

COMPARATIVE TAXATION.



THE consideration of the problem of comparative taxation has been rendered more difficult by the fact that many persons have been led to believe that a tax upon foreign imports is not paid by the country which imposes it, but that it may be in part or wholly put off on the foreign producers of the taxed articles, and therefore paid by the country in which these products are made, and not by the importers.

Were this conception founded on fact each country would attempt to put off the burden of its taxes upon some other, either in part or wholly, and in this way the whole assumed benefit of the plan would be lost. The only way by which we can put a part of our taxes upon the people of other lands is by increasing our exports, to which local and national taxes have already been charged as a part of the cost.

The comparative burden of taxation needs to be considered, because unless the utmost care and discrimination are used in the choice of the subjects of taxation, whether of domestic or of foreign origin, so as not to obstruct domestic industry, so as not to limit the home market, and so as not to hinder the utmost possible demand for the products of home industry, great injury may be done, even though the amount of the tax may be very moderate.

It is possible that taxation may always remain to some extent an experimental science, and that its methods can be directed only by a few precepts of a very general kind. It may be that a system that would yield the largest revenue to the people of a manufacturing State might be very obstructive to a community almost wholly devoted to agriculture. It is possible that ultimately a local option may be given to minor political divisions, such as is now exercised or such as is now granted by States to some extent. For instance, in Massachusetts a local option is given to towns and cities either to tax the sale of liquor by granting licenses or to refuse the licenses. Cities might be empowered to elect one or more methods for raising the revenue for municipal expenditures. The municipal taxes of Philadelphia are almost wholly levied on real estate, including buildings and improvements, personal property, with very trifling exception, being subjected only to a succession tax. In Boston, on the other hand, the effort has been made with more success than

anywhere else to tax bonds, stocks, and other intangible property; yet even in Boston this method is a failure, evasion and non-assessment existing in a measure which no one can compute. In Massachusetts there is no succession tax on personal property. There would be no insuperable difficulty in the State of Massachusetts giving Boston the right to choose whether it would or would not continue to assess personal property. The general principle which has been presented by Mr. Enoch Emsley of Memphis, Tenn., could then be adopted, if it were expedient, in Boston or in any other city, viz., "not to tax anything which can be brought into a city, and not to tax anything which can be taken out of a city."

Even if there is as yet no absolute science of taxation, a great deal of thoroughly scientific analysis is possible in respect to *comparative taxation*. One may measure the good or the evil effects of different taxes without much difficulty. In reasoning upon this subject of comparative taxation there are a few fundamental principles, of a negative rather than of a positive kind, which may well be kept in constant view.

1. With the exception of a tax upon the succession or devise of property, few if any taxes will stay where they are first put; they are distributed either upon all consumption, or else upon the consumption of the special subjects of taxation. Nearly all taxes are thus ultimately paid by the consumers of taxed articles in the ratio of their consumption of such subjects of taxation. In this matter even land may be considered one of the subjects of what might be called temporary consumption. So long as land is used as an instrumentality of production, and is devoted either to agriculture, to the mechanic or the manufacturing arts, or to purposes of distribution, all taxes which are imposed upon it must and will be charged by the owners or the occupants of the land to the cost of the work, and therefore to the cost of the product, or of the process of distribution to which such land is devoted. Unless such taxes can be recovered from consumers with all the other elements of cost, labor will not be employed in the use and occupancy of that specific land; and unless a profit can be made over and above such elements of cost, *including taxes*, capital will also be withdrawn from the use and occupancy of that land.

On the other hand, land may be for a time withdrawn from absolutely productive purposes. It may be used in larger measure than is necessary for a dwelling-place or for more

luxurious purposes, or may be held for an advance in value. This may be called a temporary consumption of land, and doubtless taxes which are put upon land in that condition are paid by the owners or occupants. If such land is not fully taxed at present rates, that is the fault of the assessors, not of the present system. The whole theory of the "single tax upon land" is to make this burden so heavy that no one can afford to consume land or to occupy it for anything but productive purposes.

2. No sound reasoning can be had upon the subject of taxation unless it is considered as a method of distributing a part of the annual product of food, fuel, and materials for clothing and shelter.

3. Since this annual product is and can be only the result of work, either mental, manual, or mechanical, or of all combined, it follows of necessity that *taxation* and *work* are practically synonymous terms.

The way in which the product of the country is converted by taxation to the use of those who do the work of government is apt to be obscured by our constant habit of treating everything in terms of money. Government assesses taxes which are collected in money; the money is distributed among the Government officers and employees. What do they do with it? They build or hire houses, they buy clothing and food, they pay their own expenses and the expenses of their families. Houses, food, clothing, and everything else of a material sort are the product of work—the work of the head in directing capital, the work of the machine under the supervision of skilled workmen, the work of the hand in doing that which is done by the hand. Taxation is therefore a synonym for work. It is but a mode of distributing a part of the annual product. The question of importance therefore is, whether the work done by Government is constructive or destructive. In this country it is almost all constructive. In Europe it is in very large measure destructive. But the measure of the destructive work is not the mere measure of taxation in terms of money: to this must be added the diminution in the working power of the community by the withdrawal of a large part of the men in the prime of life for many years, during which, while serving in the huge standing armies, which are needed only to sustain privileges and dynasties and to maintain the barriers which prevent nations from rendering material service the one to the other, they must be supported by the work of others.

In his treatise upon the single tax on land the writer has already given the reasons why, if it could be enforced, it would of necessity become a tax upon all the products on land, so assessed and collected as to assure an abso-

lute distribution of the burden without any discrimination upon all products, whether they were necessities of life, or comforts, or luxuries.

Even those who may question or deny such a conclusion will admit that *if* such would be the necessary effect of a single tax upon land, and *if* there is an alternative by which the necessities of life may be in great measure exempted from taxation, while a large or even a larger part of the requisite revenue may be derived from a tax imposed upon subjects of voluntary and not of necessary use, then few would hesitate to choose the latter rather than the former method of supporting the Government.

It may be admitted that a tax upon the necessities of life may be of little moment to the prosperous, or even to those who get more than an average subsistence from their work; but if the food, fuel, clothing, and materials on which men and women work are taxed in such a way as to deprive the poor of a part of that which is necessary to their subsistence, then such a tax may become a prime cause of pauperism.

Again, when the materials which are necessary in the processes of domestic industry are kept at a higher price by taxation than the price at which others are served, the evil effect of the tax becomes something many fold greater than the actual burden of the tax itself.

The support of our army and of our navy, the cost of the civil service, and our huge expenditure for pensions may not constitute a very serious burden in the percentage which it bears to the product of the whole country; but if that burden is put in part, either by way of a single tax on land, or in any other way, so as to bear heavily upon the necessities as well as the luxuries of life, it may constitute an unbearable burden upon those who are least capable of sustaining it.

A tax of five or six per cent. upon the product of this country may be likened either to putting five or six per cent. of load in addition to the paying load upon a railway train moved by a powerful engine fully equal to the whole task; or it may be likened to a method of depriving the locomotive of a part of the fuel necessary to generate its power; or a tax may be imposed in such a way as to be compared only to putting on a brake upon a railway train which the engineer cannot take off when going up a heavy grade. In the first case the engine easily carries the slight additional load; in the other instances power is wasted or misapplied in overcoming the obstruction.

The burden of a tax may be illustrated by examples of cases in which the same amount may prove to be either of very little moment or else a great oppression. Let it be assumed, for instance, that a given community should elect to put a heavy direct tax upon the fuel

and the iron consumed by its own people, without regard to the sources, whether domestic or foreign, from which these necessary elements of industry might be derived, the next community living and working under precisely similar conditions, but securing the same amount of revenue by a tax on whisky and tobacco, leaving fuel and iron free from taxation in every form. Is it not manifest that in the first instance the tax would be a burden upon production at its very source, increasing relatively the cost of power, of machinery, and of tools of every kind, and thus diminishing the aggregate product? In the second instance would not the same amount of tax take from the community only a part of the annual product of its work, which the consumers may spare without the least injury or loss of force?

Again, let it be assumed that there are two communities endowed with very similar capacity, engaged in commerce with each other and also with other communities on either side. They exchange their products of agriculture and of goods or wares of various kinds, in the production of which modern engines, tools, and machinery are essential. In the first community iron, steel, and other metals are taxed in such a way as to keep the prices much higher than in the second community, while beer and tobacco are exempt. In the second community iron, steel, and other metals are free from taxation, and the prices, whatever they actually may be in any given year, are always lower than the prices in the community in which they are taxed. In this second community the revenue is derived from beer and tobacco. The disadvantage to the first community will not consist so much in the sum of money which is derived from the tax as in the effect of this tax upon the cost of capital and the diminution of profits.

Let it be assumed that a demand exists for all the goods and wares that either community can make, and that there is a margin of from five to ten per cent. profit on the average price of these fabrics. A country may tax iron, steel, and other metals in such a way that even though the domestic product is free from taxation, and the foreign import only is taxed, yet the price, both of the domestic and of the foreign product, may be raised so that the prices of all metals are maintained in that community very much above the prices which are paid in the second community. Of course all the machinery of agriculture and of the factory, as well as the steam engines, locomotive engines, and all the tools in the cost of which these metals constitute a very large element, will then be increased in their cost as compared with the similar instruments of production and distribution which are made use of by their competitors

in the second community where these metals are not taxed. Obviously any tax which has the effect of keeping the prices of metal in the first community higher than in the second must add in that proportion to the cost of all their capital into which metals enter as component materials; also increasing, relatively, the cost of the maintenance of the capital which, under the name of repairs, depreciation, etc., enters into the cost of the product. It follows that, unless a profit must be made on this additional cost, no one will invest in these arts; therefore the second community, in which iron, steel, and copper are free from taxation, may secure all or the greater part of the work of converting these crude materials into their higher forms, together with all the wages and all the profits in arts in which these metals are essential; while the community in which such crude materials are taxed may not be able to retain its home market, even by putting compensating or differential taxes or duties on the machinery or on the products of such machinery.

A huge advantage is thus given to the community in which metals are not taxed by the very act of the community which taxes them. This advantage in the prime cost of its crude or raw materials will enable that community in which they are free from taxation to secure so much additional work and to make so much additional profit as to render the taxes which may be imposed on articles of voluntary use, such as beer and tobacco, of very little moment.

The present condition of the art of building steamships may be cited as an example of a complete prostration in the United States, and of constant activity in Great Britain, so far as foreign commerce is concerned. We can build ocean steamships for our navy and for our coast navigation because foreign vessels are forbidden to share the service; but we cannot build a steamship for the general commerce of the world, the reason being due to the difference in the price of materials resulting from the duty or tax on metals. It matters not what the actual price of metals may be in any given year; the *disparity* of price which is wholly due to the taxation of iron, steel, and copper in the United States has kept the prices of these metals in the United States far above the prices in England and Scotland year by year for a very long period. This disparity has lately been greater at the low prices prevailing from 1879 to 1888 than it was twenty years ago, when the actual prices were very much higher than they are now in both countries; but at the present date, November, 1889, it is rapidly diminishing.

This is one of the aspects of taxation which is brought out by treating the problem in the

comparative way. The question whether or not the development of our iron mines and furnaces has been worth this cost of over \$500,000,000 in ten years is an entirely separate and distinct branch of the subject, of which no consideration is required in the present treatise.

Let it now be assumed that the world demands steel rails, locomotive engines, sugar mills, and heavy machines in ever-increasing quantity and number. In the steel rail the cost of the metal constitutes the larger part of the entire cost; in the locomotive engine, the lesser part; but in both, the difference in cost in this country, due to the disparity in price as compared with Great Britain, has been year by year for many years more than ten per cent. upon the average cost of rails and locomotives. This difference has entered into the cost of the entire finished product in this country, and is wholly due to the imposition of the tax upon the foreign imports of these necessary materials.

Now, since ten per cent. would be a large rate of profit on the making of rails or on the construction of locomotives, it follows that while we hold even our home market only in part by placing yet higher taxes on the finished rail and engine, yet we lose nearly or all the benefit or gain in supplying the world—and Great Britain takes it. Home industry is to that extent restricted; the home market for our farm products and manufactures is to that extent diminished; and the loss to us is immeasurably greater than the mere amount of the tax of less than four million dollars which is derived from the import of iron ore and pig iron, which sum is only about four per cent. of the surplus revenue which we are trying to keep out of the national treasury.

The stimulus to the production of iron and steel is of comparatively little moment if we regard it solely as so much work which may or may not be done by us, for the reason that while our prices have been maintained higher than they would have been, the prices of iron and steel in Great Britain have been depressed by the obstruction to our demand which we ourselves interpose, until the demand of other countries has overtaken the possible British supply.

We have not, therefore, even succeeded in keeping the control of our own market. We even now import more than twenty per cent. of the iron and steel that we consume, either in the crude or the manufactured form. Neither does the development of the crude product of pig iron add in any essential measure to the home market for other products, for the reason that it would require less than one person in one hundred of all who are occupied for gain in the conduct of the work of this country to supply all the pig iron that we can possibly con-

sume, including the mining of the materials and their conversion in the blast furnace, and also including all the iron that we now import as well as all that we produce. If the tax on imports were removed, whatever the actual prices of iron and steel might be thereafter, the *relative* prices in this and other countries would be the same, making due allowance for the cost of transportation. If prices were the same we should consume more iron, rather than less, than we do now; then the work which is now devoted to production would be required in the consumption of iron, in which the work is of a much higher order and is conducted under much better conditions of life. Both Mr. D. A. Wells and I compute the disparity in the price of iron and steel consumed in this country, as compared with the price at which other countries have been supplied, at more than \$500,000,000 in the last ten years. The figures supplied by the Iron and Steel Association sustain this estimate. (*Vide* Annual Report of 1888.)

The allegation that the prices of iron and steel are much lower now because of the duty on imports than they would otherwise have been is purely hypothetical; no one can prove it, and no one can disprove it. When taking this hypothesis into consideration it must be remembered that the production of iron is an arduous and somewhat undesirable occupation; yet we cannot avoid the necessity of supplying ourselves with the greater part of the iron that we consume, even if we desired to do so. It would be impossible for Great Britain or any other country or countries to supply the ten million or more tons which we are now consuming. No other country except Great Britain makes any considerable supply of pig iron which can be spared for export, and our present consumption is in excess of the largest product that Great Britain ever made. It is nearly equal to forty per cent. of the entire product of the iron of the world of which we have any commercial knowledge, and is rapidly increasing.

