

Words, Idle Words

TO the eminent Nicholas Murray Butler is ascribed the utterance, that much of the trouble in the world is due to the inexact use of words. For more than a generation Single Taxers have been deploring the inability of economists and people in general to attach precise meanings to the terms that they use. A most excellent example of the confusion wrought by the use of a phrase to signify things, which are in their nature conflicting, is to be found in the legal and popular use of the term real estate. The Standard Dictionary gives as its meaning, the legal definition "lands, tenements and hereditaments." This phrase may be taken as the equivalent of land and improvements attached thereto. When, however, we come to apply taxation to this composite subject, we find that the same cause operates in distinctly different directions when applied to the component parts. Applied to land it tends to diminish selling price, to limit individual holdings to such amounts as their owners can profitably use, and hence to make self-employment on cheap land a possible condition of life, for those who prefer it to industrial subjection. Fortified by easy access to near-by land from which a living can be made in case of necessity, the worker might smile at the lock-out, and need never be compelled to resort to the strike as a weapon of self-defence. Non-participation, except on terms agreeable to him, would be his sufficient answer to attempted exploitation.

How differently does the same tax operate when applied to buildings! True, once the building is erected the tax can be collected, but when it becomes unduly onerous, further production is discouraged, and high rents are forced by the artificial scarcity imposed by unwise taxation. It is this condition which makes it possible for agents of real estate interests to contend that high taxes make high rents, and that taxes on real estate can be passed on to the tenant. Again at this point we come to another illustration of the inaccurate use of terms, growing out of the former error. To speak of the rent of a building is misleading. Only that part of the payment which is paid for the use of the lot should be called rent, the rest is interest on the capital employed in the construction of the house and its appurtenances.

Whenever we come to the time when land alone is taxed on its value, until taxes have risen to a point where they absorb the entire annual value of the land, they cannot begin to affect the annual price which must be paid for the use of the lot plus the building. On the other hand, whenever and to whatever extent taxes on buildings discourage production of buildings, to the same extent is it possible to shift to the occupier some if not all of the tax, because of the partial or complete scarcity thus created.

WHEN Single Tax is suggested, "confiscation" is the yell. Yet a 2.25 per cent. tax on a building doubles its cost during its lifetime.—H. M. H., in *Cleveland Citizen*.

Incomes, Psychic, Sensational and Shedding Utility

IT is a great responsibility that rests upon the professors of fiscal and economic science. They feel this responsibility very keenly. Without the knowledge that is their special possession the legislator must "flounder" in a sea of ignorance. We have Professor Seligman's word for it, in his introduction to "The Federal Income Tax," by Robert Murray Haig.

What can the legislator know of "income," for example, by the light of his own unaided intelligence? How can he know that some incomes are purely "psychic," that some "shed utility," and some are "sensational?"

Says Prof. Seligman:

"On every side, in fact, we are confronted with problems bristling with difficulties, into which the economist has thus far put scarcely more than an entering wedge and without a successful treatment of which the legislator must necessarily flounder.*****Unless fiscal science reaches a definite conclusion on these problems the way of the legislator will be a thorny one."

Says Prof. Robert Murray Haig:

"First of all, consider what the economist means when he speaks of income. In this case, as in many others, the economist uses a term in approximately the same sense as it is used in ordinary intercourse.*****It has merely been necessary for him to be more precise as to exact limits and distinctions."

We are glad to hear that the economists have condescended for the time to speak in terms used in ordinary intercourse. This is so unusual that it is doubtful if they will understand one another. In the barbarous jargon with which they clothe their imaginary refinements they seem to find no difficulty in making themselves understood by their fellow professors if by nobody else, but when once they begin to speak in terms of "ordinary intercourse"—or like rational beings talk—it is certain that they will find the language a foreign one and very difficult to make such thoughts as they have clear to themselves. By this it is not meant to imply that their customary statements are clear to themselves. We suspect them, one and all, of indulging in elaborate tomfoolery in order to avoid saying anything that might mean something.

Prof. Taussig, of Harvard, says:

"Our food, clothing, furniture, may be said to yield psychic income. They shed utility, so to speak, as long as they last."

Prof. Ely, of Wisconsin, delivers himself of this:

"Wealth refers to the stock of goods on hand at a particular time. Real income, on the other hand, has reference to the satisfaction we derive from the use of material things or personal service during a period of time."

And finally Prof. Seligman, in his "Principles of Economics," says:

"We desire these things at bottom because of their utility. They can impart this utility only in the shape of a succession of pleasurable sensations. These sensations are our true income.*****"