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LAND AND INDIVIDUALISM.

A PLEA FOR

AREA TAXATION

BY

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Preface.

The system of specific or area taxation of land suggested in the following pages was proposed in a paper read by the author before the Philadelphia Social Science Association on the 18th of November last, and in an argument made by him before a joint session of the House and Senate Committees on Constitutional Reform during the present session of the Pennsylvania Legislature. The plan was so favorably received on both occasions, notwithstanding defects in the manner of presentation, and the inquiries for a further explanation of it have since been so frequent, as to lead to its publication in this form.

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PLEA FOR AREA TAXATION.

The causes of industrial disturbance and of the recurrence of labor agitation as a political factor, however complex, seem to be in their turn only effects of a single primary cause; namely, the fact that the golden rule of altruism is still far from realization in either written or unwritten constitutions or law. The perfect moral principle, "whatsoever ye would that men should do to you, do ye even so to them," is the unwritten constitution of every free people, and is at the foundation of every demand for fair play. But while no perfect social condition can be attained without its general acceptance in spirit and enforcement in letter, the men who claim that their respective plans of social reform are panaceas, render a service by pointing out the institutions in which the altruistic principle is most ignored in proportion to its importance. The transportation question and the land question have been brought to the front by such specialists, and it is hard to say which of the two is more important to the well-being of the most numerous class of citizens, the wage workers of every kind.

The National Congress has made a beginning of solving the question of the distribution of man and the transportation of products, but it has made no effort to establish a permanent system of land distribution or regulation in general: nor have the States, to which the latter question more especially pertains, taken any important steps towards modifying the inherited conditions of land tenure. The right regulation of the land, however, is obviously as important as the right regulation of railroads. The ownership of land is a conferred right, a delegation of the right

of eminent domain, as truly as is the right of acquiring a railroad route; and it is as competent for law-making powers to hold the individual owner to strict account, as it is for them to teach corporations that they are bound to respect the rights of the public at large in return for the privilege of demanding that eminent domain be exercised in their behalf. The neglect of either duty alike tends to the indefinite growth of monopoly, and of the evils of dependence on absentee power;—the dependence of the many on the few and the more or less irresponsible;—in a word, such neglect tends to invite the dangerous evils of socialism without providing for its alleged attractions. It is not to be wondered at, then, that agitators, who paint these attractions, secure hearers, and the continual growth of their audience can only be counteracted by embodying the claims of individualism in practical methods of reform.

Socialism's solution of the land question is actual as well as theoretical State ownership. Individualism, on the other hand, demands that here, as elsewhere, the State adhere to the principle that it should do nothing for the individual which he can do for himself, but should confine itself to what Herbert Spencer calls its "negatively regulative function" of insuring for the individual the utmost opportunity of self-culture in every direction, consistent with the rights of neighboring individuals.

As will be seen, hereafter, the sense of homestead ownership is of the first importance to individualism, and for this reason, the land question cannot be permanently or wisely settled without recognizing private ownership as, not an incident, but the essential object, of any effort to exercise the right of eminent domain so as to break up land monopoly, and to secure to the whole people "the right to the use of the earth." It should be the purpose of land legislation, not only to devote all land to private ownership, except what is needed for the transaction of public business or the establishment of public pleasure grounds,

also to make every individual a landowner as far as government can make him one, by giving him every facility for the acquisition of land at a reasonable cost. It is not easy to see how any individualist can avoid the conclusion that the land problem is to be solved only by perfect distribution. Perfect distribution of course implies a system that will accommodate itself to these two conditions: a steadily increasing population, and a constant area of surface. In no other way can the advantages of a property qualification for voting be secured to a country in which universal suffrage is an established custom, from which no backward step can be taken.

