

**ADDRESS OF C. B. FILLEBROWN.**

HEARING BEFORE THE JUDICIARY COMMITTEE OF THE RHODE ISLAND LEGISLATURE, STATE HOUSE, PROVIDENCE, MARCH 20, 1908, UPON AN ACT PERMITTING LOCAL OPTION IN TAXATION. FOLLOWING ARE SOME OF THE POINTS UPON WHICH MR. FILLEBROWN ENLARGED AS STATED IN HIS OWN WORDS:

It may safely be taken for granted that reform in taxation is needed, sorely needed, also that there is no danger of its coming all at once. Taxation is today a stagnant and dismal muddle—a belated science. It is suggested in the Legislative Act before you, by the education and emulation which Local Option would stimulate, to lift taxation to the higher plane of an empirical science, and to let outgrown and petrified general property systems begin to give place to the operation of living principles of which the science has no lack.

If forty-six States of the Union may have local option in all matters of state concern only, why may not thirty-eight cities and towns of the State of Rhode Island have the same privilege in the single matter of local taxation. There is a marked tendency among the States toward greater uniformity in certain features, especially in tax and corporation laws, as now exists in bankruptcy laws. This tendency is likely to grow where interstate interests demand by the uniform adoption by the whole country of such measures as may have proved their usefulness to the several states. The U. S. Constitution seems to have recognized the principle that the unit of administration whether nation, state or municipality should be coterminous with common need.

Forty-three States are today watching the experiment of Tax Commissions and Utilities Commissions in the pioneer States of New York, Wisconsin and Minnesota. To have required these three state experiments to wait the consent of the whole forty-six would have been to retard most unfortunately the wheels of progress.

Legislatures attempt mandatory regulation of their people in their eating and drinking. They allow cities and towns to grant special privileges in the form of licenses throughout the whole State to certain persons, and to the exclusion of all others for the making and selling of an article which half the people of the State think is harmful. How then can it be "sumptuary legislation" to concede to the people a permissive act under which they gradually mould a local revenue system more nearly after the model of justice and a square deal between man and man?

What means of education in the science of taxation could compare with a Local Option school? A much needed first lesson would be to learn that present inertia is not so blind and intolerable that it cannot be overcome, that a tax system of the Medes and Persians is susceptible of variation. The aversion to correction or change of any kind I do not believe is due to selfishness but to ignorance of the densest kind.

Cities and towns are variously endowed. One has tide water, another has great water power, others have central locations, large populations and large franchise values. Among these all may be found pioneers, strong in some special advantage, and enterprising enough to put some one proposed change to the test of practice. Under present systems lack of participation begets lack of interest, and ignorance is the result.

It might be well to work changes gradually, shifting each year a certain per cent. of the tax burden from one class of property to another. Such process could not possibly do any great harm, because the city or town watching the process could halt or retrace its steps at will.

There is another system of taxation which has not received perhaps the attention it deserves, viz:—confine all municipal and local taxation to real estate, either with or apart from the improvements thereon, and derive support for the State from a tax imposed upon personal property as it passes through the probate office, so regulated as, in the average year, to meet the requirements of the State; no more and no less.

Still another formula for the Local Option laboratory is a three mill tax now under consideration in the Massachusetts Legislature, and under which Baltimore's intangibles swelled from \$6,000,000 in 1896 to \$160,000,000 in 1907. Local Option ought not to work prejudice between cities and towns any more than between States.

Provided it were possible to collect from intangibles the same rate of tax as from real estate, the glaring inequality of the proceeding must bring it under condemnation. Let it be kept in mind that the owner of a business block has purchased exemption from all taxes on his land, and escapes tax on his buildings by adding it to his tenant's rent, so that, as an acknowledged fact, he is immune from all tax burden. Keeping at same time in mind that a like rate of taxation on intangibles would take from their owner thirty to forty per cent. of his annual income, how can the conclusion be evaded that to tax real estate and personalty at a uniform rate is theoretically confiscation of the most flagrant kind?

I am tempted to call your attention to a problem associated with certain other Boston facts. On Winter Street, 485½ feet long, the increase in the value of the land in the last nine years has been 58 per cent. while the increase in the value of the buildings has been 11 per cent. On the busiest part of Washington Street for two-thirds of a mile land has increased 50 per cent. and buildings 20 per cent. in the same time. Of the 179 buildings on two-thirds of a mile of street there have been erected new in the last twenty years but twenty and one. Do you not agree that, in view of the enormous subway and other expenditures to facilitate business, a decrease in the decrepit and antiquated store accommodations to such an insignificant figure indicates a vicious economic condition that calls for something more than observation, that calls for patient study and immediate attack, looking to gradual correction. Providence must have similar wasteful conditions, instances where the people pay dearly for their whistle and do not even get the whistle.

