary advantages, that is to say, they arise from the necessity of the case, and by no one's forethought or provision, and are

supposed to cost nothing. What we really do pay, however, for this class of advantages, is partly shown in the increased value of real estate over its value for agricultural purposes. It will be found that this increased value amounts to a tax on the general community quite commensurate to the benefits received, although it is a tax paid, not to the city, but to the owners or former owners of the real estate.

"The direct effect of city government and city improvement is to still further enhance the value of real estate, for the beneficial effects which flow from these, like the city's advantages of whatever kind, can be enjoyed only through real estate."

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"And this leads me to the consideration of one of the greatest evils connected with the present mode of assessment, which has not yet been touched upon, namely, the large extent of land scattered throughout the city, used only as pasturage for cattle, or left entirely waste, and from which the city derives little or no revenue. Most of it is owned by well-to-do citizens who are holding it until they can get a price for it which they deem satisfactory."

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"The cost of collection to the city, both in labor and expense, would be greatly lightened, because the number of tax payers to collect from would be reduced probably three-fourths or more, and the bulk of them would pay on demand. The variations in the rate of assessment would be reduced to a minimum, and would depend more on changes in the city's estimates than on fluctuations in the value of assessable property.

"By means of such a law absolute equality of taxation, in so far as such a thing is possible, would be secured. Any inequality that could possibly exist would arise from the unequal assessment of property visible to every one, and no glaring errors could be made without attracting attention and calling for instant correction. Moreover, the assessor's character and position would depend on the soundness of his judgment and his strict impartiality. There would not be one standard for the owner and another for the tenant, as at present, which practically means one law for the rich and another for the poor.

"It will, doubtless, be objected by the owners of unproductive real estate that it would not be fair to them to levy the whole city taxes on ground lots, because their property was acquired under a different system, which they had reason to believe would continue. On the other hand it is obviously unjust to levy the taxes on buildings according to their market value, for, as already explained, the value of buildings, like all other property not a monopoly, depends on the cost of producing them; and, apart from the land, that value is no criterion of the city's advantages for which alone we should be taxed. A minor objection to taxing buildings as at present is this, that the public spirited citizen who erects a cut stone warehouse of tasteful design and beautiful finish is taxed more heavily than his competitor in business who cares nothing for the credit or appearance of the city, nothing for public taste or for anything but his own dollars, and who does his business in the meanest looking warehouse of wood or brick, while perhaps using more ground and enjoying more of the city's advantages than his more cultivated and public-spirited neighbor.

"The cry of vested rights is always raised on the slightest provocation, and is often very difficult to satisfy. In this case I believe there would be

no good ground for it. The owners of unproductive real estate have so long evaded their fair share of the city's taxes that they would have no reason to complain if they were now called upon to contribute according to a scale which can be so conclusively shown to be equitable, even if they had to pay a little more than they had calculated on when purchasing the property."

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"It would seem, however, that there are still some who think that we can afford to ignore the general experience of other communities, and that it is of no account to us whether a personal property tax ever worked satisfactorily in any other part of the world. They say that such a tax is just in principle, on the ground that all property within the limits of the city is equally benefitted by city government, and should therefore contribute equally toward the expense of that government and that whatever failures may have occurred in the past, we must still keep on trying to devise some means of carrying into successful practice a thing which is so obviously unassailable in theory. I therefore propose to consider whether, after all, a tax which has worked so badly and even disastrously, is as sound in theory as its advocates usually take for granted."

