

suppression prevents the creation of a healthy public opinion; in the end it hurts those criticised much more than a frank ventilation of conflicting ideas. But the most objectionable feature of the episode is the action of the directors of the Institute in issuing a ukase against one of its own members and against inferences expressed by him, not in the transactions of the Institute, but in the proceedings of another organization. This is an interference with the liberty of the professional man and it is not to be tolerated."

Nothing need be added to the ringing words of Editor Richard for the sacred right of free speech even in the face of the anthracite land monopoly. But unfortunately for mental liberty, few technical journalists can be found who would duplicate Mr. Richard's brave defiance of the Powers that Prey. Like their counterparts, the popular journalists, they are too obsessed by a fear of losing their jobs to ever monkey with the monopolistic buzz-saw and its long arm. Yet the truth is now out and the Shockley episode will open the eyes of unsuspecting thousands to the fact that the sinister censorship of private monopoly has penetrated to even the inner sanctum of our professional engineering societies. Like the dismissal of Scott Nearing from the University of Pennsylvania, it is a startling exhibition of the growing impudence of our law-fostered plutocracy.

TWO SIGNIFICANT TAX REPORTS

By THE EDITOR

Truly we have cause for elation. Those who are impatient at what they think the slow progress of the cause will do well to note the rapidly changing attitude toward the Single Tax movement of taxing bodies, of State Tax Commissions and special committees appointed to investigate the subject of taxation. From among these no more important and gratifying document has emanated than that of the Fifth Biennial Report of the Minnesota Tax Commission for 1916. We shall content ourselves with a review of Chapter VII, "The Taxation of Land Values." Beginning with a brief notice of a meeting of the All-Minnesota Development Association, at which a resolution was adopted favoring a reduction of tax burdens on personal property and buildings and improvements on land, the Report, while noting the presence at this meeting of "numbers of Single Taxers," as well as those who favored "a modified form of the Henry George theory of taxation," says:

"Minnesota is one of the few States that still persists in taxing all forms of personal property. Many of the other progressive States of the Union have abolished such taxes in whole or in part and have substituted other more equitable revenue measures. Scarcely any other nation outside of the United

States, and certainly no advanced nation, now imposes a tax that corresponds to our personal property tax. We pride ourselves on the progressive spirit of the American people, and yet many of the older countries of Europe, as well as some of the Australian colonies and Canadian provinces, have far outstripped us in tax reform."

And then follows a condemnation of the "illogical" taxes levied by the State:

"There has been a growing feeling that the tools and implements of production—farm tools and stock used in agricultural pursuits, and the tools, implements and machinery of the manufacturer—should not be taxed; that if personal property taxes are to be imposed at all they should be imposed on production rather than on the instruments of production.

"Still stronger opposition is developing to the tax on household goods. Such property produces no income; its value to others than the owner is a doubtful quantity. If homes are to be maintained, and homes are the backbone of a State, we must have chairs and tables and cook stoves and beds, yet in this State we tax these essential things of the home. More illogical still is the tax on the clothes we wear, not even the modest shirt and overalls of the workmen being exempt. It is small wonder that there is a growing sentiment against such taxes."

The Report indicates the growing opposition to these forms of taxes as shown in the increasing number of repeal bills introduced in each succeeding legislature. It follows with this statement of the Single Taxer's contention:

"It is claimed that every community has an indefeasable original right to the land on which it exists, and to all the natural, unmodified values and advantages attached thereto; that every individual in the community has an equal right to the land, while all the individuals together have a joint right to the income which these natural advantages command. This income is known as land value or economic rent.

"Land value, or economic rent, is defined as the largest annual amount voluntarily offered for the exclusive use of a given area of land in its natural state—without buildings, and undrained, unfenced, unfertilized, unplanted and unoccupied. It is proposed to socialize economic rents—to appropriate them to the public use—and from the proceeds thereof to defray all expenses of government, federal, State and local. The plan in its fullest sense contemplates the total elimination of import and internal revenue taxes, as well as property taxes, whether general or specific."

The Report indicates the identity of the arguments advanced by Single Taxers and those who favor the exemption policy, as follows:

"The arguments used by the advocates of total or partial exemption of buildings and improvements are of much the same tenor as those used by Single Taxers. In addition, however, it is contended that land is the fundamental base of an equitable tax system. It has a fixed situs and can neither

be moved nor concealed. Its value can be measured with reasonable accuracy, and therefore can be taxed with greater certainty and equality than other forms of property. Moreover, it is claimed, the taxing of buildings discourages improvements, because it imposes a fine in the form of a tax on the man who improves his property, thus penalizing thrift and industry."

