

# THE SINGLE TAX REVIEW

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

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## THE PRESENT PROGRAMME AND STATUS OF THE SINGLE TAX REFORM.

*(For the Review.)*

By SCHUYLER ARNOLD

This article, which will be printed serially in the Review, is perhaps the most important contribution to the history of the movement so far made. It should have a wide circulation, for it will be invaluable for reference in the future. Its publication in book form on its completion, with other matter comprising a Single Tax Year Book, is in contemplation.—Editor SINGLE TAX REVIEW.

### I.

#### THE SINGLE TAX AS HENRY GEORGE LEFT IT.

"From all parts of the civilized world come complaints of industrial depression; of labor condemned to involuntary idleness; of capital massed and wasting; of pecuniary distress among business men; of want and suffering and anxiety among the working classes."\* It is this that prompted Henry George to write "Progress and Poverty" in which he popularizes the theory of the Single Land Tax. He realized that these phenomena were not due to local causes, but to some common cause, and it was in search of this that he proposed to seek the law, which, as he writes, "associates progress with poverty, and increases want with advancing wealth."†

The solution of this undesirable condition he found in Political Economy and as a result of his study in this science he presented to the world in 1879 the most important of his works, "Progress and Poverty." Though this so-called "first child of the Ricardian law of rent" is a masterpiece of propagandist writing which, for some time, met the indifference and criticism accorded to most radical schemes, it is now widely circulated as one of the leading works in Political Economy and has been printed in nearly every language.

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\* Progress and Poverty, by Henry George. Page 5.

† Progress and Poverty, by Henry George. Preface xiii.

The principles advocated are universally recognized, but not universally accepted. The Socialists oppose it as individualistic and the individualists as socialistic, but its strongest opposition comes from the land owning interests, because as a remedy for the existing evils, Henry George points out that private property in land is unjust, and that by gradually transferring to wages that portion of the current wealth that now flows to privilege, a tax upon the annual value of land will correct the unjust distribution of wealth for the future in the only effective way possible. In doing this he is in no way dogmatic, but only assumes the role of a guide who points out what may be seen merely by looking.

#### DEFINITIONS.

He starts out by dividing property into *wealth* and *land*. *Wealth* he defines as "the produce of labor," and *land* as the "gratuitous offering of nature," and *labor* as "all human exertion."\* He then maintains that the exclusive possession of property is given only to that force which produces the value embodied in the property. On this basis he claims that the recognition of private property in land is unjust, because the value of the land is produced, not by the labor of an individual called land-owner, but by the "labor" or energy of the community. To overcome this injustice he advocates what is popularly known as the Single Tax theory, which proposes to substitute for all forms of public income an annual payment equal to the full rental value of the land, or at least enough of it to give the necessary revenue.

The Physiocrats, or Single Land Taxers of the 18th century, had based their reasoning on the premise that land is the only real producer, therefore it only can justly bear the burden, while Henry George used as a foundation the Ricardian theory of rent, which maintains that rent is the excess in productiveness over the yield at the margin. Rent Henry George defines as that part which goes to the payment for natural opportunities and is taken by the owner of the land.† In other words, rent is the unearned increment which attaches itself to land in proportion to population, industry, and enterprise. It is this unearned increment, created by the "labor" of the community, which Henry George proposes to use for the common benefit. Under the present system it is the individual land owner instead of the community who receives it, his "natural" title in the belief of George resting on force and usurpation.

According to Henry George, labor, by the mere act of consuming, bears its share of the increase in land values. Thus, taxing labor to pay for those improvements which increase the value of the land, is actually taxing it twice for the same purpose and exempting land from paying for its own increase. His proposition is to gradually shift this second tax upon labor onto the land, where it justly belongs, therefore bearing more lightly upon

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\* Progress and Poverty, by Henry George. Page 335.

† Progress and Poverty, by Henry George. Page 162.

production and increasing the reward to the producer. This increase of efficiency of labor would in turn lighten the burden upon the small landowner, because the increase in productiveness of his labor and capital would more than compensate him for the increased tax upon the rent.