Now since the demand of the world for iron and steel is also increasing everywhere else coincidentally with the extension of the railway system and with the development of commerce, it is not probable—in fact, it is hardly possible—that the removal of our tax on the import of iron would cause any considerable fall in the price of iron here. Great Britain cannot meet any considerable increase of demand. Her supply of fine ores for making steel is very limited. She herself imports at the present time twenty per cent. of all the iron ore consumed in her furnaces, in part from Spain, where again the available supply upon which Great Britain has mainly depended is

almost exhausted, or in part from Africa, Elba, or Sweden. Neither Germany nor Belgium can spare any ores; they also import from other countries. The principal mines of coal suitable for coking in Great Britain have also become so deep and so hot, and the veins are so narrow, as to endanger the future supply of coke except at much higher prices. The price of coke is now much higher in England than in Pennsylvania.¹

When one views this question without bias, it would seem that the necessary result of the removal of the tax on imported iron in this country would be that the prices of foreign iron would rise to a par with our own; then there would be no further question of tariff protection in the case of this metal.²

The production of pig iron in the United States has been a matter of necessity and not of choice. The art is older than the Constitution; the United States tariff had nothing to do with its introduction. In the admirable "History of the Manufacture of Iron in the United States," given by Mr. James M. Swank in the Census Report of 1880, he proves that the production of pig iron became a part of the necessary work of every colony and of every territory where ores and fuel could be found in a workable quantity, within twenty or thirty years after the settlement of the colony before the Revolution, or of the States since organized.

We have of late depended upon foreign countries for more than one-fifth of our iron and steel, which is imported year by year in the crude or manufactured form. On the other hand, Great Britain equally depends upon us for one-third of her bread. We merely exchange grain or cotton which we could not consume ourselves for iron and steel which we could not do without and have not yet been able to produce. The *interdependence* of nations asserts itself in spite of all obstructions. Perhaps we might import more iron and exchange more wheat for it, or more cotton, or something else, which would be equally to the advantage of the country for us to sell. Which is the better occupation — underground in the mine, or above ground in the puddling furnace; or in the field, the flour-mill, or the manufactory of many kinds of goods in which we already excel other nations?

The production of iron relative to its use is utterly insignificant, or so far as it gives employment to labor, as compared with its consumption. In 1880 it gave direct employment

in the coal mines, the iron mines, the coke ovens, and the blast furnaces to less than one hundred thousand men and boys; or to less than one person out of one hundred and seventy of all who were occupied in doing the work of the nation in the census year. The value of the entire product of pig iron in that year was then less than one-half the value of the eggs and poultry which were supplied from all the barnyards of the country.

There is no census of eggs and poultry known to me except the assessors' returns in Ohio; but perhaps one may take as a standard of general consumption that of the factory boarding-houses of New England, in which men and women are boarded at from \$2.25 to \$3.00 per week, and in which the "mealers," so called, who dwell elsewhere but who come for their meals, are supplied with twenty-one meals per week at a cost of \$1.60 for women and \$2.50 for men. The annual value of the poultry and eggs consumed per capita under such conditions, and at these prices for subsistence, is \$6.44 per adult.

Bearing in mind the relatively large consumption of the product of the hen-yards in the South, and perhaps in the West, this may be considered at least an average standard. Our present population of about sixty-five millions, counting two children of ten years or under equal to one adult, has the consuming power of sixty million adults; at \$6.44 each the consumption of poultry and eggs, in round figures, may therefore come to \$386,000,000 per annum. At the present time this sum is equal to about three times the annual value of the product of pig iron, four to five times the annual value of the wool clip, six to seven times the value of the entire product of all our silver mines, and about equal to the value of the cotton crop. But we depend for a part of our supply of eggs on the hens of Canada, Denmark, and Holland. (Qu.: Are they "*pauper hens*"?)

Whether this standard of the consumption of poultry and eggs is a fair one, each reader may judge for himself. The value of the egg product only of Ohio, computed from the product according to the data collected by the assessors of each town and city, is greater than the value of the wool of Ohio.

Would not a tax of \$4,000,000, or of about one or two per cent. on the product of poultry and eggs, if it could be collected, be much less of a burden than a tax on pig iron which has caused the cost of iron to our domestic con-

¹ See Reports on Coke Industry, United States Geological Series, by Joseph D. Weeks.

² In the interval between the preparation of this article in November, 1889, and the correction of the proof in February, 1890, the demand for iron and steel

and the rise in price and cost in Great Britain have probably done away with any future competition with the United States, and will probably soon lead to Great Britain's depending upon us for a part of her own supply of crude iron.

sumers to be from \$50,000,000 to \$60,000,000 a year more than the cost of the same quantity supplied our competitors in other countries for many years?

The revenue of less than \$4,000,000 which we derive from iron ore and pig iron is not required; but let it be assumed that it were necessary to get a corresponding sum, and that it might be readily had by increasing the tax on beer from \$1.00 to \$1.25 a barrel, it requires very little consideration to appreciate the difference. If the tax is put upon the metal, the domestic product of the farmer, the mechanic, and the manufacturer is taxed at its source many fold the amount of revenue; the home market for every kind of goods is restricted; the cost of every fabric is increased; while if a tax of twenty-five cents were added on a barrel of beer, it would fall on an article of voluntary use of which each consumer might readily spare a part if he were obliged to do so; and being collected by stamps at an insignificant cost, it would yield a revenue to the Government in almost the exact measure of what the people paid. The present national revenue derived from intoxicants and tobacco is \$150,000,000; adding the probable amount of local taxation derived from liquor licenses and it appears that these two articles of purely voluntary use—drink and tobacco—now sustain twenty-five per cent. of the entire cost of government—national, State, and municipal.

This analysis of the effect of a tax on iron and steel has been given only as an example of the way in which the problem of comparative taxation is presented when dealing with two methods each assumed to yield the same amount of revenue. It is submitted without any reference to the points of dispute between the advocates of freer trade and protection, which run on entirely different lines.

The same rule holds with respect to taxes upon wool, coal, lumber, chemicals, drugs, dye-stuffs, tin plates, and all other crude or partly manufactured materials which are in part imported, and which are necessary in the processes of our domestic industry. The exact effect of these taxes upon other materials than iron and steel cannot be measured and stated with the same accuracy. The reports upon and the statistics of other arts are not as exhaustive as those which are made by the Iron and Steel Associations of this country and of Great Britain.

In respect to wool we now consume annually about 300,000,000 pounds of domestic wool valued at from \$70,000,000 to \$80,000,000, or approximately between one and a half and two per cent. of the value of the total product of agriculture. Over forty per cent. of the working force of this country is occupied in

agriculture. On the basis of the census of 1880, continued by proportion to the present date, between nine and ten million men are now occupied either in agriculture or in moving the products of agriculture to the centers of wholesale distribution. If the relative number of persons interested in the production of wool may be rightly measured by the proportion which the value of the wool clip bears to all other products of the farmer, the number of workmen engaged in this branch of industry cannot exceed from 140,000 to 180,000; but in view of the large proportion of our domestic wool which is raised on ranches, where relatively few persons are employed, the number of persons who are engaged in the wool production cannot, on this basis of proportion by value, exceed 100,000 to 120,000 out of 9,000,000 to 10,000,000 farmers and farm laborers. Of course very few farmers depend wholly upon wool; the actual number of wool growers, each having a small interest in wool, is doubtless greater than the figures given.

Compare this with the production of cotton, for which the demand and value in the home market rest mainly upon the export. The crop may be computed at five bales to a hand, which is a large estimate; on this basis the number of laborers who depend almost wholly upon cotton for their money wages or salable crop may be put down at 1,400,000, or more than tenfold the number who depend upon wool in any considerable measure, if we rate occupation in proportion to value.

In another aspect these facts are significant. In 1880 between seventeen and eighteen per cent. of the total product of our agriculture was sold for export to other countries. In recent years our exports have ranged from ten to fifteen per cent., or at an average rate of twelve and a half per cent. of our farm product. There must therefore be 1,100,000 to 1,200,000 of the farmers and farm laborers of this country whose home market depends wholly upon the export demand for their surplus, because it could not now be consumed within the limits of our country. In order to protect our home market and retain it at its full measure, we must therefore carefully discriminate in the matter of taxation, so as not to obstruct our exchange of products with foreign countries, since commerce depends absolutely upon the exchange of product for product, balances only being settled in specie.

In addition to our consumption of domestic wool, the import of foreign fabrics which are made wholly or in part of wool is computed to represent about as much more unscoured wool, making our total consumption of wool (unscoured) about six hundred million pounds. The effect of the tax on foreign wool in pre-

venting the United States, whose people are the largest consumers of woollen fabrics in the world, from being free buyers, has doubtless depressed the price of wool in foreign markets without materially raising the price of domestic wool at home, but rather reducing it. The reason is that the manufacture of woollen goods cannot thrive unless the manufacturer has free access to every variety of wool. Hence it happens that, while the farmer has gained no benefit, the home manufacturer has been placed at a disadvantage in the relative cost of materials as compared with his foreign competitors. The effect of this disparity in price—first in the cost of machinery, and secondly in the cost of wool, chemicals, and dye-stuffs—has been to protect the foreign manufacturers of woollen and worsted fabrics, and to embarrass our own. The compensating duties or taxes on these fabrics which have been well adjusted at one period have ceased to be compensating when the prices of materials have changed. Even in Ohio the production of wool in 1888 was only 20,556,357 pounds, worth about \$6,000,000, while the production of eggs was 42,355,099 dozen, worth more than the wool. While the Ohio wool product is only five pounds per head, the consumption of wool is ten pounds per head on the average, and in a State as cold as Ohio it must be at least twelve pounds.

The same reasoning will apply to many other articles. For instance, no country in the world possesses such advantages for the production of condensed milk as this country, for which there is a huge and constantly increasing demand. If the taxes were taken from sugar and tin plates, the home market for condensed milk would be increased in a measure which no one can well estimate, because we could then supply all other countries at the lowest possible cost; or, in other words, we could exchange condensed milk in constantly increasing measure for sugar and tin plates free of tax.

Our advantages, both in our natural conditions and in our freedom from the heavy burden of taxes,—which, proportionately to product, are very much higher than our own in every other civilized country,—coupled with our exemption from the withdrawal of a great part of our laboring force at the most productive period of life for service in a standing army, enables us to develop the product of our agriculture, of our forests, of our mines, and of our workshops at a lower relative cost of labor, and yet at a higher relative rate of wages,—measured either in money or in what money will buy,—than can be attained in any other country. All that we need to enable us to take advantage of our position is that suitable discrimination shall be used in imposing taxes and in placing them where the burden upon

industry will be least; in this way we may protect and develop home industry to the utmost, since the home market, or market price of our great agricultural staples, is fixed by what the supply will bring for export.

The entire sum of our taxation, national, State, and municipal, now comes to between five and six per cent. of the estimated product of the country. It follows that five or six per cent. of the *work* of the community must be devoted to the support of the Government; and it further follows that this necessary revenue, so far as it is derived from a system of indirect taxation upon consumption, should be levied upon subjects of taxation which are of voluntary and not of necessary use, bearing always in mind that whisky, beer, wine, and tobacco now yield a national revenue of \$150,000,000, at the least cost for collection of any tax now imposed.

It would be beyond the purpose of this article to submit a scheme of taxation corresponding to these views; suffice it that every tax which is now imposed on the import of necessary articles of food excluding sugar, such as fish and potatoes, and every tax which is imposed on the import of crude or partly manufactured materials which are necessary in the processes of domestic industry, yield in the aggregate less than fifty million dollars a year, or less than one-half the present surplus revenue of the United States, which we need to dispense with.

If the system of national taxation were adjusted to the conditions presented in this article, about sixty per cent. in point of number of the articles taxed under the present tariff would be put in the free list; this would reduce the customs revenue only about fifteen per cent. if it reduced it at all; the whole administration of the law could then be rendered very simple. The first effect of a suitable reform of the tariff may be an increase in the customs revenue.

If a selection of the subject of taxation is, however, to be made with a view to protecting or promoting some specific branch of industry, like the production of pig iron or wool, without paying any regard to the uses to which such materials are to be put; or if the only objection to such a tax is that it will embarrass those who convert these crude materials into finished fabrics without regard to any other class than the manufacturers, so called—then of course the demand of the miner, of the farmer, of the lumberman, and of all who are engaged in the production of these crude materials, is entitled to the same consideration as the like demand of the manufacturer who converts these products, which are commonly called "raw materials," into manufactured goods. It mat-

ters not whether the producers of crude materials are more or less numerous than the operatives in the factories; all are alike entitled to consideration in that aspect of the case.

If this view is taken, and if it is held to be either lawful or expedient to impose a tax upon the greater part of the community in order to develop, support, or sustain selected or special branches of industry which are held to be of such national importance as to warrant this action, then the question ceases to be one of mere taxation; it is then brought within the domain either of political expediency or of constitutional law. The Supreme Court of the United States has already established the principle of the law governing this matter so far as private interests are concerned.

In the case of *Loan Association vs. Topeka*, 20th Wallace, pp. 655-668, Justice Miller rendered the opinion of the Court from which the following extract is taken:

"To lay with one hand the power of the Government on the property of the citizen, and with the other bestow it on favored individuals to aid private enterprises and build up private fortunes, is none the less robbery because it is done under the forms of law and is called taxation. This is not legislation; it is a decree under legislative forms. . . . Beyond a cavil there can be no lawful tax which is not laid for a public purpose."

If, on the other hand, it is held that the subjects of taxation are to be considered with a view to protecting all alike, and to promoting all branches of industry to the utmost, while at the same time relieving the manufacturing and mechanic arts from every possible burden, the solution becomes a comparatively simple matter. It is in this view that the writer has endeavored to treat the subject of comparative taxation, avoiding all contention on the questions which are at issue between the advocates of protection and of free trade.