The Report reviews the incidence of taxes on improvements and the arguments for and against exemption, and then examines the progress of exemption in the Canadian provinces. It shows how the system is growing in favor, the number of villages in Saskatchewan to adopt exemption being now about one third of the total number, while in rural municipalities taxes are imposed on land only. Of taxes in the province of Alberta the Report says:

"Evidently the law governing taxation in municipalities was not intended to favor the speculator, or to encourage the holding of land out of use, for it permits the taxation of unimproved, or 'wild lands,' at a special rate. Municipalities may impose a rate of 5 per cent upon lands on which the value of existing improvements is less than ten dollars per acre, while the rate on improved lands is limited to 1½% for general purposes."

Then follows a discussion of the Vancouver experiment in its total exemption of improvements, and the Report slyly says that the system has not found universal approval, but that many business men of the city are strongly opposed to it, and that "this is particularly true of many real estate dealers, and is especially true of large holders of unimproved or under-improved property." But it sums up the case for the "Single Tax limited" in Canada as follows:

"In conclusion it can be said that the Single Tax principle is still deeply rooted in the Canadian West. It has been tested under both prosperous and adverse business conditions, and it has stood both tests fairly well. Nearly any tax system will succeed, or pass unnoticed, in prosperous times; the real test comes in times of adversity. While the Canadian system has not been uniformly successful under adverse business conditions, it is doubtful if the old system would have been any more successful under the same circumstances. That the opponents of total exemption are more numerous now than they were four years ago is generally admitted. It is claimed, however, that any change in public sentiment is due to the pressure of revenue needs, rather than a changing view of the Single Tax principle. While the system may not be further extended for some time, and not until business conditions have considerably improved, it is highly improbable that any section of the country will again return to the old method of taxing buildings on the same basis as land."

The Report goes far in its specific recommendations. Total exemption of personal property being impossible under the present constitution of the State, it says:

"Household goods could be made a favored class. Few States or countries impose any tax on this class of property. Its complete exemption is desirable from almost any viewpoint, whether economic or administrative. Complete exemption, of course, would require a constitutional amendment. Almost complete exemption, however, could be brought about under the present tax provision of the State constitution. The taxing of such property at a low percentage of value, say 10 per cent., would result in the exemption of the greater part of it. By increasing the amount that may be deducted from a personal property assessment to \$200., almost complete exemption would be brought about. In event that the deduction was increased to the constitutional limit, it might be advisable to have it apply only to household goods, or all of the property now embraced in class 2 of personal property."

And the objects of taxation herein named as those which might properly be in the exempt class are quite inclusive:

"The tools and implements of industry are types of property that might well be placed in a favored tax class. They constitute the instruments with which wealth is produced. Apart from any economic question involved in the proposition, good common sense would suggest that the tools of production should not be subject to a burdensome tax. We are therefore of opinion that it would be in the interest of the public good to place farm tools and live stock used in agricultural pursuits, and the tools and machinery of mechanics and manufacturers, in a separate class and tax them at a lower percentage of full value than that imposed on articles of trade and commerce."

Of the policy of exempting buildings and improvements the Report has this to say:

"The holder of unimproved land would, of course, be most seriously affected by the change because there would be no corresponding offset for structures to compensate for the increased tax on the land. This is one of the reasons why the principle of total exemption of improvements on land is favored by so many people. They do not regard the speculator or the man who holds land out of use a public benefactor. They contend that he does nothing to create value but benefits through the energy and enterprise of others, and that therefore a considerable part of the value created by the community should be taken for the benefit of the community."

This—the most noteworthy Tax Report emanating from any tax commission in this generation—concludes as follows:

"From an economic point of view, the recommendation in favor of a reduced tax on buildings will be favorably regarded by a great many people. The practical side of the question, however, offers a serious stumbling-block to any immediate adoption of the proposal. If the various municipal organizations of the State were independent taxing districts, as in western Canada, and were not subject to a State or county tax, the adoption of the principle of total or partial exemption of buildings from taxation would be greatly

simplified. As independent taxing districts, a change in the tax base would only affect the incidence of the tax locally. But as long as State, county, and local taxes are levied on the same tax base, it is not at all probable that the rural districts would willingly agree to a change that would result in a considerable increase in their proportion of State and county taxes.

"It is probable, however, that the unequal effect the partial exemption of buildings would have on the tax base of rural and urban districts would be largely overcome if the words 'structures and improvements on lands' were construed as including the added value that accrues from the clearing and cultivation of land. If 'land value' was construed to mean the value of the land exclusive of any increase due to the expenditure of capital or labor, and 'improvements' construed to include such increase, the relative value of land to improvements in rural districts would probably not greatly differ from the relative value of the two classes of property in urban districts. In such case, the assessment of improvements on a lower basis of value than land would not seriously change the equality of the tax base in urban and rural districts.

"We are not prepared to express an opinion at this time as to the feasibility of the plan of construing all increase in the value of land resulting from the expenditure of capital or labor as improvements on land. The plan is in effect in two of the western Canadian provinces and seems to be giving reasonable satisfaction. If it could be successfully applied in this State, it would remove some of the objections now urged against the proposal that improvements on land should be taxed at a different and lower percentage of value than the land itself."