Individual tenure of land would encourage good citizenship by its general effect upon the moral and intellectual nature of the citizens even if nothing were to be said in its behalf as a powerful stimulus to production and to improvement. The sense of ownership of land gives to a man a more or less king-like feeling, whether his holding be large or small, and the encouragement of small holdings with a view to making self-respect universal, so far as land ownership can do so, is of incalculable importance on this general principle. But the benefits of universal land ownership are more readily appreciated when the factor of improvement is taken into account.

The productive capacity of the soil will be better sustained by an occupant who feels that he owns it, than by a tenant whose tenure is limited, and who will feel no sense of loss if he exhausts the fertility of the soil when approaching the expiration of his lease. If he does not yield to this temptation, but, on the contrary, conscientiously improves the quality of the ground which he cultivates, there is nothing to insure him against an increase of the rent which he has to pay for the use of it, for his landlord can perhaps get more from somebody else, and may decline to renew his lease. But when assured of a life-long tenure of ownership, unless he surrenders it of his own free will, he is

likely to be careful not to exhaust the soil ; rather to reinforce it from time to time, and to realize the benefits of a rotation of crops. Experience will enable him to understand what the local soil most needs. To these familiar considerations must be added the fact that the distribution of the land into small areas cannot fail to secure a better average of attention to cultivation, because it will tend to make every man concentrate his resources. Instead of a large tract half cultivated by one man, there will be two or more small tracts, well cultivated, each by its owner. But it will be necessary not only to cause, but to maintain this system of distribution. It will be seen, hereafter, that the present methods of regulating individual ownership tend to an unequal distribution, and hamper the spirit of improvement, as well in its relations to the soil as to artificial establishments on the surface. The significant fact that the question of land monopoly is already becoming prominent, notwithstanding the enormous area of the United States, and the fact that it contains a square mile for every ten inhabitants, is of itself an indication that the present system of tenure is not one of those "perfect laws which work forever."

When the question of building comes up for consideration, the importance of universalizing homestead ownership presents itself so plainly as hardly to need extended comment. The ownership of a home makes a man a stockholder in a good order insurance company. He is much less apt to join a riotous mob if he has a house which may be burned or battered in a possible riot. He is much more likely to study live political questions, and to vote intelligently, if the men who are to govern the community in which he lives have the power to put good or bad streets or roads in front of his property, and increase its burden of taxation, or incur a debt to avoid such an increase. He is much more likely to establish a family, and to cultivate his moral nature ; to love peace with his neighbor, and to pre-

fer arbitration to violence, if he owns the house in which he lives, and has a settled feeling, which would be disturbed by bitter disputes, the difficulty of realizing what he had spent, and the very idea of "pulling up stakes" and moving away. In short, every possible motive to improvement interests the man who owns his home, and most of these motives are lacking to the tenant. They would still be lacking, if the government, not an individual, were his landlord. The difference in quality between a house built for the builder to live in, and a house built to sell, is proverbial. It should be made as easy to own a home as to be a tenant. It should be as easy to acquire a small farm as to buy its products in a city market by the payment of a reasonable price. The right to the use of the earth is a necessary of life, and it is high time that our civilization were devising a method of enforcing this right. It is like, and at the same time unlike, all other rights. It is like them, in that every right must be exercised so as not to interfere with the rights of others. It cannot be a right unless it is so exercised. It is unlike others in that this alone, of all the rights of possession, has to do with something that is limited in amount, something of which he who holds more than his share robs another. To enforce such a right is a necessity that, by its very nature, justifies rigid legal assertion of the supremacy of the people—the right of eminent domain. A system of land law that promotes distribution, without appearing to force it, and that keeps the land distributed abreast of the distribution of families, is demanded by the existence of grave evils. Its realization would do much to remove other grave evils that can only disappear before that general spirit of intelligent abtruism which universal home ownership would do so much to promote.

