

SOUTH AMERICAN LETTER

RIO DE JANEIRO

The following extracts will give an idea of the growth of the Single Tax propaganda in South America. They are taken from the message accompanying the City Estimates for 1917, presented by the Mayor of Rio de Janeiro, Dr. A. A. de Azevedo Sodre, at the inauguration of the ordinary sessions of the City Council, Sept. 4th, 1916.

"Our Defective Tax System: With regard to our tax system, I have had occasion to emit the following opinion, which I now reproduce: 'The multiplicity of taxes, permits and licenses from which the city derives its revenue, is truly remarkable. Not seldom the taxpayer gets lost in the confused labyrinth of this incoherent taxation and suffers the penalty of fines, if he does not also see his initiative defeated, his liberty attacked and his commercial and industrial activity seriously injured. We must as soon as possible look to the simplification of our tax regime, preparing the ground little by little, so as to reach, as soon as possible, the ideal, which is the Single Tax on the land.'

"The city estimates which I submit today for your best consideration do not belie the above program. In them you will see outlined a purpose of order, coherence and simplification. The task however is scarcely begun; much remains to be done. You will understand that such an important and delicate matter as the revenue of a great city does not allow of sudden and radical changes, which might cause grave perturbation. The reform of our tax system must be made slowly and progressively. We must not abolish any tax without being sure that the remainder will suffice to fill the vacancy.

"The Single Tax: The old doctrine of the Single Land Tax, defended in the 18th Century by Turgot, Condorcet and Physiocrats, and of which Henry George was a veritable apostle, has received in these years innumerable adhesions. From the ground of controversy and propaganda it

has passed to that of practice; and if we consider the results obtained in various countries, we shall be forced to acknowledge the excellence of the system referred to. The cities of Vancouver, Lethbridge, Victoria and others in Canada are in full and visible development and enjoy great financial prosperity, thanks to the Single Tax adopted as a tax system. Such results caused a great part of the Dominion of Canada, i. e., the provinces of Manitoba, Saskatchewan and British Columbia, to adopt definitely the tax on land values free of improvements. In Germany, Australia and New Zealand, many cities and towns are also adopting the Single Tax on the selling value of the land. In Uruguay, on the initiative of President Batele and Ordóñez, a Bill was presented in 1914 to the Legislative Assembly, creating a land tax, destined to free from all fiscal burden every thing representing labor or capital employed in objects of social utility.

"The actual legislation in this city contains a tax on vacant lots, in certain determined districts. It is a tax with an economic rather than a fiscal purpose, since it aims at promoting the use of the lots for buildings. It therefore does not obey the same purpose as the permanent land tax of the fiscal regime in the states of Rio de Janeiro, Minas Geraes and Rio Grande de Sul. In the Constitution of this last State, we find the following stipulation:—The export of products of the State and the transmission of property shall cease to be taxed as soon as the collection of the land tax has been suitably regulated.

"Beyond question the Single Tax on land is seductive from its simplicity, the ease and economy of its collection, and because, applied to a limited group—the land proprietors—it distributes itself in equitable proportions over almost the whole population. So has said Dr. Hercilio de Souza, it is as a tax clear, open, frank, sure, and of easy inspection by governments and governed.

"Putting aside every socialistic tendency, such as the nationalization of the soil, advocated by Henry George, I think the

land tax should form the base or foundation of our tax system in the Federal Capital, destined soon to substitute all taxes now falling on capital usefully employed, and upon work in its multiple forms. In conformity with this way of thinking I propose that the present legislation in regard to the land tax be modified in the sense that it be applied to all the land in the Federal Capital with the sole exception of the land occupied by dwellings now subject to the realty tax, and that the tax be *ad valorem*, i.e., payable by each owner in proportion to the sale value of his lot. I have included the new tax in the budget, calculating it at 1 per cent. on the value of all land in the Capital. Recognizing the difficulties attending the first valuations, I have allowed for this item of revenue a sum not exceeding about 50,000 dollars). It is, as you see, only a modest initial tax, and cannot be the cause of any protest. It will have to be slowly and progressively increased, while a simultaneous reduction is made in other taxes, beginning with the most unfair and iniquitous, as for example the permits for building. And when it reaches 8 per cent., in accordance with the experience of other cities, the realty tax may be removed, and with it all the taxes that now fall on capital and labor.

