

## EQUITABLE TAXATION.

*(For the Review.)*

By C. J. BUELL.

## CHANGES IN EXISTING PLANS NECESSARY TO SECURE AN EQUITABLE DISTRIBUTION OF THE BURDEN OF TAXATION FOR THE SUPPORT OF NATIONAL, STATE, AND MUNICIPAL GOVERNMENTS.

What is an equitable system of taxation? Evidently a system that does not, in its operation, conflict with any of the natural rights of any man. What are the natural rights of man? I hold with Blackstone, Thomas Jefferson, Herbert Spencer, and Henry George, that the first and most fundamental natural right of every man is his right to use the earth—his right to apply his energies to the forces and materials of nature—and that right inheres equally in every man in the community.

The second fundamental right of man follows necessarily from the first. It is his right to be a free man, to be the owner of himself, and consequently of the products which his energies have brought forth from the storehouse of nature.

In other words the gifts of nature are for the equal use of all, while those things that any individual, by his labor, has separated out, or changed, from their natural condition are his as against every other man—his to use, to give away, if he please, to barter with another—or to destroy and cause to return to their elements, if he wills it. Of course, it follows that in using the forces of nature and enjoying the products brought forth by his efforts, each man is bound to so conduct himself as not to interfere with the equal right of any other man.

Now it follows that any system of taxation that interferes with these natural rights of man must necessarily be inequitable, and hence must be condemned as not tending "to secure an equitable distribution of the burdens of taxation for the support of National, State, and Municipal government."

All taxes now levied in this country may be classified under three general heads:

1. First, taxes collected from people for the privilege of holding exclusive possession of certain portions of the earth.
2. Second, taxes assessed in some form or other against the products that men have drawn forth from the earth by their labor.
3. Poll taxes—taxes collected from men because they are live men, not dead men.

This seems to be a natural classification and it would be difficult to imagine a tax that would not fall under one or another of the above heads.

Under the first heading come those taxes that are now levied upon land, as in the states of Minnesota, Rhode Island, California and some others, where the land is assessed separately from the structures and improvements thereon; and in other states where this separation is not made, that part of so called real estate taxes that represent the value of the land.

Under the second heading come all taxes on imports or exports, all "internal revenue," excise or license taxes; all taxes on houses or other structures, furniture, merchandise, farm implements, cattle, horses, growing or harvested crops; all taxes on the instruments of transportation or the operations of exchange; all taxes on money, mortgages, notes, bonds, bank stocks or other

commercial paper. Under this head also come all taxes on the accumulation of wealth, as income taxes, or on its transmission from one to another, as inheritance or succession taxes.

Let us examine these taxes in order to determine whether they square with the principles of equity; for if they do not they are condemned by the very terms of our text and the conditions of this discussion.

The third class—Poll taxes, violate the rights of man in that they impose a penalty on his very existence. Where the payment of a poll tax is made a condition on the right to vote, it violates also the *natural* right of every man to participate in making the laws by which he is to be governed.

The entire list under class second are taxes that take from people in proportion to the good things of life they have about them, or in proportion to the necessities of life they must purchase for the sustenance of themselves and families.

All taxes on imports or exports, on products in course of exchange or on the processes of transportation; in short, all of class second except taxes on buildings used for homes, household furniture, incomes and inheritances, are not paid at all by the persons against whom they are nominally assessed; but simply show themselves in increased price, and are paid in the end by consumers in proportion to their necessities, with no regard to their wealth, ability to pay, or the benefits derived from society. Under such taxes it is possible for very wealthy men who derive enormous benefits from society to pay very little or no taxes at all; while many a poor man with a large family is compelled to pay many times more, though he may be paying ground rent to some landlord for all the social benefits he has the use of, and for all that part of the earth he is permitted to enjoy. Such taxes place a fine upon home getting, deter men from marrying, increase in proportion as we obey the scriptural injunction to multiply and replenish the earth.

The income and inheritance taxes are much favored by some shallow thinkers; but, if incomes are honestly acquired, they belong, by the *most* sacred right of property, to their possessors. If not equitably acquired the remedy lies in repealing the laws that permit the inequity. If a man has a right to the ownership of his natural powers, he certainly has a right to the product those powers have brought forth, and he also has a right to transmit those products to whomsoever he wills. Income and inheritance taxes violate man's ownership of himself, and are usually favored by a class of people who deny the doctrine of natural rights *entirely*, and assert that all rights are derived from the state.