The adjustment of prices in this and other countries so as to equalize them on crude materials,—that is, on iron, steel, wool, chemicals, and the like,—making due allowance for the cost of transportation, could not fail to give the people of this country the complete control of the home market for all staple fabrics which are in common use. The duties on foreign imports, at whatever rates they might be established, would then fall on silks, furs, fancy goods, embroideries, laces, the higher and more expensive grades of carpets, the finer fabrics of cotton, wool, and worsted. These finer grades of goods even now constitute about seventy-five per cent. of the imports of these classes of fabrics. Such fine fabrics depend more upon their style and upon the changing fashion and fancy of each season for their consumption than they

do upon their utility; they are therefore, like whisky, beer, and tobacco, articles of voluntary rather than of necessary use, and may therefore be suitable subjects of taxation. Even the medium grades of common woolen fabrics worn by men, and of worsted dress goods worn by women, depend for consumption more upon their style than upon their quality.

There is a way in which men and women can clothe themselves at very low cost and save their taxes on fabrics: they have only to buy the stock left over of last season's fashions. But this they will not do; therefore, they voluntarily tax themselves on the new fashions. At an evening party the writer lately met a young lady whose dress attracted him for its simplicity and good taste; and when he took the liberty of praising it he was informed that the material cost fifty-six cents for the dress pattern, and that the lady made it up for herself.

If it were possible for the contestants in this matter of taxation to meet together, to lay aside prejudice and mutual distrust, and to agree as far as they might, in the first instance, upon the subjects which ought to be exempted from taxation, a long list would be removed from the present schedules of the tariff law. If it should then be admitted that the materials which are necessary in the processes of domestic industry should be free from taxation, not simply for the benefit of those who make use of them directly in the process of manufacturing, but mainly for the benefit of those who ultimately consume the finished fabrics, it would not be difficult to adjust the taxes or duties in a uniform and consistent manner upon subjects of voluntary use such as have been named. If all this work were accomplished, subject to the simple rule that all the taxes which the people pay the Government should receive, the whole tariff question would be taken out of politics, and would be settled, as a business question should be, on purely commercial principles.

It is now apparent that the question of taxation will become the leading issue in the next presidential election. It is admitted by both political parties that the whole system of national taxation must be reformed, and that some taxes which now yield the surplus revenue must be repealed. There is danger that the lines may be drawn upon sectional grounds, and also that in the conflict between the advocates of special legislation in the assumed interest of the producers of iron, steel, wool, and other crude materials and the manufacturers who convert these materials into fabrics, the great mass of consumers may be overlooked. In such a contest the interest of the great body of manufacturers and mechanics

whose products could not be imported under any circumstances may also suffer. It therefore becomes essential that the choice of subjects of taxation, whether of domestic or of foreign origin, shall be made with reference to the use to which the materials are to be put. In this way domestic industry will be most fully protected and the home market will be retained; while the foreign market, which is essential to the sale of a controlling part of the products of agriculture on which the price of the whole depends, may be broadened and extended.

One great obstacle to intelligent tariff legislation consists in the fear of those who are engaged in manufacturing that the duties on the materials which they use may be increased, and the duties on the finished products which they make may be diminished. This has occurred more than once, and has been often threatened. Under such conditions nothing else could be expected than the gradual perversion of the tariff laws from their original form, until they become incapable of administration except through such changes in the construction given to the statute by the Secretary of the Treasury as may or may not be consistent with the final rulings of the courts. Witness our present condition: imports relatively increasing owing to the disadvantage in which the present tariff by its inconsistencies has placed both the producers of the crude and of the manufactured articles.

The advantages which have been claimed for this country, and which have been established in respect to the larger part of our crops and to a very large part of our manufactured goods already made at the highest rates of wages earned anywhere, but yet produced at the lowest cost, may become so great under a rational system of duties as to create a demand for more domestic wool, more domestic iron, and more of other crude materials, under more favorable conditions for their domestic production than have ever existed before. The immense development of this and of other countries by the extension of the railway and the steamship may before long create such a demand for the fabrics which are made by the machine-using nations of the earth as has never yet been witnessed. One needs only to consider the present (November, 1889) conditions of the demand for iron in witness of this forecast.

Until within two or three years the activity or depression of the iron furnaces both of this country and of Great Britain has depended in considerable measure upon the demand for railway bars in this country only. In the present year, notwithstanding a reduction in the demand for railway bars for construction by

nearly two-thirds as compared with the year 1887, the demand for iron and steel, both in this country and in Europe, is increasing, and if it were not for the new sources of supply which have been opened in this country in the same period, it might have been difficult for the furnaces previously in existence to meet this rapidly increasing demand.

It must be remembered that out of a computed population of 1,400,000,000 only the people of the United States and Canada, of Great Britain, France, Germany, and Belgium, numbering little more than 200,000,000, can be considered as to any extent machine using or manufacturing nations. Moderate progress has been made in the application of machinery in some other parts of Europe, but the greater part of the population of the globe is still clad in fabrics woven by hand, and is without any considerable service from modern appliances, tools, and machinery, except by way of exchange.

It does not yet appear what may be the effect on these nations of the opening of the ways of commerce by the railway and the steamship; but, as the writer has elsewhere and often attempted to demonstrate, it must result in a constantly increasing demand for iron and silver—for use in the arts, and silver for use as the money of common circulation. If the people of the United States wish to be prepared to take their share in the beneficent service of commerce with other manufacturing nations, all taxes on crude or partly manufactured materials which keep prices in this country relatively higher than in other countries must of necessity be removed.

It is therefore held that the control of the home market, the protection of the workman, and the promotion of domestic industry alike depend upon a wise discrimination in the choice of subjects of taxation, whether of domestic or of foreign origin. A policy of exemption from taxation on such crude or partly manufactured materials may therefore be supported alike by all the advocates of protection and of free trade, as well as by all who sustain the principle that the power of public taxation must not be perverted to purposes of private gain, and that the only discrimination which it is lawful to apply in framing revenue measures is to frame them so as to give equal opportunity to all branches of industry, and to free all workmen from every burden or obstruction which the necessity for a revenue from duties upon imports does not require. The protective tariffs of France and Germany are excellent examples of the application of the suggestions which are submitted in this article.

Edward Atkinson.

A SINGLE TAX UPON LAND.



HERE are many persons who take a purely philanthropic interest in social science, or who may have studied social problems in a somewhat one-sided manner, who have been led to believe that if all the taxes which are necessary for the support of national, State, and municipal governments should be collected by a single tax, to be imposed upon land or upon a valuation of land, poverty might then be abolished.

This proposition has been put forward in a very attractive manner by very sincere and in some respects very able men, whose humane purpose cannot be doubted, and who most earnestly hope and expect, through its adoption, to solve the difficult problem which the abject poverty to be found in all great cities now presents.

If the single tax could be equitably assessed upon land and collected, and if it would only work all the benefit predicted by making it possible for every one, first, to secure a suitable piece of land, while, secondly, also enabling all such possessors of land to get a good living off it, the economic millennium would surely be within sight and every one would welcome its prophet; but the theory has not yet been sustained by any adequate evidence or citation of facts. Its alleged beneficent effect has no basis in history or in practice; it is a pure hypothesis, and the second and most important element has received little or no attention.

Unfortunately the chief causes of poverty in this country are deep seated in the nature of men rather than of legislation, and even free access to and the free possession of land does not prevent men from becoming abjectly poor. The remedy for poverty must therefore be sought in great measure by reform from within rather than from without; from individual development rather than from the collective action either of State or of nation. In almost all other civilized countries, so called, there may be many causes of poverty which are to some extent remediable by legislation. The laws or customs of many of the countries of Europe in respect to land tenure may require amendment in order to render the holding of land more free from legal obstruction; but from most if not from all these difficulties, inherited

from a long distant past, we are free; it may even be held that our public lands have been given away too freely even to actual settlers. Hence it follows that if the whole burden of taxation were put upon land or land valuation it might work the very reverse effect from that predicted by its advocates.

The treatment of this subject has been made more difficult by the glamour of sentiment which has been thrown about it, causing many persons whose desire to aid their fellow-men is stronger than their perception of the true causes of poverty to look upon any criticism of their proposed method as if it indicated opposition to their humane purpose; but this is a very common weakness, that affects nearly all purely philanthropic enterprises, and it must be wholly disregarded by students whose sole purpose is to get at the truth in social science.

In order to find out, if possible, how a change in the method of taxation may or may not alleviate poverty, it becomes expedient to test the theory of the single tax on land by attempting to apply it to existing or to known conditions. For this purpose the writer purposes to make use of the figures of production, of distribution, and of taxation, as reported in the United States census of 1880, and in other official documents issued by various States and cities.

In several treatises, some of which may be familiar to the readers of *THE CENTURY*, the writer has previously attempted to measure the total value of the product of the United States, in the census year, in terms of money. It apparently came to two hundred dollars' worth per head of the population of that year, which would give six hundred dollars' worth of product as the average money value of the productive work done by every person who was occupied for gain in the census year, numbering substantially one in three of the population. On this computation the total value of all products of the census year, including all that was consumed upon farms without being exchanged, was ten billion dollars (\$10,000,000,000). It may have been less; it could hardly have been more. Even at these figures the product of the United States was the most abundant of any country in the world in proportion to the work done, although it averaged only fifty-five cents' worth of product — a little more or less allowed for any possi-

ble error — to each person, man, woman, and child, for each day in the year.

The taxes of the census year for all purposes, national, State, and municipal, came to substantially seven per cent. of this gross product; *i. e.*, to seven hundred million dollars, or a fraction under four cents a day per capita. At this rate they were very much less in proportion to the product than the taxes of any other country in the civilized world. The sum of all taxes, divided by the population, came substantially to fourteen dollars per head. These taxes were, however, in part paid for a supply of water, and in part for some other kind of work done in supplying material wants, undertaken by cities and towns: this part of the taxation, not exceeding two dollars per head, may be set off as compensation for value received from the town or city, working as a corporation, in supplying material wants which can be met at less cost by organized collective action than through the separate action of individuals.

The actual cost of government, aside from supplying such material wants, came substantially to twelve dollars per head of the population in 1880; or to thirty-six dollars contributed from the product of his or her work, on the average, by each person who was occupied for gain. These figures are given disregarding fractions: they are very close to the mark, and any change which might be made on absolute data would not affect the reasoning which is subsequently based upon them.

The average family numbered within a fraction of five persons: the cost of government to each family was therefore, on the average, sixty dollars for a year.

These taxes were assessed and collected in various ways. The State and municipal revenues were raised by a direct assessment upon land, upon buildings, upon goods and wares; in some cases upon stocks, bonds, and mortgages, upon incomes, upon licenses to sell liquors, upon licenses to transact business in other ways, etc. The national revenues were raised by duties upon foreign imports and by taxes upon the domestic product of whisky, beer, and tobacco, accompanied by a few other sources of revenue.

It might be the simplest and least costly way of collecting the entire revenue by a single tax upon land or upon land valuation, if this term represents anything more than a distinction without a difference, if a practicable method could be found for assessing and collecting it; it might also be a great benefit to the community if all other taxes could be removed or abated; but when the question is presented how to assess and collect the single

tax on land the difficulties begin, and it may appear that poverty could not be abolished, although it might be alleviated in some measure. It may prove, however, that the same relief can be attained in perhaps greater measure without adopting the single tax on land.

It may also appear that even if this theory of a single tax on land were applied so as to cover the whole amount of revenue needed, the hope might not be realized that land would then be more widely distributed than it now is. It is possible, even probable, that the personal possession or occupation of land, which is admitted to be necessary to its productive use, would then fall under the control of a much smaller number of persons than those who hold it under present conditions. As nearly as the data which are available for the study of this question enable one to make the computation, one-fifth part, or about one hundred and forty million (\$140,000,000), of the total¹ revenue of the census year, amounting in all to substantially seven hundred million dollars (\$700,000,000), was in fact derived from taxes assessed upon land; it would follow of necessity that had the entire revenue been collected in that year on the basis of the valuation for assessment on land of that year, the tax upon land would have been increased five-fold or more throughout the country. Now since such a tax must of necessity be the first lien upon the land, and must be paid year by year, even in advance of its cultivation or its use for business purposes or dwellings; and since the payment of this tax in money would of necessity become the sole condition on which the possession or use of land for any purpose could be granted by the state, it might happen that the burden would become too great to be undertaken, except by persons who already possess ample capital from which they could advance the taxes in anticipation of recovering them from the product of the land or from the income of their buildings.

Could the poor farmer, the mechanic, or the artisan of moderate means, or in fact could any one who did not possess ample capital, afford to accept the conditional possession of land under such terms? Each one who now occupies land can answer this question for himself by multiplying the present tax upon his land by five or at least by four.

Those who expect so much benefit from a mere change in the method of collecting taxes overlook the fact that *taxation* and *work* are synonymous terms. What we may call raw or wild land will yield no revenue, and will

¹ The exact amount of taxation by way of licenses, and the revenue derived from water rates, are not known; in this respect the last census is incomplete.

support only the hunter or the herdsman ranging or ranching over it but not occupying it; therefore land itself will not provide for its own taxation.

Even if work be put upon land without capital, it may yield barely a subsistence to him who does the work, if it yields even that. Labor and capital must be combined and applied together to land in order that any land may yield either a large product, or rent, or income, or single tax. Does it not follow that if the whole tax of the country were assessed in a single tax imposed in the first instance upon land this would be but an indirect method of deriving the whole tax from all the products of labor and capital combined, without discrimination? If so, this would be but an indiscriminating mode of taxing all consumption.

All this is elementary. It is manifest that land must be set off, fenced in, and worked by individuals in order that it may yield the primary products which are known as the products of the earth in any sufficient measure to sustain existing life. The proposed tax must come out of the product; there is no other source.

Land must be occupied by individuals in order that these crude products may be converted by the application of capital as well as labor into goods or wares, commonly called manufactures. Land, again, must be occupied by individuals in order that these goods and wares may be distributed by the processes which are known as trade and commerce; consequently the single tax, whatever its amount may be, and at whatever point it may first be collected, can be but the taking of a part of the joint product of land, labor, and capital, by due process of law, from the people who do the actual work by which men subsist; such products thus taken from producers being applied to the consumption of those who do the necessary, but not directly productive, work of the Government.