Besides being equitable, it could, in cases where the land is rented unimproved, be collected with ease and certainty because the landlord is the natural tax gatherer and the bids of the tenants accurately determine the value. In a considerable proportion of the instances this land is not rented unimproved, and the rental value of the land will have to be separated from the rental value of the improvements upon it, which, in many cases would be difficult and could only be approximated.

#### THE TAX THAT CANNOT BE SHIFTED.

After it is once collected it cannot be shifted to the tenants by increasing rents. Land is a non-producible good and the demand determines the ground rent, which is "net rent plus tax."\* This tax is paid by the landlord, because if he should try to shift it, the tenant would move onto the next less productive land, the marginal man moving to the first sub-marginal or "no-rent" land. This must necessarily be true, because the tenant is already paying to the landlord as rent, all that the land produces over and above that produced at the margin, allowing, of course, for an element of profit. This attempt to shift a land tax would result in lessening the demand and the landlord, rather than let his land lie idle, would pay the tax himself.

According to George, it would follow that under this system land speculation would be abolished and all land would be managed at the best advantage known at the time, thereby preventing so much waste and tending to diffuse population.

To sum into a few words: "a tax on ground rent is only a tax on the private power of taxation,"† and must not be confused with the theories of land confiscation, socialism, or land-nationalization. The result, in Mr. George's opinion, would be as follows: The *landless* class would continue to pay only rent, while now they pay both rent and taxes. (With the exception of the present land tax.) The *land-owning* class would have their ground rent absorbed, but the improvements would be exempt. This would result in a decrease of their burden because the community by taking that which justly belongs to it does not place a burden on them. Thus the burden on real estate will be reduced. The burden on the farmers would, theoretically at least, be reduced, because all labor-produced values would be exempt. The ultimate effect would, therefore, be a real lessening of the burden on everybody.‡

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\* A B C of Taxation, by C. B. Fillebrowne. Page 32.

† Natural Taxation, by T. G. Shearman. Page 12.

‡ Natural Taxation, by T. G. Shearman. Page 12.

## THE ORIGINAL IMPULSE.

It was George's pamphlet, "Our Land and Land Policy," published in 1871, in California, that gave the Single Tax movement its original impulse. Between that time and 1879, when his "Progress and Poverty" appeared, a club was formed in California which has the name of being the first Single Tax club in the world. However, George and his philosophy did not begin to attract very much attention until after his lectures in New York in 1881. Much of the year following he spent in the British Isles, where he succeeded in arousing a good deal of active interest.\*

In 1886, George was urged by numerous representatives of labor unions in New York to run for Mayor on a Labor Party ticket. His candidacy was called for by a petition bearing the names of 34,000 signers and subsequently endorsed by a citizen's mass meeting and ratified by a meeting at Cooper Union, larger than any previous one since the outbreak of the civil war. Though George was beaten, the campaign, which was unique and exciting, did much toward giving an impetus to the Single Tax movement. It was at this time that the name "Single Tax" was given to it. The following year the New York Union Labor Party nominated him for Secretary of State, but at the election he polled only 2,000 more votes from the whole State than he had the previous year from New York City.†

## ORGANIZED FORCE NO MEASURE OF OUR STRENGTH.

For a while the movement apparently lost ground and the stage of ebullient enthusiasm and phenomenal organization passed away. From this time on the Single Tax movement assumed a less spectacular method, and the organizations, of which there were many, became only local in influence and character, even when national in form; and none can be said to be representative of the Single Tax movement even locally.

In 1897, the Labor Party again determined to carry New York City by ballot and they persuaded George to again run for Mayor as an independent Democrat on a ticket of a party called "The Party of Thomas Jefferson."‡ The campaign work was so strenuous that five days before election day he died. This was the last "grandstand play" that the Single Taxers have tried to make, but it cannot be said that their efforts have been a failure, because the movement had already made a strong impression upon public opinion.