All these taxes in class two, in addition to violating the principles of equity, are a direct obstacle in the way of the development and improvement of the race. The more industrious and enterprising a man is the more he is taxed. The more honorable he is, the less he lies about his wealth or his income the more he is taxed. If the objects of taxation were to kill off the best specimens of the race, to crush out honesty and candor, to encourage lying, perjury and fraud, to bring out and strengthen all these objectionable characteristics that a developing manhood is ever trying to eliminate from human nature, then taxes on wealth and income should be commended. Otherwise they are to be condemned as iniquitous and violative of every principle of natural right.

In this connection it is well to call to mind a source of revenue earnestly advocated by Prof. Ely and others of his school, and extensively adopted in many American cities. I refer to taxes of one sort or another on street railway or other privileges granted by municipal authorities. In such cases a rate of fare is fixed far in excess of the actual value of the service rendered, and then a part of the unjust income of the company is taken away, and put into the public treasury. In other words a street railway company is permitted by law

to overcharge its patrons, and then the law attempts to get back a part of the overcharge by taxing the company's gross earnings, or by charging so much per mile or per car for the privilege of charging those who ride more than the ride is worth.

Such a tax is not a tax on the street railway companies at all, but is a tax on those who pay fares to the company, collected by the company from each person every time he rides, and then turned over to the city treasury. The remedy here is evidently to make the rate of fare no more than the actual value of the service rendered and not to impose any tax.

We have left for consideration only taxes of the first class, taxes on land; and in this class there is great danger of perpetrating injustice. It is plain that any tax that in any way prevents man from using the earth—any tax that stands between man and his natural right to employ his labor in drawing his sustenance from the bounties of nature, must be essentially objectionable. It violates the very first fundamental principle of equity. Such taxes have been levied extensively in India and in some European countries, and always with most disastrous results.

Most of the land taxes levied in the United States, however, are not subject to this objection. They are assessed only upon that part of the value of so-called real estate due to the development of the community and the erection of public works—not upon that part of the value produced by the owner. Hence they impose no obstacle to the use of land, but rather encourage its use by making it cost more to hold it idle.

From what source, then, can revenue be derived, so as not to violate the principles of equity and the rights of man?

If there are functions that must be performed by society through its chosen agents—if in the natural order of human development the State is necessarily evolved—then the presumption is that in this same natural manner the very doing of this needed public work would produce a value which would be a natural source of public revenue. The labor of each individual brings to him the natural wages of the effort expended; so we might justly expect that the really needed service done by the State would bring to society its natural social wages. And the parallel goes further—it is even more complete. Just as the wages of each individual flow into his own possession by attaching themselves, in the shape of added values, to the materials upon which he has expended his energies, just so, in the same natural manner, the wages of the community created by social development and public works, flow into the possession of the community, by attaching themselves in added value to the lands which are naturally the common inheritance. It is a principle recognized and accepted everywhere that the construction of needed public works adds a value to the surrounding lands equal to, or in excess of the cost of such construction. Accordingly among all civilized people the principle is recognized, to a greater or less extent, that the benefitted land holders must pay for the public works that confer the benefit. Of course no one could justly be called on to pay more than the equivalent of the benefit conferred. Nothing should ever be taken from one citizen by another, nor from any citizen by the State, nor from the State by any citizen, except an equal value is given in exchange. Anything less than that is robbery.

But it is a well known fact that any really needed public work is worth all it costs.

In this connection, however, there is another fact that needs brief consideration.

We have accepted the postulate that all have equal natural rights to the use of the earth. But as different parts of the earth possess different degrees of desirability for human use, and as all have equal natural rights to these best

places, and as only some can possess them, while others must take up with less valuable locations, the logic is irresistible that whatever be the special value of those favored spots, their favored possessors owe to their less favored brethren a sum exactly equal to that value. Whether the value of those naturally favored locations be divided equally among all the citizens in order to maintain their equality of right to the earth, or whether such values be used to pay for public necessities that all men have an equal right to use, is a matter that only the people of each community can justly decide for themselves.

Here, then, seems to be the natural source of public revenue. Those values of land that are due either to natural conditions or to the construction of needed public works, are the natural wages of society; and it is as much the duty of society to take its wages and use them for public purposes, as it is the duty of each individual to insist on getting, to do with as he pleases, the natural product of his own labor.