A small number of individuals may combine in a corporation or association, making what the law defines an "artificial person," but this slight variation does not affect the general principle of personal possession which lies at the foundation of all property.

If the figures which I have given of the value of the annual product of the census year are near the mark, and if the average product of each person occupied for gain was substantially six hundred dollars' worth per head, this product representing the work of 17,400,000 people out of fifty million—then it follows that the seven per cent. of this product which was applied to taxation in the year 1880 stood for the actual work of 1,218,000 working people, or seven per cent.

of all occupied for gain; the smaller portion of whom performed the actual work of the Government itself, while the larger portion did the work that was necessary to supply this force of officials with shelter, food, and clothing. If the annual product was worth less than the sum at which I have computed it, the taxes being the same as given, then the actual work of the Government required the product of a larger proportion of all who were occupied for gain to be given up to it by way of taxation.

It will not be denied by anybody that some of the taxes which were in force in 1880 were very bad taxes, which ought not to be continued. No one, belonging to any party, questions the necessity for some change in the present method of raising the revenue. There is no question whatever but that some of the present taxes fall in proportion more heavily on the consumption of the very poor than on the prosperous—like those on potatoes, salt fish, smoked herring, sugar, salt, and other necessary articles of food; and also the taxes on coal, lumber, iron, and other materials which are necessary in the processes of domestic industry. To the extent to which the necessary cost of living is increased while wages are reduced by these taxes, they are without question a cause of poverty. To the extent to which any unjust or inequitable taxes may be removed poverty may be alleviated; but that is all. This is something very different from the extravagant expectations of the Anti-poverty societies that advocate the single tax on land valuation as a panacea for all poverty.

As I have stated, the rate of taxation in 1880 which was deemed necessary to defray the actual cost of government, including the rapid payment of the national debt of the United States, came to substantially twelve dollars per head of the population. One dollar per head could then have been spared, and two dollars per head could now be spared. What we call our surplus revenue, which cannot be immediately applied to the payment of any debt now due, and which ought not to be spent in the wasteful manner now proposed, comes to about two dollars per head, or to from one hundred and twenty million to one hundred and thirty million dollars per year. If this sum were applied to the reduction of taxation, every tax on food, on fuel, and on the materials which are necessary in the processes of domestic industry, could now be wholly removed. The taxes which would then remain, and which would suffice to meet the entire cost of government,—national, State, and municipal, at ten dollars per head,—would be the State taxes, levied as they now are on real estate, personal

property, incomes, and licenses; while the national taxes which would remain in force would be imposed on whisky, beer, tobacco, wines, laces, and embroideries; on the finer textile fabrics which depend upon fashion and fancy rather than upon utility for their sale; on furs, fancy goods, and a few other articles which are almost wholly of voluntary rather than of necessary use.

Upon the basis of the valuation of land of all kinds, as assessed in the census year or in the same proportion, land would be assessed by direct taxation on its owners from two dollars to two and a half dollars per head out of the ten dollars; *i. e.*, one fourth or one fifth part. If allowance be made for any possible error in my computation, land now contributes by direct taxation on its owners about one fourth part of the sum necessary to defray the entire cost of all government, national, State, and municipal, on the present basis on which our revenue is collected. If all other taxes were abated, the single tax upon land could not therefore be less than four times as much as it is now, and would probably be five times—after the reduction of the total revenue in the manner proposed by about one hundred million dollars (\$100,000,000). If, in addition to this absolute reduction of our present taxes, some of the present injudicious municipal taxes were changed in their form rather than in their substance, there could be no question that poverty would be to that extent relieved. It would then be easier for men and women to get a living: there would be less artificial obstruction placed in the way of their work by taxes imposed in the wrong place, and there would be less, if any, perversion of the power of public taxation to purposes of private gain. But the necessity would still remain for taking from the annual product five or six per cent. in place of the seven per cent. or more taken in the census year, for the mere purpose of supporting the Government. Somehow, in some way, five to six per cent. of the work of the people must be devoted to the cost of sustaining the national, State, and municipal governments, since land itself will yield no revenue without work.

About one in twenty of all persons occupied for gain must always remain either an official, a soldier, a sailor, or a pensioner; or else must be occupied in supporting the civil service, the army, the navy, and the pensioners, so long as the present form and method of government exists and is supported by taxation, wherever the tax may be collected.

It matters not where the tax is first imposed—whether by a single tax on land or by multifarious taxes on other subjects—this work will be distributed as a part of the cost of the na-

tional product, either on the whole, or on the special products subject to taxation. Under the single-tax system the tax would be distributed substantially in proportion to the consumption of all products of every kind by the people of every class. Taxes will not stay where they are put; if they would, the tax question could be solved with very little difficulty.

Mr. Henry George himself, as well as all the advocates of the single-tax theory who are not anarchists or communists, agree that a permanent possession of land by individual persons, or artificial persons, under some conditions of some sort, is necessary to its productive use in agriculture or to its occupancy for dwellings or for purposes of manufacturing or of distribution; whether the land consists of lots in towns or cities occupied for business purposes, or of allotments occupied for dwellings, or of larger areas cultivated as farms. The number of persons who do not justify the personal possession of land in one way or another, or who advocate the so-called communal possession of land, is too small to call for any attention or argument at the present time in this community, where the possession of land is more free from obstruction than in any other country except Canada and Australia; and even there the huge public debts are promising to become too great a burden upon the landholder.

It is also conceded by every person whose observation is entitled to any consideration that unoccupied land possesses no productive value, and will yield no income except to the extent that it may be grazed or hunted upon by wandering tribes. It is admitted that occupied land will yield only a bare subsistence to labor, if it yields even so much, unless that labor is furnished with or sustained by capital in some form; it is finally admitted that capital can secure no product whatever from land unless it is applied and worked in connection with or in coöperation with labor.

It follows of necessity that land, labor, and capital must be combined; they are the three necessary factors in abundant production, each of little or no avail without the other.

There is as yet no true science in taxation; or at least if it is so claimed that there is one, it is as yet in an experimental stage. Is it not therefore manifest that it may be injudicious to put the whole burden of taxation in the first instance upon only one of the three necessary factors in production? Why not put a part of it on the other factors? Why not tax, at least in part, the result or income,—*i. e.*, the product which has been derived from land by the application of labor and capital to its use and occupancy,—when such product is in the pro-

cess of consumption, rather than to tax the source of all production at the point where such taxes may prove to be the greatest obstruction to an abundant result? Land is but the primary factor in crude production; it follows that the necessary conditions for deriving an abundant product from land, to be converted into such a form as may enable humanity to exist in comfort and welfare, must be—

First. Its occupation or possession under such conditions that labor and capital can both be applied to its productive use in the most effective manner. These conditions must be such that both labor and capital shall be free from any legal or artificial obstruction by which their relative service or productive efficiency may be impaired.

Second. It requires but little observation to prove that neither the area of land nor the value of land as now computed bears any positive or equal proportion to the product. In the production of the crude materials which are converted into food, or the crude fibers which are converted into clothing, a very large area of land is required both in ratio to the quantity and the value of the crude product.

With respect, for instance, to wheat, the area of land which must be devoted to its product in a crude form—*i. e.*, as grain—is very great in proportion to the area of land which must be occupied by either the railway, the miller or the baker, or the dealer who distributes the bread; yet the value which is added to the wheat by the work of the railway, the miller, the baker, and the tradesman who distributes the bread is about two to one as compared with the value at the farm of the crude product of the wheat of which the bread is made. If land only is taxed, the farmer must pay the larger part of the tax and recover it from consumers in the best way he can devise. If he cannot recover it, he must stop work.

With respect to cotton, the area of land devoted to the production of the fiber is excessive in proportion to the area occupied either by the factory, by the dealer who distributes the cotton fabrics, or by the clothier who makes up the fabrics into clothing. Yet the value added to the cotton fiber by all those who take part in its conversion into clothing is one, two, three, or four fold the value of the crude cotton. If cotton land were subject to the single tax the planter must charge the tax to the cost of cotton and recover it from consumers, if he can. And so the demonstration might go on in varying proportions throughout all the arts.

Third. The mental factor, or what we may call the mental capital, is the prime factor in abundant production. Without the directing mind the cotton factory could not exist; it

could neither have been invented nor could it now be operated. Neither could the clothing factory have been organized. Without this work the present abundance of goods could not have been made for distribution, and then the product of the cotton fiber would be limited to its demand for homespun use; yet the man or men who provide the mental capital in the production of grain or cotton, of food and clothing, may occupy so small a part of the land as to make the rental value of that little patch an utterly insignificant element. Shall we put the whole tax on the land where the crudest and least profitable work is done, and exempt him who manufactures or distributes its products from any share in sustaining the Government?

A tax on land may be but a tax on crude production at its very source, or at the point where it might, and probably would, work the greatest obstruction to the most productive occupation and use of the land itself.

This problem may be treated with a tolerable approach to accuracy by the use of statistics. There are some statistical data which may be made use of with absolute certainty that they are correct. In the city of Boston land is valued by the assessors separately from buildings or from improvements thereon, for the purpose of assessment for local taxation; the proportion of land valuation as compared to buildings or improvements in Boston is in ratio of three to two. In other parts of Massachusetts, especially in the farming districts, land constitutes the lesser element of value, and the improvements the greater element.

It may be considered a well-established fact that the assessment upon real estate in Massachusetts, for purposes of taxation, is at about the ratio of one-half upon the land at its present valuation, and one-half upon the buildings or improvements which have been placed upon it. If we may reason by analogy that the taxes of other States are assessed upon substantially the same basis, *i. e.*, half and half, then we may approximately assume that the assessment upon land throughout the United States, in the year reported in the census of 1880, did not exceed seven billion dollars (\$7,000,000,000), and was probably somewhat less.

The total assessment on real estate in that year amounted, in round figures, to thirteen billion dollars (\$13,000,000,000).

It therefore follows of necessity that had the entire revenue of 1880 for national, State, and municipal purposes been derived from a single tax, then imposed upon land at its assessed value, the rate of assessment for the single tax on the valuation of that year would have been *ten per cent. or more*. These valuations of course varied very much; in Massachusetts

the assessors' valuation is very high; in Michigan it is computed at about eighty per cent. of the true value; in New York the valuation is much less; and in many States it probably does not exceed one-half the market value of the land.

Under the single-tax theory these variations in value must of necessity be equalized; hence it would follow that all the valuations made by local assessors must be displaced, corrected, or equalized: a national board would be required, to be charged either with the duty of equalizing the valuation of the local assessors, or else to be charged with the duty of making a national valuation.

At this point the theory begins to break down by becoming impracticable. Such a national assessment could not be made. So long as local taxes are collected for strictly local expenditures, it matters but little whether the land be valued at a high rate or a low rate in that specific place; the money is to be spent for the service of the occupants of that land in that town or city. Local self-government, therefore, meets the whole necessity of the case in the matter of taxation for local purposes; but if, in addition to the municipal expenditures, the national expenditures are also to be assessed in equal or greater amount,—falling like the dew of heaven upon the land of Boston or of Massachusetts, or of Michigan, or of other States, without distinction of race, color, or condition,—it follows of necessity that the low valuation of some States must either be raised or the valuation of other States must be reduced. All valuations must be made upon the same basis if the single tax is to be made an equitable tax. How can this be accomplished?

Objection has been made to the computation which shows that in the census year the single-tax rate would have been ten per cent. or more on all land, and it is alleged that this high rate creates a prejudice against the single-tax theory. It is alleged that the entire valuation of land in 1880 was far below the true value; it is also alleged that much unoccupied land is withheld from use and is not taxed at the same rate as the occupied land, or on the basis of the same valuation.

Whether this latter allegation is true or not in any place the writer has no means of determining; but there is no unoccupied ground in the city of Boston, and probably none in the State of Massachusetts, which is not or may not be as fully taxed as that which is occupied, if the assessors do their duty.

It may be assumed that through long practice, under the guidance of an extremely efficient chief assessor who has been judiciously maintained in office for a long term of years

through all party changes, the land valuation of Boston is equitably made and the land equitably taxed, whether occupied or unoccupied, according to its value, or as near to it as any board of assessors could come.

We will, however, treat the subject on another basis. One of the most conscientious officers of the census of 1880, Mr. Gannett, attempted to make a true valuation of all the property of the people of this country, and in so doing he raised the assessors' valuation of land. He valued farms a fraction over ten billion dollars; residences and business real estate a fraction under ten billion dollars; mines, including six months' product waiting for sale, a little under eight hundred million dollars; railways with their equipment a little over five and a half billion dollars (\$5,500,000,000); reaching as a true valuation of real estate in all forms, except strictly public property, substantially twenty-six billion dollars (\$26,000,000,000), a little over five hundred dollars' worth per capita.

If it be admitted that this sum should be divided by one-half, corresponding to the rule which has been thoroughly well established in the State of Massachusetts, on sufficient evidence, as to farms and business real estate, in order, first, to separate land from buildings and improvements thereon; secondly, to separate mines from the machinery and product thereof; thirdly, to separate the railway track from its equipment—then the land valuation would have come to thirteen billion dollars (\$13,000,000,000), and the single tax would have fallen at the rate of five to six per cent., instead of ten per cent., on the full value of all land in the census year. If these conditions should be realized, it must be admitted that the declared objects of the advocates of the single-tax system would have been fully attained. Any one who is even superficially conversant with the income which can now be derived from real estate—*i. e.*, from farms, dwellings, railway property, and the like—will doubtless concede that a tax of five to six per cent. on a full valuation of the land occupied would take up the entire rent or rental value which land now yields in any form of income to its owners, with here and there an exception on a few special sites in cities. Land, *as a whole*, does not pay its owners five per cent. above the cost of cultivating it, or above the fair return on the capital invested for the purpose of using and occupying it for manufacturing, trade, and commerce. A very large proportion of our farm lands especially yield no rent; *i. e.*, no income above an average return on labor and capital.