By the time of George's death, throughout the English speaking world the Single Tax idea had taken possession in greater or less degree of vast numbers of people who were not avowed Single Taxers at all and therefore would not organize; while the avowed Single Taxers preferred as a rule to work through other organizations than such as bear the Single Tax label.

"As the Single Tax movement is essentially reformatory rather than

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\* Life of Henry George, by Henry George, Jr. Page 334.

† Public, November 24, 1904.

‡ Life of Henry George, Henry George, Jr. Page 600.

revolutionary, a progressive directing force in or influence upon existing social life rather than a protest and a revolt, it does not appeal to segregative impulses. This is the reason that its distinctive organizations are few and small out of all proportion to the real magnitude and effectiveness of the movement."\*

#### DEVELOPMENT IN THE UNITED STATES.

The Single Tax movement in the United States has reached a stage of development that, due to its characteristics, is more widespread than might be supposed on first thought. The political division and separation of this country and the peculiar distribution of sovereignty make it almost impossible for any movement of this type to effect a definite and unified progress. The variance of economic conditions in the several States is another important deterrent to any general proposal. Under our system each State has its own general taxation scheme with its own constitutional provisions and restrictions. The kind of properties subject to any particular tax and the methods of administration are exactly alike in no two States. Even the statutory definitions are not the same.

Regardless of these hindrances the Single Tax principle as a remedial measure has made a decided forward stride since the National Single Tax Conference held in New York in 1890. The greatest part of this progress has been made, not by the obtaining of any particularly favorable legislation, but by the enrolling into the Single Tax ranks of an enormous number of supporters, many of whom are influential men. Many of these do not, as yet, label themselves as Single Taxers. Much progressive legislation tending toward the establishment of the Single Tax has been enacted within recent years. There are also many local and national societies that are actively working for or have endorsed the Single Tax principle.

The principle of making land contribute to the support of government is, of course, an old one and has been recognized here ever since the establishment of this country, in that we have always made land bear at least a small portion of the burden. However, since the establishment of a taxation system in this country there have been many political, social, and fiscal policies at work which have prevented land from paying a larger share of the revenue and which have molded the system into its present condition. Until quite recently there was such an abundance of free and cheap land that the non-landowning class, besides being greatly in the minority, was composed of a class whose opinions were very little heeded. In this state of affairs, the alleged injustice of indirect taxation was not strongly felt and it was comparatively easy, as well as quite natural, that most of the State constitutions should contain provisions absolutely prohibiting or interfering with the installation of any of the various schemes proposed by the followers of the Single Tax principles. Not only have conditions made any progress slow, but they have forced the propaganda to adopt many different aspects.

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\* Public, November 26, 1904.



## SOME ADVANCE IN EVERY STATE.

At present there is at least some agitation over reform in every State. In some States it has not yet invaded the political field, while in others it has reached a point where definite strides are being taken in favor of one of the various proposals. This agitation has not been brought on by the fanatical proposals of theorists, but by the constant cry for tax reformation. The universal breakdown of our general property tax has created such a widespread injustice as between both individuals and classes that there is an urgent demand for an improvement in our revenue system. It is universally conceded that our system is defective and should be corrected, but it is the method of doing it that confronts the legislators and economists of today and the Single Tax principle is held by many as the only logical method of accomplishing the desired result. This has met with murderous opposition from both legislators and economists, though they have never seriously attacked its theoretical validity. They have come nearer ignoring than condemning it.