"I do not believe that, even when definitely established, the tax on the selling value of land will be the only tax in the strict acceptance of the words. We must agree that a tax is not merely 'a contribution required from every citizen for his part in the expenses of government,' as defined by Leroy-Beaulieu. Not seldom, a tax has an economic or social objective; as, for example, when we tax alcohol and tobacco, with the object of restricting the injurious effects of alcoholism or narcotism, rather than of obtaining an increased revenue.

"Unmerited Increment Value: But if taxes are contributions to the general expenses of the administration and are destined to public services of general utility, and indivisible by their very nature, as has been well observed, the taxes are intended for certain determined services which benefit

some persons more than others, and not seldom are to the advantage of only a few.

"The Sanitation tax, for example, the slaughter-house tax, etc. are in that category. As they represent remuneration for a service rendered by the municipality, these taxes ought not, in my judgment, to be abolished. Amongst them is one which ought to be at once introduced into our tax system, as it constitutes the indispensable complement of the land tax. I refer to the unmerited increment value, the *plus-valeur* of the French, the Unearned Increment of the Americans.

"In a city the value of land depends directly on the urban improvements carried out by the administration. If we extend a street and give it improved paving, tree-shade, electric light, trams, etc., the lots rise in value. If we build a fine theatre, like the municipal one, if we multiply gardens and parks, if we beautify and make more healthy the city, attracting foreigners, increasing its population, the land inevitably will rise in value. It is just, therefore, that this unmerited increment value should revert to the community, that the favored owners should pay in return for the improvements that have contributed to raise the price of their land, a small quota upon the added value.

"This tax for general urban improvements is adopted to-day in almost all cultured countries. In Germany, the large cities such as Frankfort-on-the-Main, Breslau, Cologne, Essen, etc., tax the unmerited increment value. In 1911 the German Imperial government created under the title of *Zuwachsteuer*, the federal tax on increment land values. In England there exist four special taxes intended to give the community participation in the unearned increment: *a.* the increment value duty; *b.* the revision duty; *c.* the undeveloped land duty; *d.* the mineral rights duty.

"The quota varies in different countries; in Germany it is one third, in England a quarter. In the revenue project presented to you, I have included a tax of 20% upon the unearned increment, which cannot however bring in any returns for next year.

"In a city which, like ours, is increasing steadily and requires in every direction a great many improvements, which the municipality, for lack of funds, keeps putting off, the tax on increment values must without any doubt be received with most hearty approval by all landed proprietors.

"What matters it to them to have to pay 20% on an increment value if the municipality contributes to increase the selling value of their land, thus fructifying and multiplying their capital?

"Definitely established the ad valorem tax on the land, abolished all the taxes on capital usefully employed and upon labor in its multifarious manifestations, freed commerce and industry from the fiscal charges that affect their liberty and restrict their productive activity, maintained the valuations and amongst them that of unearned increment, we should have, in my judgment, the most simple, economical and efficient tax system for our Federal Capital."

Some of the foregoing statements on doctrinal matters are open to objection i. e., in his reference to "George's Socialism." But we may let this pass. The mayor's utterance becomes more significant owing to the fact that his office is not elective, but depends directly on nomination by the president of the Republic. It may therefore be presumed that such an important fiscal change could only have been introduced with the cognizance and approval of the President. The amount of the tax, as the Mayor admits, is insignificant (rather less than one per cent. of the city's revenue) but as Lloyd George said on another occasion, it is "the thin end of the wedge."

In an article appearing elsewhere in this number of the Single Tax Review the state of Minas Geraes (Brazil) is not satisfied with its present tax regime. The South American Single Tax Committee has now received pretty full particulars of what has been done and proposed. A full measure of credit must be accorded to Dr. Alberto Alvarez, deputy to the State Congress and a member of our Committee. At his suggestion a permanent commission was appointed by the government last year

"to examine the tax legislation of Minas Geraes and to suggest to the legislative power the reforms and measures desirable in the economic and financial interests of the State."