Paradoxical as it may seem, a rigid regulation of land tenure, with a view to the utmost distribution, is implied by the freedom of our institutions. The familiar anti-sumptu-

ary principle is that the government does wrong to interfere with the consumption of the products of industry by the citizen. It has no right to so interfere, because the citizen has the right to live as he chooses, and to consume what he chooses, so long as he does not interfere with others. But when he locks up land—a limited and necessary something—he does interfere with the means of subsistence of others, and it is the duty of the government to see that he does not do that which it cannot itself do. Otherwise, a small part would be greater than the whole. If the government cannot deprive the individual of luxuries, the individual surely cannot deprive another individual of necessities, or of the means of securing them. It is the best policy for a government based upon universal suffrage to do that which it is the general duty of every government to do ; to insure its citizens the utmost freedom of opportunity for earning the means of subsistence, in a way consistent with their highest intellectual and moral culture.

The highest intellectual and moral culture, however, cannot be expected under a paternal policy of extending indefinitely the machinery of government, and increasing the number of places to which the office seeker may aspire. The demoralizing effects of State socialism may be reasonably imagined, but they cannot be appreciated until realized with all their incidental evils. To multiply the number of official places so largely as is contemplated by the need of finding ways to spend the surplus revenue probable under a realization of all of Henry George's ideas, would be to make the public service the chief ambition of every easy-going young man who wanted to make a living with as little trouble or preparation as possible. The spoils system, with its implied doctrine that public office is to be sought for all that could be made out of it, would become the law of the land, and our national, because our individual, degradation would follow. The habit of depending upon the government for everything would grow upon

those who were naturally capable of bold enterprises, and this tendency, too, would exert an injurious effect upon character. Then, with corrupting influences at work in the sphere of administration, it would not be surprising if justice became more and more inaccessible to the poor, until at last supine acquiescence in the will of the stronger man became the rule, to which the only exception should be resistance by violence. Surely, socialism would make the rich richer, and the poor poorer in everything that is worth having beyond the mere conditions of animal existence, and restore the old unwritten law that might makes right.

The more perfect distribution of land, then, is the more natural choice, between socialism that would impair the individual and the productive capacity of the land, and individualism that would indefinitely improve the land, while the land, in its turn, would indefinitely improve the individual. Let land be divided among as many individuals as possible.

THE METHOD OF DISTRIBUTION.

Shall the better distribution of land be brought about forcibly, or shall the land be encouraged to distribute itself spontaneously? Very little argument in favor of the latter method is needed, except in proof of its practicability. There are numerous objections to wholesale confiscation and re-distribution. An enormous increase in governmental machinery would be needed, and every student of civil service questions knows how hard it is to keep offices created for temporary purposes from becoming permanent barnacles.

In economics, as in physical science, the best progress is made by following the line of least resistance or friction. An immense reserve of money would be required to enable the government of a State or a county to buy everybody's land in order to resell it; the awarding of fair compensa-

tion would be a herculean job in more senses than one, and more or less corruption would result long before the government had gotten possession of all the land. When the actual work of re-distribution began, there would be a serious dilemma. If a government were able to give away the land in its jurisdiction, the next generation would think it unfair that the sons had to buy land which was given to the fathers, for accumulation and unequal distribution would go on as before if the ordinary laws of land tenure continued in force. The sons of accumulating fathers would inherit, and the sons of other fathers would have to buy. What would be more natural than that another process of wholesale purchase and re-donation would be demanded, and how hard would it be to resist it! Such a method of re-distribution is plainly inadequate. It would discourage the spirit of improvement that is born of the sense of permanent tenure and would involve the increase of governmental machinery at frequent intervals. It is open, although in a less degree, to the objections that lie against actual State ownership and universal tenantship.

It would be far wiser to put distributing forces in operation in the ordinary, rather than in extraordinary regulations of land tenure; to adjust the land laws so that the unwritten law of supply and demand could have a chance to operate instead of being blocked more and more as a community increases in material progress; to make use of existing institutions with which the public is familiar, and which it takes as matters of course, and to apply legal machinery only under circumstances which suggest its use, instead of introducing it arbitrarily.