The space here permitted me will not admit of any proofs being given of this dogmatic

statement; it must rest upon the experience of those who are competent to pronounce judgment upon it.

Now let it be admitted that a way can be conceived for determining the relative value of every parcel of land in the United States, even if no practical way can be invented to carry the conception into effect, and that a tax of five per cent. upon that land would yield a revenue sufficient to defray the entire expenses of the Government; in such event substantially all rent of any kind would be absorbed by the tax. What would next ensue? Before attempting to consider this question we must next assume that under these conditions a way should also be found by which cultivation, production, manufacturing, and distribution could go on as effectually as they do now. We must also assume that the same opportunity to accumulate capital would continue to exist. We must assume that the only change would be the taking up by taxation of all the rent of land, at five per cent. on the present valuation, coupled with the removal of all taxes of every other kind.

What next?

The moment land ceased to yield an income or rent to the owner, no one would pay him anything for it. The market value of land would no longer exist. That, again, is the objective point of the advocates of the single-tax theory. They affirm that no one ought to be called upon to pay anything for the possession of land, and their main object would be attained if land should cease to have any salable or market value, as the result of the single tax imposed upon it. Yet the necessity is admitted by them that land should be placed in the possession of private persons in order that labor and capital may be applied to its use and occupancy for purposes of production and distribution. In what way or by what tenure would this new kind of no-rent possession of land be granted by the state? How would existing titles be extinguished, and how would the land then be redistributed? When redistributed how would the rate of the single tax then be determined? Would it not become necessary for assessors to be appointed by the National Government to establish what the promoters of the single-tax system call the "site" value of land? How would these assessors determine the exact or full amount which any person could afford to pay for the choice of land or for the selection of a particular site in order either to cultivate it or to occupy it?

How could this "site" value be established without practically leasing the land at specific or fixed rates of annual taxation, established so as to cover long periods of time? Without

such permanent possession at a fixed rate who would expend capital upon land?

The possibility of deriving any rent, product, or income from land at the present time depends mainly upon the amount of capital which has been or may be expended or invested upon it. There are many lots of land, especially in cities, which yield no more than enough to pay the present taxes, because the capital invested upon such lots is insufficient and the time has not arrived when the owners dare substitute better buildings. On the adoption of the single tax it would become necessary either for the Government to confiscate whatever capital there might be upon such lots, be it more or less, or to compensate the owners for its value before vesting that land or leasing it to some one else who would put more capital upon it. Of course unoccupied land would be at once surrendered by owners who could not afford to pay the taxes upon it and who had no capital, although they might have paid a large sum for it and might also have previously paid heavy taxes at present rates in order to keep their title. How would they be compensated?

But suppose all these difficulties overcome; still, if the "site" value, rental value, or tax value, by whatever name it may be called, were subject to alteration year by year, according to an estimate which might be put upon it by a national board of assessors, also changing from year to year, would any one dare accept the conditional possession of land for any purpose which would require a large expenditure of capital or of labor upon it before it could be made productive or useful?

Would not the only alternative then be to grant the possession of land to private persons at a fixed rate of taxation for a long term of years, or indefinitely? But that process would simply make the nation a single landlord, collecting a single tax, or rent, which could not be changed—in place of many landlords who now adjust the rents, reducing them as well as advancing them, according to the changes which occur in the progress of society. We hear much of the "unearned increment" of land, but we hear nothing of the *unrequited decrement* of land. I think it may be safely affirmed that the present market value of all the land in this country represents less than the cost of clearing, fencing, draining, building, and making it productive either in cultivation or, outside a few cities, for any other purpose. But this opinion cannot be sustained by any demonstration. There is hardly any investment that requires as much care, skill, and judgment as the management of land.

If the Government should thus become a single landlord, then, in the progress of society,

a particular site which had been granted at a low rate of single tax might advance in value for use. In such event the leasehold, or right to hold it subject to a fixed rate of taxation for a long term of years, would sell in the open market for a very large bonus. What is called the "unearned increment" would accrue to private individuals on the leasehold or taxhold precisely as it does now on the land-holding; just as the farms of Ireland have been sold to new by old tenants at a large bonus, after the old tenant had secured a reduction of rent by the action of the land courts on sufficient evidence that it would bear no more than the lower judicial rent.

What an opportunity this would give to the assessors, to the city council, to the national board of assessors! How easy it would be to grant a conditional title to a large area of unoccupied land for a long term of years, at a very low rate of taxation, to a certain number of persons; then to grant a conditional single-tax title to a long strip of land leading to this unoccupied area, on which a railway might be laid, at a very low fixed rate of national taxation. How quickly the progress of society would raise the value of such a conditional tenure of land held on condition of paying a single tax at a fixed rate. Who would get the benefit of the bonus? There are many other interrogatories which might be put of the same kind; in fact, there is hardly an aspect in which this theory can be presented from which it does not at once become apparent that the plan for the so-called "nationalization of land," and for the raising of the entire revenue by a "single tax" thereon, will not work. Even if it would work, no plan has yet been presented by its promoters which would remove any of the disparities in the conditions of men that are due to the present system of taxation, or of land-owning, which may not be removed by changes in the existing system of taxation, without recourse to the single tax on land.

On the contrary, if this theory of a single tax on land were carried into effect, it would probably load all desirable lots of land, either in city or in country, with such permanent burdens that none but large capitalists could thereafter afford to occupy them for any purpose whatever. The owners of capital would not then be obliged to pay any principal sum, or capital, for the purchase of the land. They would therefore retain the whole of their large capital for its improvement, and they would thereafter secure as large an income from their capital only as they now derive from the rent of the land which they now purchase and capital combined.

Again, if land should be taxed at its "site"

value, without regard to the capital or value of the buildings or improvements upon it, then the poor man who may now be in possession of a small house must pay as much as the rich man who owns a large house in the next lot of the same site value, or an expensive warehouse in the immediate neighborhood on another lot of the same site value. Factory operatives as a body occupy a very much greater area of land for their dwellings of no greater value foot by foot, or acre by acre, or of no greater site value than that which is occupied by the factory in which they work. The single tax on land would therefore fall excessively on them, and very lightly upon the factory. It would fall with the utmost weight upon the farmer, who of necessity requires a large area of land to produce his crops; while it would fall very lightly upon the miller, whose mill might be built upon a site of no great rental value; and yet more lightly upon the owner of the wheat elevator, which might be built on land that would not feed a rabbit.

As nearly as the writer has been able to compute the effect of the single-tax theory applied to the land of Boston, each average family of five persons in that city would be subject to an average assessment of three hundred dollars' single tax each year, which they must agree to pay when called for, in consideration of the right to possess or occupy any part of the land of Boston for any purpose. This would be the average; of course there would be variations. This single tax would be assessed, not according to the area, not according to productive capacity, not according to the relative income of the occupants, not according to the relative ability, but at the will of a board of national assessors whose estimates of the site value of the land of Boston might or must change year by year.

In opening this subject the writer has held that a single tax upon land would be but another name for a tax upon the entire product of land, which would be distributed with unerring precision in proportion to consumption of all products, without discrimination or power to avoid any part of the burden.

It may be asked why the mass of the people would not then pay the same tax directly that they now pay indirectly, if it is true that the present taxes do not stay where they are put, but are distributed in proportion to consumption.

The answer to this objection is very plain. If consideration be given to the present subjects of taxation and to the various ways in which taxes are now assessed, it will appear that a large part, if not the larger part, of the present contributions for the support of gov-

ernment are voluntary, and are not compulsory on the part of those who pay them. The man who buys a costly piece of land, and who builds an expensive building upon it, becomes a contributor to taxation in ratio to the amount of his whole investment in buildings as well as in land. The consumers of beer, spirits, wines, and tobacco may use more or less of these subjects of taxation without affecting their productive ability, unless they use too much. To the extent to which they choose to become consumers of beer, wine, spirits, and tobacco, they now pay about one seventh part of all the taxes that are now required by national, State, and municipal governments combined; in fact more, because that is the proportion of the national taxation, and does not include the license taxes which are now very widely adopted as the condition of engaging in the distribution of liquor in cities and towns. It is practically certain that the taxes on beer, spirits, wines, and tobacco, domestic and imported, now suffice to meet at least one sixth part of the entire cost of government, including the present surplus revenue, and probably more; the exact amount of license taxes is not known. There are many other taxes which it is optional for the owner or consumer of products to pay or not. To the extent to which land is held for luxurious purposes, to the extent to which houses are built beyond necessary use, to the extent to which warehouses are made more costly than is necessary, to the extent to which not only spirits, wines, beer, and tobacco, but many other articles—such as expensive silks, dress goods, furs, and other luxuries—are consumed, the farmers, the mechanics, and the occupiers of land in small allotments are relieved from the burden thus voluntarily assumed by others, unless they themselves choose to share in their consumption.

The writer has endeavored, to the best of his ability, to explore the subject and to apply the theory of the advocates of the single tax on land to existing conditions. There is nothing new in the proposition. It was presented more than a century since by the economists of France known as the physiocrats; it was applied in France under Turgot, before the French Revolution, with very disastrous results. The discussion which has ensued since it was again brought forward by Mr. Henry George at the present time has without question been extremely useful; it has directed attention to many of the existing abuses in our system of taxation; but how it could be adopted, how it could be applied, and how it could be made to serve as a panacea for poverty, yet remains to be proved: even the way to begin remains to be pointed out by its advocates and supporters. The space which

can be assigned in a magazine forbids a more extended treatment of the voluntary nature of the payment of a very large part of the taxes now collected, not only by the National Government but by State and municipal governments as well.

It is held by all the standard authorities on taxation that the burden of the cost of government may well be borne in part by all who share its benefits. As yet but little attention has been given to establishing an absolutely equitable system for dividing or distributing the burden of taxation either in this country or elsewhere. We possess a great advantage in the separate action of States, making it possible to try many experimental methods in local taxation, by the comparison of which various methods all may benefit hereafter. Our national revenues are, however, now derived from taxes which are consistent with no theory, and are assessed under laws which no two officials can construe alike: under these conditions it may be held that while the single national tax on land may not be approved, there is not a single national tax now imposed which does not need to be reformed.

If the omissions of the last census are covered in the census which is about to be taken, to the end that a complete statement may be made of the actual amount of all taxes,—whether assessed by the nation under a tariff or internal tax bill, or by States, cities, and towns by direct taxation upon property, by licenses, or in other ways,—it will become possible to determine the several agencies through which a part of the national product is converted to the use of the Government more accurately than it can now be done.

On the basis of the somewhat incomplete data now available it would appear that the contributions to the actual cost of government are about evenly divided between those which are paid for the support of the National Government, aside from the reduction of the national debt, and those which are paid for the support of State, county, and municipal government. The per capita contribution is now, approximately, ten dollars per head of the population for the cost of government and two dollars to the national surplus. About twenty-two per cent. of the ten dollars appears to be collected in the first instance by a direct tax assessed upon the valuation of land; about twenty-two per cent. by taxes and duties upon spirits, wines, beer, and tobacco. It is not yet possible to distribute the remainder of the taxes with any very close approach to accuracy. Nearly twenty per cent. of the present contribution at twelve dollars per head is raised by taxes on the necessities of life—on food, fuel, or crude materials which enter into the

processes of domestic industry, all of which taxes now constitute a part of the so-called surplus revenue.

If the agitation of the single-tax question results in turning the attention of the mass of the people to the present abuses of taxation, to the repeal of obstructive taxes, and to the sorting of the taxes which are necessary, with due attention to their effect upon productive

industry, a long step will have been made towards bringing our whole method of raising the necessary revenues for the support of the Government into such form as will enable the work to be done and the taxes to be paid with the least burden upon industry and with the least interference with the freely chosen pursuits of the people.

Edward Atkinson.

A SINGLE TAX ON LAND VALUES.

MR. GEORGE'S REPLY TO MR. ATKINSON.



MR. ATKINSON'S objections to the single tax arise from the fact that he does not understand what the single tax is. He constantly speaks of it as a tax on land. And that he really thinks of it as a tax on land is shown by such utterances as that it would be a tax on a factor of production; would keep poor people from getting land; would fall most heavily on farmers because they use most land, etc.

But the single tax is *not* a tax on land. It is a tax on land value—on that value which attaches to land irrespective of improvements in or on it; that value which remained in the land of Johnstown after every improvement had been hurled into awful heaps of debris; that value left in the business part of Lynn lately swept by fire; that value which remains in a centrally located city lot after the building on it has become of so little value that it is bought only to be torn down.

It may be said: "What is the use of making this distinction? You would not speak of taxing house values or ship values; but of taxing houses or ships. In the United States when we speak of taxing land we mean taxing it according to value. We do tax some things specifically, but land we usually tax by value." This is true. And it is worth noting. For it shows that instead of being a new tax, which would require, as Mr. Atkinson supposes, a tremendous new taxing machine and a fundamental change in our government, the single tax is really a tax we now collect in the tax on real estate. All that is new in it is the *single*. The tax itself we already have. To make it the *single* tax we have only to abolish other taxes.

But as to the necessity for the distinction.

There is a difference between taxing land and taxing land values that does not exist between taxing such things as ships and houses and taxing their values—a difference that, although of no importance in ordinary thought or speech, becomes all-important when we come to reason on the effects of taxation. A tax on house or ship values would fall on all houses or ships—or at least on all that have not been abandoned and are yet in use. But a tax on land values would not fall on all land, nor yet on all land in use, for value does not attach to all land, nor to all land in use. Mr. Atkinson is an example of the great cause of economic confusions—the failure to define terms carefully. He certainly knows that in the United States taxes on land are assessed by value. Yet, deceived by the phrase he uses, he goes on thinking and talking of the single tax as though it were a specific tax that would fall on all land.

Though he seems to see it only by glimpses, since by saying that all taxes have the same final incidence Mr. Atkinson negatives them all, he is quite right as to many of the things he says of the tax he has in mind. A tax on land—that is to say, a specific tax on all land—*would* become a condition to, and a restriction on, the use of land; *would* hamper the use of the natural factor of production; *would* fall on farmers; *would* become a tax on labor; and *would* increase prices by increasing the cost of production. These are valid objections to a tax on land. But the single tax is *not* a tax on land. It is a tax on what in the terminology of political economy is styled rent—that value, namely, which, irrespective of the value of improvements, attaches to *some* land with the growth of population and social development; that premium which the user as user must pay to the owner as owner, either in one payment (purchase money) or in an-

nual payments (rent), for permission to use land of superior excellence.

