

to a large extent shifting and uncertain; a large number of residents keep their legal residence in other States. These facts are responsible for an apathy that it is almost impossible to dispel.

Two of the most prominent features of municipal government in Washington, a few years ago, were the inequitable and disgraceful assessment of real estate and alley slums.

Living within the city of Washington for the past 25 years was a militant Single Taxer who some time ago decided that such conditions were in serious need of a change. So he went to work. Day after day he followed up real estate transfers and checked them against the assessments. Then he listed the valuable holdings and checked the assessments on these. When he had collected all his ammunition, in letters to the papers, in special articles, in addresses before labor-unions and churches, he fired broadside after broadside into the Assessors' office. He carried on this attack year after year, single handed.

He then turned his attention to the slums. Every scrap of information that could be secured about slum conditions he preserved in a scrap-book until he had collected an encyclopedia of information that constituted a terrible arraignment of the City. This book has been used by Presidents Roosevelt and Taft, by Miss Margaret Wilson, and by numerous congressmen and senators. This single-handed agitation gave great impetus to two recent alley bills; one turning the worst alley into a park, and the other providing for the total abolition of the alleys.

As a fitting tribute for this devoted service, Mr. E. W. Oyster, for he is the man, was, a few years ago, appointed assistant Assessor for the District. Since his advent into this office a vast array of the inequitable assessments have disappeared.

Glancing over his career, one cannot help appreciating the saying of the old Britisher, "It's dogged as does it."

THE INCIDENCE OF TAXATION UPON FARMS

(For the Review)

By JOHN T. McROY

The American farmer presents the spectacle of one of the most overtaxed of all men, yet constantly devoted to the very taxes which have so injured him. The farmer is overtaxed mainly because his personal property being easily visible, is more often appraised than the invisible personal property of his city brethren. The possessions of the farmer are comparatively simple and show little variety; their value is consequently an everyday fact. With city men, on the other hand, even their visible personal property presents so many

fine shades of quality, that their value can be correctly estimated only by highly paid expert appraisers in every particular line. The farmer pays in State taxes that which the city man escapes. He makes good the impossibility of assessing personal property in the cities.*

The abolition of the personal property tax would be a great step towards the equalization of the tax burden between city and country. The frantic devotion of farmers to the personal property tax arises out of their hastily formed belief that the greater abundance of wealth in the city will naturally carry its just burden. Experience, however, proves the complete breakdown of the general property tax in every State of the union. It is now almost extinct in Europe.†

A study of practical proposals regarding agricultural taxation indicates only three tax plans which can be seriously considered.

- (a) A tax based on the selling value of a farm as a land value.
- (b) A tax on the improvements on the farm.
- (c) A flat real estate tax on the gross value of the two.

I do not now speak of the many possible variations such as that of a tax rate twice as high on land as on improvements. These three proposals will be taken up abstractly so as to simplify the problem.

A tax on the selling value of a farm cannot be shifted to the consumer of the farm's products. For the price of any product is determined by the price of that product which can be raised on no-rent land. For obviously no one will pay more for goods of the same quality because they come from high-rent land than from low-rent land. The advantage possessed by a superior farm over a low-rent farm is not in the ability to command a higher price for the same products. It is either because of the greater abundance of crops, or because of the production of a better quality that there is any superiority in one piece of land over another. Still another advantage may be that of an accessibility to markets which reduces the cost of transportation and consequently gives the land a great value. But it does not affect the price of the product. The price of all farm products in an international market is determined utterly independently of the tax system of any given region. For instance, should the price of wheat be quoted at a certain level in Liverpool the tax laws of Wisconsin would not affect the price of Wisconsin wheat.

A tax upon the improvements of a farm, while not capable of being shifted in any large measure to the consumer, has other grave defects. A tax on improvements is more of a deterrent to the improvement of farms than a tax on buildings in cities is a deterrent to building operations. In the first place a large class of farm improvements have little or no direct relation to production. This is not so largely the case in the city, where most houses are

*Seligman, E. R. A., *Incidence of Taxation*, 1899. "What is a Real property tax in the rest of the State becomes a general property tax for the farmer."

†Bullock, C. J., *General Property Tax*, 1909. (A Brochure).

put up either for rental or sale. Another defect is that those farm improvements which do relate to production do not always recover in a short time the expenditure put into them. For instance, how soon is the cost of fencing recovered by the savings it effects? Because of this a high tax rate on improvements will considerably lessen improvements. A tax on improvements acts as a check on production. Although fairly stable as a revenue producer, it is, nevertheless, very inequitable. It presses heavily on the low-rent farm which is being made valuable almost entirely by artifice. Assessments are far less just in the case of improvements than in the case of land. It seems that the defects of this system are too glaring to make it desirable for the farmer.

A tax on land value on the other hand has many advantages. The first is that it hampers speculative farm owning. Men will not make themselves "land poor" when they realize that the increase of land value will be taxed. That this evil is a gigantic one has been demonstrated in an article on American Land Values by Prof. Scott Nearing in the *Popular Science Monthly*. He asserts that within the last few years land values have increased twice as fast on farms as in cities. Great parcels of land (particularly in the middle West) have been either wholly or partially neglected in the hope that the rise of crop prices will cause a further rise of farm land values. The owners hope to become rich by farming purchasers instead of farming farms. A similar mania existed in England from 1793 to 1815. The farmers were prosperity drunk, believing that the high prices caused by the Napoleonic wars would never cease and that rents and profits would forever rise. After Waterloo they passed protective tariffs to raise the price of food and keep up the land values. Bread came to be quite out of reach of the poor. The breakdown can be seen in the English agriculture of today.*

Not only does a land value tax prevent speculation, but it forces a better use of all kinds of land. The fact that a vacant or poorly used farm can never be made to pay, causes a more intensive use of land.