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"Now the expenditure of this large sum of money on such a diversity of objects—ranging as they do from police and prisons to education, charity, and the beautifying of public places, is supposed to benefit equally all property within the municipality. But the question is, how is it done? How does the dry goods merchant and the grocer, the jeweller or the banker, reap the benefit of this expenditure? Does it raise the price of dry goods or groceries, or jewelery, or money; or does it increase the profits arising from the traffic in these commodities? It could hardly be considered a public benefit if it raised the price of these articles, the immediate effect of which would be to drive customers to better markets, and so lessen the business and importance of the place. No community would care to become incorporated with such an end in view. But in truth such a result is impossible unless city government becomes wretched mis-government. On the contrary, as is well known, all inventions or improvements of what kind soever connected with the production or distribution of a commodity, tend directly to reduce its price. If city government is an improvement on what went before it—if it is the means of establishing better order, greater security to life and property, and greater convenience and comfort to the people, at a not disproportionate expense, the direct effect of all these will be a general, though no doubt unequal, reduction in the price of commodities sold within the city. That is to say the risk and inconvenience of holding valuable stocks having been largely reduced or removed, the item of expense, which these entail, ceases to have to be provided for, and the merchant can sell his goods at a corresponding reduction without diminishing his profits. But if efficient city government could not possibly increase the price of commodities, neither could it raise the rate of profits to the dealer in them. That individual, finding his expenses reduced, might be disposed for a time to maintain the old prices with a view of adding to his profits. But even if his neighbors were of the same opinion, outside capital would speedily be attracted and the rate of profits reduced to the general level. This is the evidence of universal experience. Inventions and improvements are multiplied without end, but profits instead of rising tend lower and lower as capital increases. In so far, therefore, as the improve-

ments or advantages, which are the product of city-government, affect personal property—goods, wares and merchandise, and floating capital generally, as well as houses—they cause a reduction in the prices of such property.”

“Real estate also will be unequally affected by city improvements. The erection of fine public buildings, the laying out of parks and gardens, the building of a new sewer, the opening of a new street, will all benefit lots in the immediate neighborhood of such improvements to a very much greater extent than lots at a greater distance from them, although the general tendency will be towards an increase in the value of city lots. In the case of real estate, however, the benefit which it derives from the improvements of the city government, together with the advantage due to location—in being enriched by the labors of others than its owners—are accurately measured by its market price.

“Seeing that the improvements produced by city government can thus be shown to have such widely different effects on the various kinds of visible property, it is obvious that the theory that all property should be equally taxed because it is equally benefitted, is quite untenable.”

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“The question lies just here. Is the citizen to be taxed in proportion to what the city has given him, or on what he has done for himself.”

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“We have recently seen how much capital and enterprise are valued, in relation to the city's prosperity, in the agitation and public discussion which preceded the organization of the Halifax Sugar Refinery. The benefits we are to derive from this one company have been pictured by sober citizens in the most glowing colors; and the most sanguine hopes are almost universally entertained for it. It is expected that this work alone will materially increase the value of large blocks of real estate in the city, if it does not appreciably do so over its whole area. In other words, the creation of such an enterprise is expected to add to the incomes of many, if not all, of the real estate owners in the city, and also to add considerably to the city's revenue. Yet we all know what efforts were required to get the necessary capital subscribed, notwithstanding the enormous duty on foreign refined sugars and the great local inducements held out to it. The city has shown, by its efforts to induce the formation of such companies within its borders, that it can afford to relieve them from taxes for twenty years, and offer other inducements besides—such as giving the sugar refinery free water for ten years—and still be largely benefitted by them. And this belief is not confined to Halifax, for nothing is more common than to hear of ambitious towns and cities not only foregoing taxes for a longer or shorter period, but in many cases offering a cash bonus for the establishment of industries among them.

“If the prosperity of any particular locality were alone to be considered this might be a very wise policy, provided that all industries were placed on the same footing. But one fails to see what sense there is in subsidizing one set of capitalists to build up the city, while ruinously taxing another set so that they are driven away. It must be a funny notion of justice which actuates our city fathers when they offer cash bonuses to sugar refineries and others, while at the same time they claim to tax ships which never saw the port; to take 37½ per cent. of all the interest earned on money deposited in the city banks; 25 per cent. of the earnings of those banks, and 1½ per cent. of every article of commerce in the city, including unused capital. But,

leaving the justice of the matter aside—for, as I have said before, capital soon takes care of itself—what must we think of the wisdom of our legislators in believing that such a policy as this is likely to have any but a most prejudicial effect on the growth and prosperity of the city? If one sugar refinery is going to do so much good to the city, would not twenty other companies do much more? And would not the benefit to the city be much greater if, instead of strangling existing industries while bidding for new ones, the old ones could be extended as well as new ones brought in?"