Of course, it will be seen that much of the revenue of most civilized States is now derived from those natural sources, and is therefore to that extent in harmony with the principles of equity. Such of it as is not is nothing better than robbery.

In the State of Minnesota, a careful study of the reports of the State auditor and of the books of the assessors in the cities reveals the fact that about two-thirds of all State and municipal revenue is now drawn from those values which I have tried to show are natural social wages. In all other States where statistics were accessible, I find from one-half to three-fourths of all State and local revenue to be derived from the same source. In all cities a large part, if not all the revenue for needed street work or park improvement, is collected in special assessments against the benefitted land holders. From a careful study of this policy in many American cities, I find that it has been adopted more extensively and its details worked out more equitably in the city of St. Paul, Minnesota, than in any other American city.

We are now prepared to answer the question that forms the subject of this essay. "What changes in existing plans are necessary to secure an equitable distribution of the burden of taxation for National, State and municipal purposes?"

So far as municipal and State revenue are concerned, it is evident that the only changes required are such simple modifications of the constitution and laws as will permit of the extension of the policy of assessing the cost of public works against those land holders who are directly benefited by their construction. Also such changes as will assess all general taxes (instead of one-half to three-fourths as now) against those general land values which are not produced by the land holders, but are produced by the presence and activities of the whole people, and to which the whole people have a natural right.

An examination of the facts in the case shows that those changes would increase the amount of taxes collected from only that class of people who are now holding land idle or but partially improved; while it would greatly lighten the burden that now falls on all those who have adequately improved their holdings and are putting their land to the most useful purpose.

In many States no constitutional change is needed—nothing but the repeal of those unwise and unjust laws that now tax one man more for making land useful, exerting labor upon it, and producing good things from it—than another is taxed for holding equally valuable land idle, for no other purpose than that he may reap the benefits that come from the development of society and the construction of public works, without himself paying an equivalent.

So far as the burden of national taxation is concerned, no changes in the constitution of the United States are needed in order that it may all be drawn from social wages. The policy of assessing the cost of public improvements

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against the benefited land holders is as applicable to national works as to municipal. This was made very plain by the discussion in the last Congress relative to the zoological gardens and park to be erected in the northwestern part of the District of Columbia.

When the States shall have made the changes suggested, Congress may then avail itself of that provision of the national constitution which provides for the apportionment of direct taxes among the States according to population; for, as those values of land that constitute social wages are wholly due to the presence, activities and necessities of population, it follows that to apportion national taxes among the States according to population would be to apportion them according to land values, and hence to call upon each State to furnish its equitable share for the support of the national government.

But Congress need not even wait for the States to adopt these changes. None of our national revenue is now derived from social values; but is all taken from the people in such a way as to come out of their individual wages. If they were to be apportioned among the States and collected as State taxes now are, much more than half would be taken from social values, and thus a long step would be taken toward equity.

And nothing would so stimulate the discussion of the whole problem of taxation, nothing would so soon force the people to the adoption of an equitable system of State and local taxation, as to be confronted with the necessity of raising directly those additional sums that are now taken from them in such a manner as to prove many times more burdensome, and with the added evil that the individual does not know how much he pays for national purposes, nor just when he pays it. The change proposed would enable every taxpayer to refer to his tax receipts and learn just how many dollars and cents the national, State or municipal government costs him annually. He would be able to form some opinion as to whether he had got the worth of his money.

Thus it appears that the changes necessary to an equitable system of taxation are very simple and easily understood. All that is needed is to educate the people to see the necessity for these changes.



## REPLIES TO MR. PETER AITKEN ON THE QUESTION OF COMPENSATION.

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Single Taxers everywhere are inspired by the same ideals, upheld by the same convictions. Their one aim is to see the curse of landlordism removed, the blight of landlordism uplifted. Their advocacy of the Single Tax, or rather of the Taxation of Land Values, is but as a means to this end. They realize that the first important step in this direction will break down the power of land monopoly, and remove the evils of landlordism. For, manifestly, to give but one example, the worst evils of landlordism, as applied to our mineral resources, do not arise from the tribute the privileged holders of our coal and iron lands are enabled to extort from the coal and iron workers on the deposits they graciously allow to be put to use, but rather from their withholding of other similar resources from use. The land in use is yielding its blessings, not only to the land-holders and the land-users, but also to the innumerable other work-