The most radical of the Single Tax proposals is the Single Tax in its entirety, which implies that all revenue for Federal and local purposes be extracted from the annual value of land assessed as though unimproved. This would be to the exclusion of all other taxes, or at least in so far as possible. Such an immediate change in the entire fiscal policy, which is proposed by many of the most extreme Single Taxers, such as Henry George, Jr., is, under present circumstances, not looked upon by the majority as a practical consideration, but held up as an ideal condition toward which to strive. This tax was tried fully twenty years ago in the case of the village of Hyattsville, Maryland, and though it was approved by the tax payers, the Supreme Court of that State declared it to be unconstitutional. Thus, under our present constitutions the Single Tax in its entirety is an impossibility. However, as a means toward this end, the three chief propositions offered and supported as more immediate possibilities are: the separate assessment of land and buildings, local option in taxation, and the exemption of improvements. These I will consider in detail in the order named.

## THE SEPARATE ASSESSMENT OF LAND AND BUILDINGS.

As the name implies, the proposal of a separate assessment of land and buildings urges the adoption, by the municipality or State, of a legal provision instructing the assessor to make a separate statement of the value of land and providing for the publication of the same in the proper records. That is, the assessors should be obliged to record "the sum for which, in their judgment, each separately assessed parcel of real estate under ordinary circumstances would sell if it were wholly unimproved; and separately stated, the sum for which, under ordinary circumstances, the same parcel of real estate would sell, with the improvements, if any, thereon,"\*. This is in no

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\* An Act to Amend the Charter of Greater New York, to take effect Sept. 1, 1903.

way a proposal for a new taxation system, but simply a means of securing a more accurate method of valuing the property now assessable under any of the schemes of taxation which the States are at present practicing.

#### EVILS OF THE PRESENT TAXATION.

The two fundamental reasons for injustice in taxation are: a faulty tax system and discriminatory assessments. It is quite possible for a certain tax to bear very unjustly under an ideal method of assessment, but it is absolutely impossible for any tax to be equitable under haphazard assessments. As a corollary to this, it is also true that a fundamentally unjust tax can by arbitrary assessments be made to elude the condemnation of the taxpayers. This is exemplified in the case of our personal property tax. It is generally admitted to be economically unjust and detrimental to the community to assess personal property at its full value and tax it at the same rate as realty, but by arbitrary assessment it is distributed according to the diplomacy of the assessor. By this means the law is allowed to remain upon the statute books; bringing comparatively little into the treasury but working an injustice to the unfortunate while conferring a corresponding benefit to the lucky and vigilant. This, however, is not primarily due to corrupt tax officials, but to the nature of personal property.

#### THE GENERAL PROPERTY TAX.

The general property tax is open to the same maltreatment, with the supplement that it results in even more social harm. The individual has just the same incentive for under-assessment as he has in the case of the personal property tax. The less the burden upon one man, so much more does his neighbor or competitor have to bear. In this way the government discriminates in favor of the first man, and as shown by statistics, the favored man is rarely the small property owner. Everyone can cite examples of this in his own locality. Where the value of land and improvements is not separately recorded, this state of affairs does exist simply because it can exist. The "lumping" system courts discrimination, because, where different classes of property are valued as one item, comparisons are extremely difficult and it is not easy to locate injustices. Each individual being thus arbitrarily assessed there is no standard and without a standard we should expect only chaos, the benefits of which tend to go to the politicians and political favorites.

This is bad enough, but when it is considered that a tax district has the same motive for low assessment as has the individual, the injustice of the "lumping" method looms up as a dire civic malady. There is the constant temptation of the city or town to undervalue its property so as to reduce State and county taxes, thereby shifting the proper burden of their own district to some other district and thus emphasizing the injustice of discrimination as between individual parcels by a system of extra-legal wrongdoing. In fact, this evil has so impressed State officials in many States that great

attempts have been made to raise all revenue for State purposes without resorting to a direct tax on real estate.