I quote the official report of the preliminary conclusions arrived at:

"In the interval between the last session of Congress and the present, the Commission endeavored to study all the main points of the important subject submitted to its examination, so as to fulfil the instructions given by Congress, and strove as far as possible to work together for a speedy and efficacious solution of the great taxation problem which with so much reason absorbs the attention of the State authorities.

"Unfortunately this solution cannot yet be indicated by this Commission, and for the following reasons:

"All alteration in our defective tax system must undoubtedly have as its principal object, on the one hand, to relieve production and export from the heavy taxes that burden them, with prejudice to the economy of the State, and, on the other hand to give greater stability to the State revenue, which hitherto has been subject to oscillations of every kind, always to the evident disadvantage of the good working of the Administration.

"Any course outside of this general scheme would certainly not justify an attempt to reform the tax laws, nor, we are sure, would it correspond to the intention of the legislator who is constantly called upon to consider the subject, by the just and repeated complaints of the producing classes of the State.

"By this we mean that the action and deliberation of the Commission must be subordinated to the idea of working out the whole plan of the reform entrusted to it, principally in connection with the land tax, the basis of the future tax regime. But an equitable and practical remodelling of this tax can only be worked out with a sure knowledge of real estate distribution as far as the conditions of the moment permit.

"Without knowing even summarily this

principal factor—the distribution of rural real estate, the approximate areas, its classification according to selling price, it will not be possible to decree a reform of the taxes, with any certainty of success.

“Thus the Commission expresses its conviction that before everything a registry of real estate must be made out, naturally within the limitations imposed by the necessity of carrying out the Tax reform with the shortest possible delay.

“It is desirable, therefore, for the carrying out of this preliminary service that the Executive be granted special funds and that Congress lay down the general lines that must be followed in making the real estate register so that the rights of the State and the legitimate interests of the proprietors be entirely safeguarded.

“Among the regulations, the Commission considers as indispensable that the proprietors be represented in the valuations, and that they should have right of appeal against the valuations made by those designated for that purpose.

“Other regulations will naturally be adopted by the legislators when considering the subject.

“The Commission awaits, therefore, the action of the legislative power, with regard to the real estate valuation so as to be able to complete the labor already initiated in fulfilment of the command of Congress.

“The Commission is sure that Congress will at once make the arrangements it judges most suitable for translating into a reality, in the shortest time possible, the just aspiration of the inhabitants of Minas Geraes, for a remodelling of its tax regime, establishing it upon the equitable bases of protection to capital and labor and of stability in the estimate of public revenue, all in accord with the permanent interest of the State.” Signed: Virgilio de Mello, Franco-Henrique Diniz, Baeta Neves, Nelson de Senna, Alberto Alvares.

A brief draft of law ordering the valuation and registry of real estate was presented to Congress by Dr. Alberto Alvares approved and the funds for executing the law voted.

Such was the state of affairs on Sept. 7, date of the letter just received from the President of the Commission. Our committee, which includes many most distinguished Brazilian public men, is of course in close contact with the leaders in this Minas Geraes reform. I may further add that the Sao Paulo government has just published an extensive, valuable report by Dr. Luis da Silveira, its special delegate commissioned to study the methods of real estate valuation and registry in Uruguay and the Argentine. This document, we think will have considerable influence in advancing our cause in South America.

Mexico:—An interesting incident in the propaganda work of the South American Single Tax Committee is the following: Upon learning of the land reform introduced in the State of Yucatan (Mexico), the Committee sent a message of sympathetic enquiry to the Governor, General Alvarado, accompanied by several pamphlets published by the Argentine League. A visit to Dr. Fabela, Minister Plenipotentiary, who was passing through Buenos Aires, confirmed our information. In reply to our request for documentary confirmation, Dr. Fabela kindly cabled to Mexico asking for official copies of Alvarados' decrees and for all economic and social legislation introduced by the Carranza government. Dr. Fabela declared himself to be in full sympathy with the objects of our Committee, sent on to Mexico a full set of our literature and offered the services of the Legation in furthering in every practicable way our propaganda.