Mr. Henry Clews voices a pregnant truth when he says that a large part of the gross evils in trusts and syndicates and public service corporations are traceable to the fact that legislatures have not kept pace with national progress.

In this country of ours there have grown up great public utility concerns, business firms, National, State and Municipal, in which the public is a partner, and perhaps an equal partner. The private interest is administered by men alert, skilful, of life-long experience, masters of their art. The *public* partner's interest is supposed to be represented and guarded by the Legislature. But the legislative body, by selection and experience, is not constituted to cope with the skill and brains and experience of the private administration with which it is associated. Consequently the question has already arisen and is being answered, viz:—why should not the people, the State, be represented in the co-partnership by the ablest men whom the Governor of New York, or the Governor of Rhode Island can secure, at adequate salaries, constituting permanent commissions—men of adaptation, who shall become as competent in their sphere of regulation, which includes the potent agency of taxation, as are the Hills, Harrimans, Mellens and Tutties in their own province of administration—Commissions whose duty it shall be first to ascertain facts, and secondly to pronounce just judgment. Until some such means is employed can it be possible for these great corporations and the people to get their respective rights without wrong to the one or the other?

The pressing and vital need of today is education in taxation. Upon no other thing does the public welfare so much depend as upon taxation, influencing, as it does, by a bad system, the unequal congestion, or by a good system the fair distribution of the good things which all people need.

The alarming deficit is not so much in the general wisdom and honest intention of the people or their representatives as it is in an education in the understanding of certain general principles of taxation to which allegiance must be sworn and paid. The longer this obedience is deferred the harder the problem becomes.

Let me exhibit to you in bold relief some of these principles. They are the very A, B, C of taxation, and they are easily within the intellectual grasp of every legislator. They are found in three generic peculiarities which distinguish land from the other general classes—designated as “buildings” and “personal property” as follows:

(1). GROUND RENT IS A SOCIAL PRODUCT, in other words, ground rent, what land is worth annually for use, is a creation of the community. All local taxes are spent upon those things which make and maintain ground rent.

(2). A TAX UPON ECONOMIC RENT CANNOT BE SHIFTED, that is, a tax upon ground rent cannot be shifted upon the tenant by increasing his rent. If it could, the selling value of land would not be reduced, as it now is, by the capitalized tax that is imposed upon it.

(3). THE SELLING VALUE OF LAND IS AN UNTAXED VALUE—every land owner is exempt from taxation on his investment, to the extent of the tax to which his land was subject at time of his purchase, and therefore, practically speaking, nearly all land is today owned free of tax.

The failure to recognize this distinction is, we believe, sufficient to account for the crookedness of present systems of taxation. Such recognition must lie at the very foundation of any just system of the future.

As this exemption of the present holder holds good today, so it will be true in future of each new purchase subsequently to the imposition of any new tax. It is in the very nature of things that the burden of a land tax cannot be made to survive a change of ownership.

In conclusion I wish to emphasize the fact, that, because the burden of a land tax cannot be made to survive a change of ownership, it follows that a new tax burden if imposed today would in one generation, by sale or by inheritance, cease to be a burden. If all taxes are finally collected from the land owner he will then be the only man burdened with a tax. If another generation serves to let his successor out from under the burden who will remain under it? Ground rent, economic rent, being an equivalent for value received, is not a burden, and if all taxes are ultimately taken from rent, it follows that in the course of two or three generations taxation may cease entirely from being a burden to any one. Thus while *now* the promised land is in full view to those who have eyes to see, *then* the tax millennium will have come!

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## OUR CAUSE IN CHINA.

(For the Review.)

By GUSTAVE BUSCHER.

In No. 260 of the *Mercure de France*, Paris, I found an interesting article headed: *Le Programme des democrates socialistes Chinois*. I began to read it, expecting to find another endless talk about the surplus value theory and many other like interesting things in which learned socialists indulge. Happily my expectations were disappointed. I soon found the name of Henry George mentioned and began to be interested in the paper. It turned out that the Chinese social democrats, as the author styles the radical reformers in China, are quite another sort of thinkers, more businesslike, more sober and practical, and influenced more by the philosophy of Progress and Poverty than by *Das Kapital*. Success to China.

By special permission of the author of the article in the *Mercure de France* I am able to give in the following lines an extract, partly a literal translation of his article. The author, Mr. Albert Maybon, has translated the speech of Souen-Yi-Sien, which forms the chief part of his article, directly from Chi-