#### LOW AND UNEQUAL ASSESSMENT.

The law of all States says that all property should be assessed at its full value, but in almost every district this ruling is wantonly disregarded. At one time Illinois reached such a distressing condition that real property was assessed all the way from 4% to 25% of its full value, unimproved property being the lowest and cheap residences the highest. At that time the basis of assessment used in Illinois was only 25% of the true value.\* In New York State according to the 1910 report of the New York State Board of Assessors, the range of average assessments by tax districts for that year was from 25% to 90% of the full value. The same report says, "In a very large majority of tax districts, however, under-assessment of real property is the result of systematic design. In most cases the assessors make their own law as to the basis of assessing property, in deliberate violation of the statute, and then proceed to make oath to the assessment roll that they have assessed all property at its full value." And as to the method of distribution of this burden, the Report further states, "If the person representing a tax district as a supervisor is a 'good fellow,' and stands in well with the organization of the board, (Equalization Board) which usually coincides with some political organization of the county, he will be dealt with leniently, or at least fairly. If, upon the other hand, he is not well liked, and does not enjoy the esteem of the organization, his constituents, the taxpayers of his town, are oftentimes compelled to suffer for his unpopularity by taking an undue portion of tax burdens."

One might say that the "lumping" system does not necessitate unequal distribution and that property can be equally assessed without separation. It must be admitted that this a rare possibility, and it can be no more than "rare" as long as there is no way for the field assessors to be checked and incompetence revealed. Experience has demonstrated the "rareness" of the possibility of equal assessment.

Again it might be said that there is only a few dollars difference one way or the other, but here it must be remembered that it is the distribution and not the amount of the burden that should be considered when dealing with society, and the non-separation of the assessments of land and improvements has resulted in a continual discrimination in favor of unimproved as against improved land. The effect of this is to penalize improvements and that, surely, is not socially desirable, because it adds to the already sufficient inducement to keep land out of use. No one will say that it is just for one class of property to get the benefit at the sacrifice of another. All tax-sacrifices should go to the government and not, in part, to owners of unimproved land. It is this phase of the proposal that is of most interest to the Single Taxers.

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\* The Assessment of Real Estate, by L. Purdy.



## THE BENEFITS OF SEPARATE ASSESSMENTS.

A number of States have recognized the benefits of the rule of separating assessments, and, in my mind, one of the most effective arguments in its favor is that where it has once been adopted I can find no record of even a suggestion of a return to the former system.

The movement began about 1870 in the New England States, and as early as 1876 Buffalo, New York, and a few other cities were following this plan, and every year from 1878 until 1911 the New York Board of Assessors urged legislation in this direction. Finally, in 1911, the New York Legislature passed an act stating that on the assessment roll of all cities there should be an extra column in which is to be set down the value of the land exclusive of the buildings.\* During these two decades thirty-one States have adopted somewhat similar legislation. In only a few of these States, however, is such ruling compulsory and where it is not, only a few of the cities have adopted the plan, and in these the methods employed are not uniform. For instance, some States, as Massachusetts and New Jersey, require a statement of the value of the land as if unimproved and then a statement of the value of the improvement, while others, as New York, require no specific value made of the improvements. The second method is more favorable than the first, in that it takes into consideration the appropriateness or inappropriateness of the improvements. If the value of an inappropriate improvement be separately computed and added to the value of the unimproved land, the total assessment might be far above the true value of the property as a whole, but under the New York law this could not happen.

Massachusetts has gone still further in a good direction, requiring, besides the value of the realty, quite an amount of information concerning each parcel. Though this information may not be specially useful in itself, it insures care on the part of the field assessors, making it impossible for them to simply copy the previous records. It also aids the experts in checking over the figures.

Another important consideration is that these results, when obtained, should be published in the proper records. Such facts not only give the tax officials a sound basis for levying the tax, but give the taxpayer a chance to draw intelligent opinions as to the desirability of certain expenditures.

The question, "Will it work?" is already answered by the experience of many places. Of the numerous examples to which one could turn, I think that Buffalo, New York City, and Cleveland are the most significant. Buffalo has the oldest established system, New York has the largest and most complete, and Cleveland perfected its organization, trained its experts and completed the assessments of all the land and buildings within the city in six months time. In each of these cases, as in all others, it has met with almost universal approval.

*(To Be Continued.)*

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\* 1910 Report of New York State Board of Assessors.