I have been to some labor in translating the accompanying matter, and have been obliged to do it at a high rate of speed. But I hope that it will be of interest and inspiration to our friends in the North.—R. B., Buenos Aires, S. A.

A week ago news came in from Minas Geraes, the largest and most populous State of Brazil, with 5,000,000 inhabitants. The Coffee Planters of the State held a Congress and passed some resolutions. Amongst them was one calling for the abolition of the export duty of 3 francs a bag

and the reduction of the $8\frac{1}{2}\%$ ad valorem State tax, the difference to be made up by a land tax, over the whole State, the coffee lands however, to be exempt until the tax on coffee was entirely removed. Our South American Single Tax Committee promptly sent forward the suitable congratulations. About the same time I received a letter from a member of the Minas Geraes State Congress, saying he had been commissioned by the Government to make a study and report upon the Land Tax as substituted for the present taxes on production. I had been singled out by him owing to a part I had taken in some lively polemics in the Sao Paulo papers. The Committee took up the Congressman's enquiry and posted him up pretty fully. I may say that in dealing with such inquiries, we now invariably mention the SINGLE TAX REVIEW and recommend it as a means of keeping abreast of what is going on in North America. In due course I expect you will receive some subscriptions.

Rio de Janeiro: I think I wrote you amongst the hurried notes sent you some weeks ago that this city (900,000 inhabitants) is just now engaged in making a valuation of the land within its limits, as decreed by the new Mayor and Council. But the technical men are not finding it an easy matter. I think I am violating no confidence in copying for you a paragraph from a letter addressed to our Committee by the City Engineer in charge of the valuation. He says: "Thank you sincerely for what you say in regard to the method of Land Valuation and Registry in Uruguay. Unfortunately I cannot go just now to Buenos Aires to investigate there the work carried out in that respect. And I regret this the more, since in the studies I am now making for the transformation of our present taxes to the Single Tax on the land, the part I consider most difficult, and for which I have not yet found a solution that satisfies me completely. I wrote to Dr. Luis Silveira (the Sao Paulo delegate sent down here by his Government to study the same subject) asking him for some information with regard to what he saw in Uru-

guay; and I wrote also to the Canadian Mayors, asking them for explanations as to the method by which they carried out the said transformation. Theoretically I consider the idea irrefutable; practically, however, I do not yet know how to reach positive and unassailable results, in the part referring to land valuation."

From the above (which is only a sample of the like matters this Committee has to deal with) you will understand how we appreciate such technical information as has been liberally supplied by Mr. Lawson Purdy, Mr. J. J. Pastoriza and the Manufacturers' Appraisal Company. We have reached the stage where the technical men must step in. Just how to arrange that is one of our problems, as a committee. The demand comes from countries as far apart as Peru and the State of Rio de Janeiro, Bolivia and Buenos Aires. In the City of Junio (Province of Buenos Aires) a group of 120 business men, formed into a Georgist Society, have undertaken at its own expense a valuation of the land within the City and propose making up an estimate of City taxes and expenses on that basis and put same before the City Council and (if this body proves refractory) then before the Electors.

Since I began this letter, a cable has come in from Rio de Janeiro, announcing the Single Tax as adopted for next year's Municipal Revenue. It was only a brief cable. Our S. American Single Tax Committee at once sent the Mayor a cable congratulating him and advising him of the importance of his initiative as a stimulus to tax reform all over the continent.

Our movement in S. America will not stay still long enough to be photographed. One event just topples over another.

HONORS TO A. G. HUIE.

The dinner and presentation to Mr. A. G. Huie, of Sydney, New South Wales, of an illuminated address and purse of £90, on the 19th of August, were a huge success. The mayor of Sydney presided, and in a notable speech paid a tribute to the guest