It is urged that in poor sections the land value tax could not pay the charges of school, road, and poor maintenance. Such communities are rare. That a State and not a poor community should pay for the maintenance of pikes and main roads is a growing belief. No community is too poor, unless it be in a pioneer country, to have its land values pay for its ordinary roads.

It is not here suggested that the land value tax be laid on so heavily that the occupiers of land would practically be renters. A good margin must be retained, allowing a convenient selling value. Mr. Louis F. Post, an eminent authority, asserts that land under a system of heavy taxation would still be an

*For a faithful and simple account of the ruin to English agriculture caused by the careless use of land during the over-confident period of the Napoleonic wars, read George Eliot's description of Squire Cass's properties in "Silas Marner."

object of barter and sale.*-† The sense of ownership is far too valuable a human emotion to be brushed aside. Renters do not take as good care as do owners of land or of buildings. It is not only the security of possession and of products but also a property feeling which conduces to the best use of land. That which is obtained for nothing is valued at its price. A high price on land is a stimulus to speculation and an evil. Both the extremes of free and high priced farm land are undesirable. But unquestionably the extreme toward which public policy should tend is that of low prices.

Society must have a stable farming community. If men could obtain land only as renters and could imitate business officers by frequent removals it would result in the ruin of the country's soil by "skimming." Just as the slave power in the South exhausted its soil and had to wage the Civil war to expand its area of cultivation, so a community of tenant farmers in an individualistic society, would likewise waste its opportunities.‡

The most complicated question in taxing the selling value of a farm is to determine which part of its value is a location value and which part a fertility value. For a farm is not so simple a "land" question as is a city lot. A city lot has nothing but location. A farm has two factors, location and fertility. Some acute theorists as C. B. Fillebrown, the able taxation writer of Boston, maintain that fertility on farms is mostly a human creation, the product of successive improvements and hence not really a land value. He holds the location value to be almost the entire farm land value. If this theory be mistaken a great many of his optimistic calculations concerning the small percentage of land value held by farmers would fall to the ground.** We must reach a definition of fertility. A cranberry swamp is most fertile for cranberry products, a rice marsh for rice products. But fertility is that quality of the soil which enables it to bring forth abundant products, no matter of what kind. It is not of necessity a product of human hands. Fertility may be increased by human labor. But that labor would accentuate those differences in fertility already existing. On the whole, therefore, most of the differences in fertility should be classed as land value.

Land is as perishable as any other commodity except in location. A worked out soil has been economically as much destroyed as a cast away commodity.†† The fertility value of land partakes, therefore, of the nature of commodity values. A tax on fertility value therefore, operates similarly to

*Post, Louis F., *The Taxation of Land Values*, 1913.

† Few Single Taxers, we opine, will agree either with Mr. Post or Mr. McRoy in this. The subject, however, is too large a one to be discussed in a footnote.—EDITOR SINGLE TAX REVIEW.

‡ Cairnes, J. E., *The Slave Power in America*, 1862.

** Fillebrown, C. B., *A B C of Taxation*, 1909.

†† Davenport, H. J., *Value and Distribution*, 1908.

commodity taxes, in so far as the use made of the fertility is in question. But the taxation of location values on farms would yield almost no revenue. A tax only on location would be so light a tax as scarcely to affect speculation or insufficient use.

That the assessed value of a farm deducting improvements should be the sole basis of agricultural taxation seems to be the reasonable deduction from the preceding reasoning.

BI-MONTHLY NEWS LETTER

BY THE EDITOR

In several States of the Union Single Tax activities are commanding increased public attention. In Oregon the initiative petition is being circulated for the sweeping measure of land taxation and improvement exemption, joined with the provision for State loans to home builders with which our readers are familiar, an abstract of the proposed bill having been printed in the *SINGLE TAX REVIEW*. It is gratifying to note that the measure has been endorsed by the American Federation of Labor at a meeting of the National Executive Council in Washington during the last week in February, the resolution to endorse the measure being introduced by Delegate E. E. Smith, of Portland, Oregon. Part of Mr. Smith's speech we quote:

"This bill is a combination of what is familiarly known as Single Tax and State aid. It does not go all the way. The only way we can hope to get the land and the natural resources back to the people is through taxation. It seems government has never been able to limit taxation, and we propose to levy as a State tax such a sum per year as is equal to the land rent, whether it is used or whether it is not. A third of all this rental will be placed in a home-seeker's loan fund. From this fund men and women in the country and in the city can borrow from the State a sum equal to \$1,500. They will have 20 years to repay it. The first five years they will pay no interest except the administration expense of the loan. The next 15 years they will pay a small rate of interest."

In California the initiative petition for the Home Rule in Taxation Constitutional Amendment is being circulated. Those who are working for the petition must secure 76,000 names to insure the measure a place on the ballot. They have already 50,000. This is the third campaign of our California friends to arouse public interest in the land question. For no secret is made of the desire to secure by this means the adoption of the Single Tax in some locality where its benefits will serve as an object lesson of importance. That the State may be aroused to the need of land reform seems very probable in view of many recent happenings. Among these is the significant report of the California Commission on Immigration and Housing. They point out the enormous