The single tax, therefore, could *not* fall on all land. It could fall only on valuable land, or land of superior excellence. Hence it could not restrict production, or lessen the use of land, or diminish the earnings of labor or capital. It could only take the premium which the user as user must pay to the owner as owner; and since this would discourage speculation and make it easier to get land for use, it would tend to increase production and to increase the earnings of labor and capital.

In point of exchangeable power, or as items in the wealth of individuals, there is no difference between a given value of land and a like value of grain, metals, cattle, clothing, machinery, tools, or ships; but observation will show wide differences in their nature, their genesis, their laws, and their relations. As an example of the valuable things whose common character is that they are produced by labor, and which in political economy are alone properly classed as wealth, let us take a thing of the kind that in common thought and legal terminology comes closest to land—a building.

Here is a building which, irrespective of the land it stands on, is worth \$5000; and here is a piece of land which, without any improvement in or on it, is also worth \$5000. These values are equivalent, representing to the owner equal powers of obtaining other things in exchange. But—

The value of the building attached to it originally, from the moment it came into existence. The land had no original value. There is no building in the United States that did not have a value when first erected. But, though the land has existed for geologic ages, there is no land in the United States that has had any value for more than a few hundred years; while there is much land now valuable that has only had a value for a few years, or even for a few months.

The value of a building lessens with time, since with time buildings decay. And in growing and improving communities improvements that cheapen the cost of building, and changes in the kinds of buildings demanded, also tend to lessen the value of existing buildings. But land is not subject to decay or change of fashion. Nor can decrease in the cost of production lessen its value, for land is not produced by man, but was here before he came. So far from diminishing with time, the value of land in growing and improving communities tends steadily to increase. In all our growing cities there is no building that is worth as much as it was a year ago, but land as a rule is worth more.

In the case of the building, what determines

value is the cost of producing such a building. In the case of land, it is its relative advantage for use over other land—the final element in which is its location in respect to population. The value of the building has thus individual exertion as its basis. It represents the present value of the labor embodied in the building. The value of land, on the other hand, has social growth as its basis. It does not represent the value of any individual exertion, but the present value of an appropriation—for the ownership of land cannot be obtained by producing, but only by appropriating what already exists. The labor of the individual exerted on land may produce value, but it will be a value inhering in the product or improvement the labor makes, not in the land itself. That value comes only by growth of population and social advance. A man may work or spend on land to any amount; but no matter how valuable his improvements, the land itself acquires no value except as the community around it grows and improves, or access to larger populations is opened. He may do nothing at all, and, as social growth and improvement go on, the value of his land will increase. He may be an absentee, an infant, an imbecile—social growth will still add value to his land.

Thus in taxing buildings or other products of labor we take from the individual what individual exertion produced, thus impairing the natural reward of exertion, and checking the springs of general wealth. But in taxing land values we take from the individual what is brought by social growth; we simply apply to the use of the community what non-producers would otherwise appropriate. In no wise do we lessen the rewards of exertion or check the springs of general wealth. On the contrary, in applying to public use the power of drawing on the general wealth which pertains to the ownership of land we discourage ownership without use, and thus prevent natural opportunities for production from being withheld from use.

Here it may be asked, as the anarchists ask, "Why should not the whole results of production be left to those who take part in production?"

The sufficient answer is, that there is no possible way of leaving to labor and capital that part of the product that constitutes economic rent. This setting aside, as it were, of a certain portion of the results of production which *may* be taken by the community, but otherwise *will* be taken by non-producers, is a result of advance in civilization. It arises from the necessity, which comes with the higher uses of land, of giving individual possession, and from differences in the capabilities of land.

Even where the owner and the user of land are the same person, economic rent exists. Where the demand for wheat causes the cultivation of land that with a certain application of labor and capital will yield fourteen bushels an acre, the owning farmer whose land, otherwise equal, will yield to the same application twenty bushels will have an advantage—not as a cultivator, but as a land-owner. The power of getting six bushels more with the same exertion will inhere not in his labor nor in his capital, but in his land. He may cease to take any part in production and still get the equivalent of the six bushels by renting the land; or if he does not choose to rent, or is prohibited from doing so, he can get from the user who takes his place an equivalent capitalized sum or obligation. So, if a site in the center of a city will enable a storekeeper to get a larger net profit than will one on the outskirts, a separable advantage will attach to this site, which he who has the right of use can rent or sell.

These advantages attach to land; they cannot go to labor or capital. Where they go to a laborer or a capitalist, they go to him not as laborer or capitalist, but as land-owner or possessor, and give him an advantage above what his labor and capital can give. The whole product can go to labor—or to labor and capital, if they both engage in production—only where social development is so rude that no special advantage attaches to one location over another, and the land is treated as a common. In civilized societies, where there are great and increasing differences in the advantages of location, it is only on the poorest land in use that labor and capital can retain the full results of production. Any location where land has superior capability must command a premium which labor and capital must pay. This premium may be taken in taxation on land values for the use of the community, as we single-tax men propose; or it may be left to land-owners, as for the most part it is now left. But it cannot go to labor and capital. There is no way of leaving it to them.

Let me illustrate: In newspaper offices where union rules prevail the price of composition is based on the average work, and steps are taken to secure to every workman his fair chance of "fat" and "lean." But it is sometimes desirable to permit special men to set particular kinds of "fat matter." In such cases those who set this matter pay a premium to the others by way of equalization. To abolish these premiums, and to allow the men who

set the "fat" to retain the full amount of their bills, would not be to give them the wages of their labor, but to give them the advantages of monopoly. To put the theory of the single tax in terms every printer will understand, it is to take "department premiums" for the use of the "chapel."

In speaking on this point I have had in view not only the anarchists, who oppose the single tax, but also Mr. Atkinson. He bases some of his objections on a confused recognition of the fact that taxes must be paid in the results of production, declaring that we single-tax men "overlook the fact that taxation and work are synonymous terms." This indeed we do, and for the reason that there is no such fact. Taxation and work are no more synonymous than addition and subtraction. But it *is* true that taxation can be paid only in the products of work. Mr. Atkinson would be right were he to say that all taxes, no matter on what levied, can be paid only in the products of labor and capital. But, as any standard political economist will tell him, he is utterly wrong in thinking that all taxes fall on the earnings of labor and capital, and by increasing the cost of production become taxes on consumption.¹ In this he ignores the fact that the rise of land values with social growth tends to deprive labor and capital of a larger part of the product, and to give it to those who do nothing in production. Yet he does see facts that involve this. He rightly says that land itself can yield no income. He declares that any revenue drawn from land must come from the exertion of labor and capital on the land. Now, since there is much land in the United States that yields large income to its owners, where does this income come from? It is manifestly a part of the production by labor and capital which they do not now get, and which goes to those who take no part in production.

Here, then, as Mr. Atkinson must see, is a portion of the product of labor and capital that can be taken in taxation without lessening their rewards. It is this that we single-tax men propose to take for public purposes in place of the taxes now levied on the rewards of labor and capital. It is, as it were, a natural tax levied on labor and capital when using land better than the ordinary, and which they must pay anyhow. If we leave this to individuals, we must tax labor and capital to supply its loss. If we take it for public needs, we can abolish all taxes on labor and capital, leaving them their natural and just rewards.

strated, no rent is paid. A tax on rent, therefore, has no effect other than its obvious one. It merely takes so much from the landlord and transfers it to the state. (John Stuart Mill, "Principles of Political Economy," Book V., Chap. III., Sect. 3.)

¹ A tax on rent falls wholly on the landlord. There are no means by which he can shift the burden upon any one else. It does not affect the value or price of agricultural produce, for this is determined by the cost of production in the most unfavorable circumstances, and in those circumstances, as we have so often demon-

Mr. Atkinson sees that land, labor, and capital are the factors of all production, and he appears to see the impolicy of taxing these factors, since he objects to a tax on land as a tax on a factor of production. Very well. On this correct principle, a tax on land (all land) would be condemned. So, all taxes on labor and all taxes on capital must be condemned and ought to be abolished, for they, too, are taxes on factors of production. And so, all taxes on the processes or products of production ought to be abolished, for they are taxes on production itself. What, then, remains as the only proper tax? A tax on land values—the tax we would make the only tax!

Labor, capital, and land are the three factors of production, the first two being different forms of the human factor, the last being the natural factor. Labor and capital must have a reward for their exertion or they cannot continue to exert themselves, or, indeed, to exist. But Nature claims no reward. Land is her free gift to man, her gratuitous service. The primary division of the product is therefore between these two, or into wages and interest. And this (monopoly eliminated) continues to be the division on what in political economy is styled the margin of production, or the poorest land in use—land on which labor and capital can produce only their ordinary returns. But where labor and capital are willing to work on land of a certain quality—or, what is the same thing, can from their product on it obtain the ordinary rate of wages and interest—then that law of competition that tends to bring wages and interest to a common level will enable the owner of land of superior quality to claim the excess which the exertion of labor and capital will yield on that, over what they could obtain on the poorer land. And as the earnings of labor and capital must always be fixed by what they can obtain on the poorest land worked, while the growth and development of society tends to bring out higher and higher capabilities in particular lands, the portion of the results of production that land-owners can claim tends constantly to increase with the advance of civilization.

It is this part of the increment of wealth—the part called by John Stuart Mill the “unearned increment,” because it now goes to non-producers—that we propose by the single tax to take for public needs in place of the taxes now levied on industry, enterprise, and thrift.

Is not this clearly the wise and just way of raising public revenues?

Mr. Atkinson is concerned lest the poor man with a small house should be taxed as much as the rich man with a large house on a lot of the same site value, and lest men who fur-

nish “mental capital” should not be taxed enough if taxed only on the value of the land they occupy. Let me put the case the other way. Should a rich man pay any more than a poor man for a thing of a like kind? or is it just to tax men of brains for using their brains in production? Mr. Atkinson and I probably differ as to riches, and may differ as to brains, but if we went to a hotel and took like rooms should we not expect to pay like prices?

Suppose Mr. Atkinson to have charge of one of those large buildings now rising in all our great cities. To provide for its care, maintenance, insurance, and for a return on the capital invested, a revenue would be needed which could only come from those who used the building. Would Mr. Atkinson try to collect this revenue from the tenants in proportion to what they were worth? or in proportion to their business? or their brains? Would he station men with clubs at the entrances with instructions to seize forty-seven per cent. of everything brought into the building? or send them around periodically to demand “voluntary contributions” from the tenants? He is too good a business man for that. What he would do would be to raise this revenue by a single tax assessed on the tenants in proportion to the desirability of the rooms they occupied.

To make the illustration closer, let us suppose that a man of great wealth and benevolence, wishing to help a number of poor people, erects a building of many apartments. He stores the cellars with coal; he secures a supply of water; and he so adapts the building that elevators may be put in, and heat, light, water, and power be conducted through it. He does not wish to become a special providence to these men, for that would be to make and to keep them babies. He wishes them, by doing for themselves, to develop manly qualities and to learn to live together. So admitting a certain number to the building, and providing for the future coming of others, he leaves them at liberty to manage as they please.

The donor of the building asks no revenue; he has made a free gift. But the tenants will need a revenue, since some of them must be occupied in taking care of the house, in making improvements from time to time, and in doing other things for the common benefit.

Now, the proper way of raising this revenue will be clear—so clear that it will be certain to whoever considers it that the donor could have intended no other. And this way will appear as soon as the tenants come to settle the occupancy among themselves. Though for a day or two after they enter into possession they may treat the house as common, yet they will soon discover the necessity for defi-

nite location. The question of how the apartments shall be assigned among them will thus come up. If all the apartments were alike, and if the matter of location with respect to other tenants made no difference, equality might be assured by letting each take an apartment leaving the unoccupied ones for new-comers. But the apartments are not all alike, and location in respect to other occupants is a matter of importance, especially since the erection of elevators, the distribution of heat, power, electricity, etc., could not be made all at once, but would come first in the best-tenanted parts of the house. The most desirable apartments would therefore command premiums. To collect these premiums for the common expenses would be the obvious way both to put all the tenants on a level with regard to the bounty of their benefactor and to provide for common needs and improvements. Under this system there would be no levy on any individual. There would be only a single tax, collected from the occupants of the more desirable rooms. No one would be taxed for living in the building or for having an apartment, for every one would be free, without the payment of any premium, to take any apartment that no one else wanted. It would be only to the use of rooms of more than ordinary desirability that the payment of a premium would be a condition.

In this way, as the new tenants came in, in accordance with the benefactor's will, they would, until the house was really full, find ample room on equal terms with those already there; and in this way all the common expenses and the costs of making improvements could be met. As the tenants increased in number and improvements were made, the relative desirability of the apartments might change. Some that at first were most desirable and paid the highest premiums might become of only ordinary desirability and cease to bring any premium, while the upper stories, that at first no one cared to live in, might, when the elevators got to running, seem most desirable and pay the highest premiums. But the aggregate premiums would increase with increase of numbers and the making of improvements, and a larger and larger common fund be available for common purposes.

I am sure that Mr. Atkinson would say that this would be the just and wise way for such tenants to provide for their common expenses. Now this is the way of the single tax—the method which we single-tax men would apply to that house of which we are all tenants.

But another way *might* be adopted. If such tenants were to do as we of the United States have done, they would let a few of their number claim the apartments as their private

property, collect the premiums, and keep the greater part of them. They would let them claim whole blocks of as yet unoccupied apartments, and in the effort to get monopoly and speculative premiums hold them vacant long after those who ought to use them had arrived, compelling the new-comers to go farther upstairs, or into the wings, or to sleep in passage-ways, and to wander around unable to find a place to work. They would let other grabbers go into the cellars and claim the store of coal as their private property. They would let others claim the water supply, and others take the privilege of putting up the elevators, etc., and charging tolls. And then to supply the place of the proper revenue thus given away they would station guards at each entrance to the building to seize part of everything brought in, and send men nosing about the apartments demanding of each tenant to exhibit all he had, that they might levy toll on it. What liars and perjurers and evaders this system would make; how it would prevent proper improvement, and discourage honest work, and stimulate everything mean and wicked; how it would frustrate the benevolent intention of the builder of the house; how of the tenants many would be miserably poor, while a few could be lavish and lazy, Mr. Atkinson may readily see. Yet this is the system he defends.