Just such circumstances are found in the institution of taxation, and in the temporary assumption of qualified governmental control on the death of a person leaving an estate. If the opportunities offered by these familiar facts suffice for making effective such measures as are intended to promote the utmost necessary distribution of land, their

effectiveness will be impaired rather than increased by going further and arousing needless opposition

It may be inferred, then, that the desideratum is *a method of taxation that will make land distribute itself in response to the continually increasing demand therefor*; supplemented with such legislation regarding the settlement of estates as will aid in this process of distribution. For example, it might be made unlawful for an heir to inherit more than a certain area of land in any county in which he does not actually reside, the excess to be sold by the sheriff, and the proceeds, less costs, turned into the estate in cash. Such a provision would induce many men to settle their own estates by selling off land as they had opportunity and investing the money otherwise. Indeed, rich men would be less disposed to accumulate real estate, and thus the monopoly demand for land would be reduced, and improvement promoted by the capital thus directed into channels of greater activity.

So much for occasions of extraordinary governmental interference. The ordinary occasion—that of taxation—demands a more extended discussion.

DISTRIBUTION BY TAXATION.

The object of taxation is, primarily, the accumulation of the money needed to pay the necessary cost of government. Taxation of some kind is a necessity, if there is to be any government; and this institution, therefore, offers one of the easiest methods of accomplishing a given legitimate purpose, when it is desirable to work by indirect methods, rather than to provoke resistance by direct interference of a more or less arbitrary aspect. Laws which compel the citizen to do his share in a great altruistic scheme for giving his neighbor an equal opportunity to that which he enjoys are more readily acquiesced in if their operation is indirect enough not to be felt. The abuse of indirect taxa-

tion is no argument against its legitimate use, and the spirit of individualism is promoted by reminding the individual as seldom as possible that he is governed. There is, therefore, a legitimate secondary use of taxation as a means to a worthy end. Wisely applied taxation can be used, as in the levying of protective duties on imports, for the assertion of that individualism which is as important to the nation, or the social unit, as a factor in human progress, as it is to the personal unit.

Land taxation in particular, for ulterior purposes, should commend itself even to the most extreme members of the laissez faire school, on account of the fact, which cannot be ignored for a moment in any fair discussion of the land question, that land is constant while the population that must live on it tends to increase continually. If it were susceptible of proof that taxation should not be ordinarily employed for any other purpose whatsoever than the raising of revenue, it would still be legitimate to apply it to the land in such a way as to break up monopoly. For *no other object of taxation, from its very nature and conditions, is so admirably adapted for the restriction of taxation to "the actual needs of the government, honestly administered," as one which is constant in quantity while the community that taxes it is growing continually.*

For the same reason, it is of the utmost importance to the success of the "negatively regulative principle" that land distribution should be strictly regulated; for without its perfect distribution, the individual is deprived of the opportunity to do everything for himself. He who resists the distribution of land when it is attempted by just methods is an enemy of society. The land miser is much worse than the currency miser, for there is more currency where the latter miser's commodity came from. But he who locks up land against improvement reduces the actual supply. Thus he wrongs the present generation. He prevents the improvement needed to enable the soil to support an increasing

population in future. Thus he wrongs future generations. He should be taxed out of existence.

In order to be permanently useful, then, land taxation should meet these two demands :

(1) It should promote, rather than retard, distribution.

(2) It should promote, rather than retard, improvement.

To these requisites must be added a third, which applies to all taxation whatsoever :

(3) It should be impartial in its operation.

Adhering as closely as possible to the principle that existing institutions, particular as well as general, are to be utilized as the surest channels to immediate and permanent progress, it is important to inquire how far the present method of land taxation complies with the above requirements. The present method embodies the principle known in custom houses as that of *ad valorem* taxation.

First, does *ad valorem* taxation of land promote distribution ?