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"For the sake of clearness, I shall now briefly recapitulate the propositions endeavored to be established in the foregoing letters and the reasons given in support of them.

I. Personal property should not be taxed:

- 1st. Because it cannot be reached.
- 2nd. Because it could not be equitably assessed if it were reached.
- 3rd. Because it is not increased in value by the city's expenditure, and is no criterion of the benefits or advantages derivable by its owner from living or doing business within the city.
- 4th. To tax personal property tends to drive capital away from the city, and so retard, if not stop, its growth.
- 5th. We have unlimited evidence to show that the experience of many communities has proved the folly of such a tax, and none to show that it has ever worked well anywhere.

II. Income should not be taxed:

- 1st. Because it cannot in most cases be ascertained.
- 2nd. Because such a tax tends to develop fraud and to demoralize the community—a result for which no money value can be an equivalent.
- 3rd. Because income is not increased in amount by the city's expenditure, and is no criterion of the benefits or advantages derivable by its recipient from living or doing business or owning property within the city, unless it is wholly derived from the rent of land.
- 4th. Because such a tax would tend to drive away from the city all wealthy people not directly engaged in business, and all capitalists who could carry their means and industry to as good a market elsewhere and escape the tax.
- 5th. The income tax, both in the United States and England, is a national tax, adopted in State emergencies and never meant to be permanent; and is strongly condemned in both countries.

III. Houses should not be taxed:

- 1st. Because they are not increased in value by the city's expenditure, and, apart from the value of the land on which they stand, are no criterion of the benefits or advantages which are derivable by their owners from living or doing business or owning property within the city.
- 2nd. Because to tax houses in proportion to their value would tend to discourage the building of any but the plainest and cheapest structures, which would be to discourage architectural taste and public spirit.

3rd. A tax on houses will frequently discourage the owners of unoccupied lots from building thereon. The holding of such lots on speculation will be thus stimulated, while the city will suffer by being built up in a straggling and irregular manner, covering far more space than is necessary, to the inconvenience and increased expense of the corporation and the citizens alike.

IV. The only species of property which should be assessed by municipal purposes is land:

1st. Because the net result of all the advantages and disadvantages connected with the city and the city's expenditure is exactly reflected in the price of land.¶

2nd. Because its market value is an exact criterion of the average benefits or advantages derivable by its owner from living, or doing business, or owning property, within the city.

3rd. Because, although the whole tax would be paid to the city by the owners of land, it would be distributed by means of rent among the citizens, with the most perfect equality—each paying only for what he received, but for that fully.

4th. Such a tax could not possibly be evaded by any landowner or by any citizen; for the land is visible to everyone, and every citizen must own or rent part of it.

5th. The cost of collection of this would be less than of any other tax, if it were made, as it should be, a first lien on the property.

6th. Such a mode of taxation could not fail to keep and attract capital and enterprise, without great regard for which civic prosperity or growth is not apt to be great.

7th. It would check, if it did not entirely stop, all speculation in unoccupied lots or waste ground, and so cause the city to be built up in a compact and regular manner—probably adding to its architectural improvement, and certainly to the general economy and convenience.

If there were only one landowner in the city, instead of, perhaps, a thousand, it would probably be much easier than it now appears to convince people of the truth of the above propositions."

OF course, whilst another man has no land, my title to mine, your title to yours, is at once vitiated.—EMERSON, "Man the Reformer."

THE territory is a part of the common heritage of mankind, bestowed upon them by the Creator of the Universe.—WM. HENRY SEWARD.

UNRESTRICTED private property in land gives to individuals a large proportion of the wealth created by the community.—ALFRED RUSSEL WALLACE.

LAND never was property in that personal sense of property in which we speak of a thing as our own with which we may do as we please.

—J. A. FRONDE