Mr. Atkinson's astonishing statement that the single tax was applied in France under Turgot with disastrous results; his intimation that he does not know whether in any part of the country unoccupied land is less heavily taxed than occupied land; his talk of an "unrequited decrement" in a thing which has originally no value; his notion that land is worth nothing unless the improvements on it will sell for more than they ever cost,¹ and many other confusions, indicate such lack of the exactitude and discrimination required for the analysis of statistics that I would not be disposed to accept his figures did anything depend on them. But since nothing does,—since a better system of taxation would be a better system, whether our present production and revenues, or their averages, be more or less,—it is not worth while to examine or dispute these figures. One thing, however, Mr. Atkinson admits in them, that more than our present revenues could be raised by a single tax on land values. He puts the land values of 1880 at \$13,000,000,000. On his estimate of five per cent., that would make the ground rent \$650,000,000. But as this represents only the net

¹ This notion, a favorite one of H. C. Carey's, Mr. Atkinson may see thoroughly riddled by a bitter opponent of the single tax, in President F. A. Walker's "Land and its Rent."

rent exclusive of taxation, and as Mr. Atkinson estimates that \$140,000,000 of our taxes now fall on land values, the gross rent on this calculation would be \$790,000,000, while the gross revenue he puts at \$700,000,000, and the necessary revenues at \$580,000,000. In other words, without consideration of the increase in land values which the increased prosperity consequent on the abolition of these taxes would cause, he shows that we might abolish all other taxes, and by a single tax on land values raise \$220,000,000 more than needed. Thomas G. Shearman, whose estimates are much closer, shows that sixty-five per cent. of economic rent would yield all our present revenues.

One error, however, runs through Mr. Atkinson's statistics — the assumption that what our governments receive is what our people pay. To say nothing of the enormous wastes and losses entailed by the taxes we single-tax men would abolish, they directly cost the people far more than they put into the treasury. Is there a tax levied by our Federal Government which is not supported by a powerful interest ready to spend money to prevent its repeal? Propose to abolish or even to reduce one of these taxes, and Washington, as at this moment, will be filled with lobbyists begging and working for its retention. What does this mean? It means that these taxes yield revenue to private parties as well as to the Government. I speak not merely of "protective taxes." This of course is what protective taxes are for. This is what "protection" means. A tax that will not enable private parties to levy a tax for their own benefit, in addition to the tax collected by the Government, is not a protective tax. But though in lesser degree, this feature of yielding private profit is also characteristic of Federal taxes that are not "protective," and of many State taxes. Take, for instance, the liquor tax. The whisky ring "spent money like water" to oppose its reduction, and would spend money to prevent its abolition. Take the tax on cigars. The cigar manufacturers have been working like beavers to prevent its repeal. Take the stamp tax on matches. The match combination spent \$250,000 a year for some years in the effort to have it retained. Take straw braid. This is not made in the United States, and could not be made here on account of our climate. The duty on it therefore is not protective. For this reason the Senate bill of the last session proposed to abolish it, the better to keep up taxes which gave greater private profits, while the Mills bill retained it. Yet the importers of straw braid are to-day circulating petitions against its repeal. The fact is that all taxes on products, even where not directly protective,

increase prices, and thus tend to concentrate business and give larger profits at the expense of consumers.

Taking into consideration wastes, losses, and private profits, the cost of the taxes we would abolish cannot be fairly put at less than three times the public revenues they yield. But if we put it only at twice, here taking Mr. Atkinson's figures for 1880, and his estimate of needed income \$580,000,000, the direct saving by the single tax would be \$680,000,000. Considering that indirect taxes fall with greatest weight on the poorest of our people, this direct saving ought to be quite an alleviation of poverty.

Mr. Atkinson says, "Taxes will not stay where they are put; if they would, the tax question could be solved with very little difficulty." A little study of economic principles would show him the absurdity of saying either that taxes will, or will not, stay where they are put, since some taxes will and some will not. The rule is that taxes that fall on the factors, the processes, or the results of production before they reach the hands of the final consumer will not stay where they are put, but can be shifted upon the final consumer with costs and extra profits by those who first pay them. But taxes that fall on special profits or advantages, or on things of which the supply is strictly limited, or on wealth in the hands of the final consumer, or in the course of transmission by gift or devise, *will* stay where they are put.

Most of our present taxes belong to the first class. Such are all our import and excise and license taxes, and all taxes on capital in its various forms. The most important of the taxes that *will* stay where they are put are taxes on incomes, taxes on bequests and inheritances, and taxes on land values.

Taxes on incomes are unjust in nature and cannot be collected fairly; taxes on bequests and inheritances are also unjust in nature, and would soon be evaded where large amounts were involved. But the tax on land values has preëminently the element of justice. It takes from the individual not in proportion to his needs, or to his energy, industry, or thrift, but in proportion to the value of the special privilege he enjoys. It can be collected with the maximum of ease and certainty and the minimum of cost. Land lies out-of-doors. It cannot be hid or carried off. Its value is always more definitely known than any other value, and a little sign on every lot stating size, owner, and assessed value would enable public opinion to check the assessment. This tax cannot lessen production or increase prices. Tax anything of human production, and in a little while there will be less of it in existence. But land values may be taxed to the highest pos-

sible point and there will be no less land. Nor will land be less profitable to users or more difficult for them to get. On the contrary, it will be more profitable and easier to get.

The moment Mr. Atkinson realizes that the single tax would fall not on land, but on land values, he will laugh at his fears of its effect on farmers. He himself says that the value of land in cities is higher relative to the value of improvements than in farming districts. Hence it is clear that to abolish all taxes, save a tax on land values, would be to the gain of the farming districts. He himself tells us that a large proportion of our farm lands yield no revenue above the ordinary return to labor and capital. In such case there is no real land value, and under the single tax such farmers would pay no tax at all. But under the present system they are taxed most heavily. They are taxed on their buildings, their improvements, their stock, their furniture, their crops, and in many of our States on their very mortgages — for the tax levied on the mortgagee the mortgagor must pay. Taxes compel them to wear shoddy when they might wear wool, to sleep under quilts and comfortables when they might have blankets, to pay for three bushels of salt or two lumps of sugar in order to get one. From the plow that turns the ground to the machine with which he harvests the crop and the steel rails that carries it to market, from the lumber and nails of his house to the hat on his head, almost everything the farmer uses is increased in cost by taxes that fatten rings, combinations, and favored individuals. The American farmer, like Issachar, is a strong ass; but to-day he is crouching, with almost broken back, between two burdens — the burden of land speculation, which makes him pay for land he ought to get for nothing, and the burden of taxation, which wherever else it may not stay put, does stay put when it reaches him. Between the two he is being crushed out. All through the United States the typical American farmer is disappearing, and the tenant, or "blanket man," is taking his place, or the land is relapsing to wilderness.

Though he afterwards calls them "voluntary contributions" — the name that in jovial mood Dick Turpin used to give to his collections, since, as he said, no one was compelled to carry watches or money across Hounslow Heath — Mr. Atkinson seems to have some consciousness of the evils of indirect taxes, and speaks vaguely of amending them. But these evils are of the nature of indirect taxation.

These methods of plucking the goose without making it cry have always proved curses. Without them the wars, the standing armies, the enormous public debts of our modern world would have been impossible. Out of

them has come that doctrine of protection that negatives the benefits of invention by raising in hostile tariffs greater obstacles to human intercourse than seas and mountains; that legalizes robbery and makes piracy pass for patriotism; that teaches so-called Christian people that "they did n't know everythin' down in Judee," and that the interests of men are not mutual but antagonistic. It is this taxation that maintains the standing armies that prop European thrones with bayonets, and that has made our republic rotten with corruption.

Look at the willful extravagance this system has caused in the United States. Our Federal taxation is kept up for the sake of taxation. Every proposition of waste has the powerful support of interests that want taxes imposed or maintained to enable them to rob their fellow-countrymen; interests whose impudence and pertinacity have actually made many Americans believe that they can get rich by taxing themselves — that the way to help the laborer is to pile burdens on his back. But for this system of indirect taxation we might since the war have paid off every penny of the national debt, and had to-day nothing but a nominal Federal revenue to raise.

The single tax would destroy this vicious system. It would end the pressure to impose and maintain taxes, and would enable us to dismiss a horde of officials and bring the Federal Government to its proper simplicity. What we mainly need a Federal Government for is the performance of general coöperative functions, such as the issuing of money, the carrying of mails, etc. These functions tend to increase, but they bring their own revenues. We have no more need for army and navy and coast defenses than Mr. Atkinson and I have for suits of armor and blunderbusses; no more need for diplomatic and consular services than he and I have for court dresses. The collection of the comparatively small amount really needed for Federal revenue presents no difficulty. We could either change the Constitution and collect it as the State's proportion of local taxes is now collected, or without change in the Constitution could assess it on the States in proportion to population — a far fairer mode of collecting Federal revenues than the present.

Mr. Atkinson's idea of the necessity for leasing land for long terms is chimerical. The tax on land values would be collected just as it is now, and where improved land was sold for taxes, which would be seldom or never the case, an adjustment could readily be made which would secure the value (not cost) of the improvements to the owner. Land would be more readily improved than now, since it could be had for improvement on easier terms, and the

whole value of the improvement would be left to the improver. As the tax was increased speculative or anticipatory values would rapidly disappear, while selling values would diminish, and if the tax were pushed to theoretical perfection it would also disappear. But rental or use value would remain. It does not lessen the value of land to the user if what he must pay to the owner is taken from that owner in taxation. If we ever reach the point of theoretical perfection so nearly that selling values disappear, then we shall only have to abandon the American plan of assessing selling values and adopt the English plan of assessing rental or use values. With speculative values gone, and with public attention concentrated on one source of revenue, there could be no difficulty in this.

To reach this point of theoretical perfection, at which land would have no selling value,—*i. e.*, would yield to the mere owner no income,—would be to reach what Mr. Atkinson himself confesses to be the ideal. Then labor and capital could be applied to land without any artificial obstruction whatever. They would be free from all taxes on themselves or their products, while they would not have to buy land, but would only pay for its use where peculiar advantages gave them a larger return. Even before this point was reached mere ownership would cease. Men would not care to own land they did not want to use, and users of land, where their use was more than transient, would become the legal owners, having the assured privilege of peaceable possession and transfer as long as the tax was paid.

How close it might be possible finally to come to the point of theoretical perfection, or whether it would be best to leave such a margin as would give a small selling value, are matters which, like other questions of detail, it is not now necessary to discuss. But in thinking of details it should be remembered that we cannot get to the single tax at one leap, but only by gradual steps, which will bring experience to the settlement of details; and that from the abolition of present taxes, and the resulting ease in social conditions, we may expect moral improvements, which will make easier than might now seem possible the fair and full collection of a tax that took for the use of the community only values due to the progress of the community. Taxes on the products of labor, taxes which take the earnings of industry and the savings of thrift, always have begotten, and always must beget, fraud, corruption, and evasion. All the penalties of the law—imprisonments, fines, torture, and death—have failed to secure their honest and equal collection. They are unjust and unequal

in their very nature, always falling on the poor with greater severity than on the rich. Their collection always entails great waste and cost, increases the number of office holders and the complexity of government, and compels interference with individual affairs; always checks production, lessens general wealth, and takes from labor and capital their due reward—the stimulus to productive exertion. Men naturally evade and resist them, and with the sanction of the moral sense even where their duller intellectual faculties are convinced that such taxes are right and beneficial in themselves. There may be protectionists who will not smuggle or undervalue when they get a chance, but I have never met them. There may be rich men who make a true return of their wealth for taxation, but they are very few. Rent, however, is usually a willing payment. It is the strength of landlordism, so outrageously and preposterously unjust, that it appropriates a natural contribution or tax that in itself men recognize as just. For the privilege of occupying a superior location to that of others a man feels that he ought to pay. A while ago it was discovered that a man had been for years collecting rents on some blocks of land belonging to the city in the upper part of New York. Those who paid the rent had not inquired into his ownership. They knew, though perhaps they did not reason it out, that *they* were not entitled to use this superior land any more than other people, and were willing to pay for the advantage they got.

For Mr. Atkinson to understand what the single tax is will be for him to see how it will abolish poverty; will be to make him a sharer in our firm and joyful faith that He who built this house we tenant has not brought into it more than He has provided for, or doomed any one to poverty.

What is poverty? It is not want on the part of those too lazy to work—for this is a world in which work is the ordained supplier of want.

The helplessness of the infant is not poverty. This helplessness finds its natural complement and supply in the love which greets it; by natural law its very food awaits it in the breast of its mother.

Nor is the inability of those crippled in the accidents of life poverty. This too finds its complement in the natural affections and the human sympathy, which when not too much put upon and strained is ever ready to help those who need. Those who cannot work will never want where work can find its natural rewards.

Poverty is the want of the things that work produces on the part of those willing to do reasonable work. Why is there such want?

I need not point out to Mr. Atkinson that while a few of our people have more wealth than is wholesome for men to have,—for great fortunes have been growing here faster than ever before in the world's history,—the masses of our people do not have wealth enough to give them the comforts, the leisure, and the opportunities of development that in this stage of civilization ought to be possible to the humblest; that most of us by working hard merely manage to live, and must stint and strain and worry; that many are becoming criminals, tramps, and paupers, and many are eking out an existence by charity in one form or another; that children die when they ought to live; that women are old and worn when they ought to be in the prime of womanly beauty and charm; that men are aged physically and stunted mentally and morally when they ought to be in the highest development of their faculties; that many who ought to have wives feel too poor to take them; that many who ought to have husbands are cheated out of the fullness of the life for which nature intended them. I need not point these things out, for, according to Mr. Atkinson, our average production is only fifty-five cents a day. What a pitiful possibility does this represent for the average American citizen at the close of the wonderful nineteenth century.