A tax will operate in favor of customs and devices by which it can be evaded. This is human nature and is not altogether wrong. A tax is, in general, the confiscation of a portion of man's income, presumably the result of his labor, and which he has earned the right to dispose of. Now it is a familiar fact that a farm of 500 acres is liable to be assessed at less than five times the valuation placed by assessors upon a similarly located farm of 100 acres. Our present system of taxation—indeed our whole system of land traffic—deals with land as if it were a commodity that could be reproduced indefinitely, and of which the production could be encouraged by making the wholesale price per acre smaller than the retail. There is reason in the difference between the wholesale and retail prices of articles which can be replaced when consumed. The process of replacing them gives employment to labor, and the money spent for labor and material goes into circula-

tion all the sooner for the necessity of replacing them. But when land is taken out of the market you cannot employ labor to make more land. It is not so reasonable, then, to discriminate in favor of the man who has a large tract of land, and to make his taxes lighter to the acre than those of a small holder are likely to be. Yet there is a continual temptation to this. It is not so easy for the assessor to explore a large holding as it is to examine a small one, so he looks at the buildings, takes the average value of the land for granted, and naturally gives the owner, rather than the community, the benefit of whatever doubt there is.

It would seem, then, that so far as the ad valorem taxation of land affects its distribution at all, it tends to retard it. It certainly does not promote it, but rather encourages the accumulation of idle land for speculative purposes. But it is impossible to weigh the real merits of the value method of taxation of land without considering the effects of improvement, which, under normal conditions, is responsible for whatever differences in value may exist. We therefore pass on to the second question and call attention to it as of the utmost importance.

Does value taxation promote improvement or retard it?

We are confronted at the outset by the obvious fact that improvement, from the very nature of the case, increases value, and therefore creates a liability to increased taxation. It now becomes clearer why the farm of 100 acres bears more than one-fifth of the burden imposed on the farm of 500 acres. It is because all kinds of improvements are taxed. One is tempted to wonder how such an absurd basis of taxation could ever have been adopted until we remember that every such system is a gradual growth from inadequate beginnings. To deny that an ad valorem tax is a tax on improvement is as useless as it would be to deny that two and two are four. So plain a truth cannot be denied, and does not need to be asserted. It asserts.

itself, and its absurdity also asserts itself, when it is seen from any point of view except that from which we are compelled to recognize the improvement tax as an existing institution.

Henry George, in "Progress and Poverty," points out this absurdity, and proceeds to demand the abolition of the lesser part of it in importance, the tax on buildings. Mr. George would concentrate all taxation on land itself; and so far he seems to us to be right. All taxation on real estate should be put on the land itself. A town that wishes to induce a factory to locate within its limits exempts it from taxation for a term of years, and the factory comes. This species of exemption should become perpetual and universal, if possible. A man should not be fined for building a handsome house, by being compelled to pay a big tax on it, while his next door neighbor, occupying a lot of perhaps the same size, with a squatty, ugly little house that is an eyesore to the neighborhood, is taxed lightly.

But carry out to its logical conclusion the excellent point, made by Mr. George that a tax on improvements is a tax on improvement—any of us can make this egg stand on its end after Columbus has done it—and what are we compelled to infer?

The ad valorem tax is a tax on the improvement, and a hindrance to the productive capacity, of the land itself.

Fertilize a farm and increase the average yield to the acre, and its value is increased, even if you have made no additions to the buildings since the last valuation was made. If valuation were only a question of buildings—important as it is to repeal the tax on building improvements—the land question would not to day be a topic of widespread discussion involving the rights of man and the future subsistence of the race. Land without buildings would be easy to get. But there is improved land in the suburbs of every town or city which it is next to impossible to get without paying an exorbitant price. Henry George wants

to tax the "unearned increment," the increase in value resulting from the growth of the community close by. But the present ad valorem tax taxes the earned increment. The farmer who takes up some wild land, clears it, fertilizes it, and makes it worth something, is taxed or fined for doing so. In one respect, at least, we have already carried out the socialist doctrine. The farmer is only a tenant, the government is his landlord; the tax is his rent, and when the tenant makes improvements the landlord, forsooth, raises the rent.