Minnesota is not the only State to make suggestions of radical advance in the nation-wide movement now gathering impetus. The report of the Special Tax Commission of California, while not as satisfactory as the Minnesota report, contains a great deal worthy of more than passing notice. They say:

"The increasing difficulty and hardships attendant upon the attempts of individuals of small means to procure, retain and develop a reasonable land holding for farm, residential or business purposes, and the continued holding of land values in large ownerships in this State indicates that something is fundamentally wrong with our land economics."

It is true that the report immediately follows this with the statement, "This is not primarily to be solved simply by taxation." But the true principle is returned to in the suggestions that follow:

"It was also suggested that to discourage such large holdings and encourage small holdings and to bring back to each individual in some measure a proportion of land value which he helped to create, a maximum tax be imposed upon the future increase in value of all unimproved land or land not put to any beneficial use; a lesser rate of tax in the case of land improved or being

put to beneficial use: the exemption of such tax for each individual of a reasonable holding of improved or beneficially used land. This proposition was put forth for the distinct purpose of debate and criticism."

The report admits that "There is a general acceptance of the fact that private ownership of large holdings of land, unimproved and uncultivated, is against the public interest. There is also very general acceptance of the statement that the holding of large interests in improved land is to some extent also against public interest." Again they say:

"But while we are anticipating a perfect system of assessment, something should be done to accomplish what nearly everyone believes should be accomplished but which has failed of accomplishment up to the present time in this and other States, because no active attempt has been made to place a burden upon large land values."

There follows a discussion of the surtax on unimproved land levied in Australia with the statement of the Australian Prime Minister that it had "fully justified itself," and that it has been "instrumental in breaking up many of the large land holdings." It is true that the Commission does not think the system would do for California because "land values in California have reached speculative values far in excess of those in Australia," a reason not very convincing. But the report does say: "We believe that a heavier burden should be placed upon unimproved large holdings than is placed upon improved holdings." And the report recommends "a tax of one per cent. upon all increases in the value of land that accrue and exist at the end of each year after the first date established, except in the case of exempted values." And they further say:

"The necessity and advisability of placing a tax on future increase of land values is discussed at length elsewhere in this report. There seems to be no other effective way of remedying or controlling the abuses which grow up through large land holdings.

"In the application of this tax it is advocated that a heavier burden be placed upon unimproved and undeveloped lands than is placed upon those that are beneficially used. Such a tax would at least bring about closer equity in the taxation of small and large land holdings. This commission advocates the passage of such a measure at this time, even though there is question as to its effectiveness because of constitutional limitations. To remove any doubt as to the constitutionality of such an act, the adoption of a constitutional amendment authorizing such legislation is recommended."

The report includes a statement from Mr. Neil Nielson of New South Wales, who says:

"The people of Australia are not Single Taxers, but a large majority of them are firm believers in the principle of land taxation as against taxation levied either upon land and improvements in conjunction, or upon property."

If Mr. Nielson is not a Single Taxer he knows how to state its principles in language sufficiently satisfying:

"Owing to the increase of the world's population and to the fact that this population has an unalienable birthright in the land of the country in which they live, this land must be made to produce its full quota so that the people will be provided with the necessities and some of the luxuries of life. Anyone, therefore, who keeps land locked up out of production, or who puts the land he holds to uses inferior to its latent qualifications for production, taking its situation into consideration, is an enemy not only to his country but to the whole of the people therein."

If anyone thinks the principle of the Single Tax is not growing let him contrast the reports of tax commissions of a dozen years ago with those of the last two or three years. The change is wonderful.

SINGLE TAX IN A NUT SHELL

(*For the Review*)

By **BENJ. F. LINDAS**

(*Continued*)

We have discussed the relationship between labor and capital. We have examined the laws which determine the amount of the product of labor which go to the three elements of production—land, labor and capital. We have seen that throughout the entire civilized world there has been a constant increase in material wealth. We have discovered that in spite of this unexampled increase in the necessaries of life that the vast majority of our fellowmen live just on the border-line of poverty. Before suggesting what we consider to be the proper remedy for these unnatural conditions, we have one further inquiry: What has been the effect of material progress upon the distribution of wealth?

The chief elements in all material progress may be summed up as follows:

- (1) Increase in population.
- (2) Improvements in the arts of production and exchange.
- (3) Improvements in knowledge, education, government, manners and morals of the people.

Now why is it that as the productive power of the people increases from these causes a greater and greater portion of the increased production flows into the hands of the landowner in the form of rent?

We have discovered that rent is caused by compelling labor to have recourse to land of less productiveness than that of the best land in use, and that the difference between the yield of one land and the other is the measure