We want more wealth. Why, then, do we not produce more? What factor is short? Where is the limitation?

Is there any scarcity of capital? Why, so great is the supply of capital that it is lent on good security for two and a half per cent. There is no want of capital. It needs but the opportunity for profitable use to call capital forth in practically limitless abundance.

Is there any scarcity of labor? Why, everywhere there is a seeming surplus of labor. Even in what we have become accustomed to think normally good times there are men ready and anxious to labor who cannot get the opportunity—masses of men wholly or partly unemployed who would gladly be at work. So much is labor in seeming excess of the opportunities to labor that from all parts of the country come requests for laborers to keep away; that we talk and think of work as a thing in itself to be desired and to be "made"; are beginning to keep convicts in idleness or at unproductive labor that honest men may have work; and to take the first steps in shutting out laborers who come from abroad.

With an abundance of capital, with a surplus of labor,—the thing that makes capital,—with a people anxious for more wealth, why is not more wealth produced? Is there any scarcity of land? To ask the question is to answer it. In this country there are as yet

but sixty-five millions of us scattered over a territory that even in the present stage of the arts could support a thousand millions! Any scarcity of land? Go where you will, even in our cities, and you may see unused land and half-used land—natural opportunities lying idle while labor presses for employment and capital wastes.

What is the cause? Simply that instead of applying economic rent to the purpose for which in the natural order it was intended, we leave it to be a premium and incentive to forestalling and monopoly, while we tax industry. There is no real scarcity of land, but there is an artificial scarcity that has the same effect. Our land is not all in use—we have hardly more than begun to scratch it; but it is practically all fenced in. Wherever labor and capital go to find employment on land they find the speculator ahead of them, demanding a rent or price based not on present development, but on the prospects of future development.

To end all this, to open to labor and capital opportunities of employment bounded only by the desires of men, we have but to conform to the manifest intent of the Builder of the house, to abolish unnatural taxes, and to resort to their natural source for public revenues. On the one hand we would do away with all taxes that now fine industry and thrift, and would give free play to the human factor of production. On the other hand we would break up the monopolization of the natural factor. When economic rent was taken for public use the mere ownership of land would become as profitless as it is sterile. No one would want to own land unless he wanted to use it; and for all who wanted to use land there would be land enough and to spare. With the forces of production thus set free, with the natural and limitless means of production thus opened, who could set bounds to the production of wealth? Were invention and discovery to stop to-day the productive forces are strong enough to give to the humblest not merely all the necessities, but all the comforts and reasonable luxuries of life with but a moderate amount of labor—to destroy utterly the nightmare of want. But instead of invention and discovery stopping, they would only have begun. What checks invention and discovery to-day is poverty; what turns the very blessings they ought to bring to all into curses to great masses is that fundamental wrong which produces that most unnatural and helpless of all objects, the mere laborer—the human being feeling all the wants of a man, having all the powers of a man, yet denied by human laws all access to or right in that element without which it is impossible for human powers

to satisfy human wants. To what as yet undreamed-of powers over natural things man may rise, in a state of society where, the forces of production being unhampered and the natural opportunities for production being unmonopolized, there shall be work for all, leisure for all, opportunities of full development for all, the inventions and discoveries of the century just closing afford but hints.

The cause of poverty is not in human nature; it is not in the constitution of the physical

world; it is not in the natural laws of social growth. It is in the injustice which denies to men their natural rights; in the stupidity which diverts from its proper use the value which attaches to land with social growth, and then imposes on industry and thrift taxes which restrain production and put premiums on greed and dishonesty; injustice and stupidity which ignore the true rights of property and turn governments into machines by which the unscrupulous may rob their neighbors.

Henry George.

MR. ATKINSON'S REJOINDER TO MR. GEORGE.



I THINK that Mr. George's support of the single tax arises from the fact that he himself does not understand what the single tax is.

He attempts to discredit my reference to the economic history of France and the development of the single-tax theory by Turgot. Mr. George will find in the "Popular Science Monthly" for February, 1890, citations given by Mr. Horace White upon this old and well-worn single-tax theory, by which he can inform himself.

I think Mr. George totally fails in attempting to prove that a tax on the land value or land valuation would not have the same effect as a tax upon land. I am very certain that when he discovers that the burden upon the land would be the same under whatever name the tax were imposed, he will then fully agree that the taxes on intoxicants and tobacco had better be maintained,—as they now yield a revenue of about \$160,000,000, a sum sufficient to cover more than twenty, and probably twenty-five, per cent. of the entire cost of government, national, State, and municipal,—rather than that the present burden of taxation on land valuation, which is less in amount, should be increased.

He fully concurs with me in the view that a single tax on land "would become a condition to, and a restriction on, the use of land; would hamper the use of the natural factor of production; would fall on farmers; would become a tax on labor; and would increase prices by increasing the cost of production."

Mr. George cites the Ricardian theory of rent and the authority of J. S. Mill in order to prove that neither economic rent, so called, nor the rental value of city lots, can be charged to the cost of production and distribution; therefore he holds that these charges could not be recovered from consumers if secured to gov-

ernments by a single tax of equal amount on land valuation. The Ricardian theory of economic rent fails when two men of different capacity work two lots of the same fertility: one gets a good profit, *i. e.*, an economic rent, over the cost of production; the other gets nothing. Economic rent may therefore be attributed to the mental capacity developed in treating land as an instrument of production and not as a mine. Land soon ceases to be a mine yielding economic rent when cultivated without intelligence.

Mr. George needs only to examine the accounts of the largest manufacturers and distributors of products in order to have it proved to him that the rent or rental value, as well as the present taxes upon the land valuation of the areas occupied in these processes, are as regularly and fully charged to the cost of the business as the price of the materials and the wages of workmen. When such manufacturers and merchants cannot recover from consumers rents, taxes, and all other charges, with an average profit on their capital in addition, they give up the business.

I shall be happy to show Mr. George exactly how the rent, and also the city tax on the valuation or rental value, of land in Boston upon which my own office is situated are charged to the cost of the cotton and woolen cloth in which he is clothed, and are recovered from him as one of the consumers.

Mr. George finds that the statistics which I have given are inconsistent with his views. Without attempting to disprove them, or to substitute more accurate statistics, he then attempts to cast a doubt upon their accuracy. This attempt to evade conclusions, without proving the statistics to be wrong, is out of keeping with the general tone and sincerity of Mr. George's reply.

Mr. George has never tried or even proposed to disprove the analysis of the present conditions of the people of this country, or

the statistics of production and distribution which have been presented by myself, by Mr. David A. Wells, and by many other economists of recognized authority. These figures, and the reasoning based upon them, prove conclusively that the working people of this country, using that term in its most limited sense, are now, and have been ever since the end of our civil war, securing to their own use and enjoyment an increasing share of a constantly increasing product or its equivalent in money. This demonstration is wholly inconsistent with the very basis of Mr. George's work on "Progress and Poverty," and with all his subsequent articles, including his present reply to me — all of which proceed upon the unproved and unsustainable hypothesis that because the rich have become richer the poor have become poorer.

I agree with Mr. George most fully that even this increasing share of an increasing product still yields a very meager and insufficient subsistence and but little leisure to the great mass of the people, even of this prosperous country. I should be very glad to cooperate with him in every rightly directed effort to promote better conditions; but I think he will make little progress in developing the individual character, skill, and capacity which are the necessary precedent to any general improvement of society, by raising a noxious kind of discontent with existing conditions, on false premises. There is a wholesome discontent with the narrow conditions of the present struggle for life, which is a very different thing.

I agree with Mr. George that it is most desirable that every one who can make a suitable use of land should be helped to the utmost to attain it; and I venture to call his attention, if this article reaches him in Australia, to the Torrens system of registering land titles under a state guaranty. I think the Australians are as far in advance of us in simplifying the transfer of land as they have been in the ballot.

There is no absolute ownership of land in the United States now. All lands are held in conditional possession. I am glad to have Mr. George admit so fully that he does not propose to disturb the "*legal ownership*" of land or "*the peaceable possession of land*" by private persons under the new conditions of tenure which he proposes to substitute for the existing conditions of possession. He states these new conditions more clearly in this article than he has before. He would so adjust the single tax upon land value or rental value, and would make it so heavy, that the land itself "*would have no selling value.*" This is his point of "*theoretical perfection.*" Under these new conditions, he says, the "users of land, where their use was more than tran-

sient, would become the legal owners, having the assured privilege of peaceable possession and transfer as long as the tax was paid."

I venture again to point out to Mr. George that when the large capitalists are not called upon to pay anything for the possession of land except the single tax, they will hold a great advantage over the poor in gaining possession of the most desirable farm lands and city lots. They would then have all their capital available for constructing buildings upon it, of which they now pay out half or more in order to enter into the possession of land in cities. As rich men would be able to advance the heavy taxes, where the poor would not be able to do so, the new conditions which Mr. George presents would limit the "legal owners of land" to a much less number than now possess it, and would give "peaceable possession and ownership" to the few rather than to the many.

Mr. George apparently thinks that he does not agree with me in my form of statement that raw land has no value. In some parts of this discussion he has even attempted to ridicule this view; but I find in this reply that Mr. George fully sustains me. When discriminating between buildings and land Mr. George says, "The land had no original value," and again, "There is no land in the United States that has had any value for more than a few hundred years." What is this but an admission that land attains its value in just proportion to the labor and capital applied to it. It is but an instrument of production, to which labor and capital must be applied in order to impart value to it. When Mr. George says that "land is not subject to decay or change of fashion" one can only wonder that so acute a man should be so blind. Is not exhaustion of the soil substantially "decay" in its productive power? If Mr. George will come to Boston I can also show him a difference in land valuation and land taxation of fifty per cent. on two sides of the same street, which is due to "fashion." Mr. George also says that "In all our growing cities there is no building that is worth as much as it was a year ago, but land as a rule is worth more." Any real estate dealer can show Mr. George buildings, which are standing upon land of which the salable value of the land has not changed within the year, for which a large advance will be paid, either in rent or in purchase, on the previous value of the estate taken as a whole, or on cost of land and building, and vice versa.

I think Mr. George's influence will be inconsiderable so long as he thus ignores or disregards history, unquestioned statistics, and facts which are within his easy daily reach. This is greatly to be regretted, because there

is so much to admire in his earnest purpose and in many of his views.

He could do great service in reforming our present costly and cumbrous systems of national, State, and municipal taxation, if he did not exaggerate their ill effect, and did not yet more exaggerate the possibility of benefit from the single tax on land, even if that would work all the benefit which can be claimed for it.

Whatever may be the case in some long distant future, the poverty of the present day cannot be attributed to lack of land, or lack of opportunity to come into the possession of land, by any one capable of making use of it. The "peaceable possession" of land and the "ownership," which Mr. George admits to be necessary to productive use, can be attained under present conditions with less effort, and therefore at less cost, than has ever been required since the time when only a narrow strip on the coast had been taken into private possession by English-speaking people, and when all the rest of the continent was open to the occupancy of him who could possess it, almost without price and wholly without rent.

There is hardly a State in the Union in which land is not waiting for use and occupancy, or for possession on almost any terms. In many cases this is land which has been redeemed from the wilderness at a heavy cost of labor and capital. Yet Mr. George charges existing poverty mainly to "injustice which denies to men their natural rights [in land]." He affirms that land-owners under present laws and conditions, which have been the growth of centuries, "ignore the true rights of property, and turn governments into machines by which the unscrupulous may rob their neighbors." I will not venture to comment upon the malignant effect of such injudicious and baseless charges. At the same time Mr. George holds out the most delusive promises of wealth and welfare, provided only that part of the annual product which is now secured by individuals in the form of rent be taken from them and applied to the support of Government in place of all other taxes.

Mr. George says that even "were invention and discovery to stop to-day the productive forces are strong enough to give to the humblest not merely all the necessities, but all the comforts and reasonable luxuries of life with but a moderate amount of labor—to destroy utterly the nightmare of want." All this is to come from the conversion of private rents into public taxes.

If rent is really robbery, it should be done away with. It matters not how insignificant its measure is, if it is a wrong it should be abolished. But before we predicate such vast

and beneficent economic influence to this proposed reform, would it not be well to measure it?

I can myself find no trace of economic rent from farm lands, or of rental value in city lots, even approximating the total cost of government in this country, which is about ten dollars per head, or six hundred and fifty million dollars per year. I know of no economist or statistician of admitted reputation, who can be cited, who believes that there is any such sum secured by private owners from rent of land derived from simple possession under present conditions. But let it be assumed that the rent or rental value of the land of the United States may possibly be equal to the cost of government. The cost of government at eleven dollars per head (the utmost estimate) is but three cents a day for each person. Even in that cost there is a great margin of waste to be saved. One in three of the present population works for a living, supporting the other two. Working people, in the most limited sense of that term, constitute the great majority of the population. Whatever sum is taken away from landlords must be equally applied to the general relief of the working classes, so called, else the alleged disparity in conditions due to rent would be continued. The gain on each day's effort, all told, if the present taxes were abated, and if the tax on rental value were *not* distributed, would amount to three cents a day per capita, or nine cents to him or her who works, on each day's effort. If the entire cost of government could be thrown upon rents, and if that rental tax could not be distributed by those who in the first instance paid it to the Government, the gain would be less than the annual expenditure of the people of this country for spirits, beer, and tobacco, from which subjects of taxation a revenue is now derived greater than the sum now collected by taxes upon land valuation. The reader can decide whether this addition to or saving upon rates of wages would bring about the industrial millennium which is pictured in such glowing terms by Mr. George.

I think this demonstration will disperse the glamour which has been thrown about this subject by Mr. George's rhetoric, which is as conspicuous for its brilliancy as it is for its utter want of basis in history, experience, figures, or facts.

Since Mr. George has been somewhat dogmatic in his reply to me, he must excuse me for the necessary dogmatism of this short rejoinder, which is all that the space assigned to me by THE CENTURY will permit. In a previous article on "Comparative Taxation" some points have been more fully treated.