That Henry George has missed the better half of the improvement taxation problem is clearer when we take into account future considerations. Cities are continually reducing the total area of land available for agricultural purposes. True, there is an enormous area on every continent, not yet opened up, and the growth of cities is accompanied now and then by a reaction in favor of the development of virgin agricultural lands to supply the increased markets; but nevertheless, in the long run, the demand for land for residence and business purposes increases all the time. This demand is supplied at the expense of the total demand for land for producing purposes. So far as either category suffers, it is the productive total. Meantime, population is increasing. The supply of building sites for this increasing population is as large as need be. But the supply of land that is to produce the food to feed them, and the raw material which they are to handle and work up and buy and sell, is more limited. It is, then, even more important that all hindrance to improvement, in the sense of a continual increase of productive capacity, be removed, than it is that the taxation buildings be abolished for the sake of placing all real estate taxation on the ground itself.

The third test to be applied to the value taxation method is the question whether it is impartial.

We have already seen that it is not, in that it pun-

ishes the enterprising citizen who makes handsome improvements, and puts a premium on non-improvement, which encourages that contemptible being, the land miser. This is unjust. But it is also unjust through the imperfect distribution which it makes continually more imperfect. It is continually growing harder to get land under this locking-up system. The result is that the tenants increase faster than the landlords, and the latter, being masters of the situation, impose the taxes on the former, by increasing the rent. The system is hardest of all on the tenant of the small house. Houses of four rooms pay ten and twelve per cent. on the investment because the workingman is obliged to be a tenant, since he finds it so hard to own a homestead. Perfect distribution would go far to remedy this. The workingman would find it easier to own his house if he chose to do so, and the proportion of tenants to owners would fall off. The taxes would equalize themselves with improved distribution, while the ad valorem method of taxation, with its adverse effect on distribution—partly a direct effect and partly indirect, through its adverse effect on improvement, with which distribution is so closely associated—imposes the burdens of taxation more unequally as civilization progresses.

To recapitulate, we have been led to the conclusion that the evils arising from the imperfect distribution of land are intensified by changes in the direction of socialism, and that they can be remedied by reforms calculated to promote individualism; that the most perfect distribution of land would be that which made it as easy as possible for every individual to acquire land; that such a reform should be accomplished by ordinary and accepted, rather than extraordinary and radical methods of administration, that taxation and the regulation of decedents' estates are the channels through which the desired end can be attained with the least resistance; and finally, that the ad valorem method of taxation is a hindrance to distribution and im-

provement, and tends to promote the evils of landlordism, and the idleness of the soil for the speculative purposes of its owners. We find that the taxation of improvements whether in buildings or in the quality of the soil, is inseparable from the taxation of real property on a basis of mere value, and that all such taxation tends to discourage the spirit of enterprise which should be exerted upon the soil to make it meet the increasing demands that will be made upon it in the future, with the growth of population.

Taxation of every kind is included in one or the other of two classes : ad valorem taxes and specific taxes. These two expressions are chiefly used with reference to import duties, the ad valorem duty on wool for instance, having been at our time five per cent., and the specific duty subsequently twelve cents a pound

We propose that specific taxation be substituted for the ad valorem taxation of land, by applying to each unit of measurement (an acre, or a square foot) a tax rate of a definite sum of money.

It should be understood at once that a specific tax on land, which must of necessity be a tax according to area or linear measurement, does not mean the same tax rate on one acre as on another acre differently situated, any more than to make all tariff duties specific would mean the same duty on a pound of wool as on a pound of sugar, or the measurement of every imported article by the pound instead of by some other unit of measurement more appropriate to the circumstances of the case. It would be just as easy to classify land as any other series of taxable articles.

There can be no perfect substitute for the ad valorem method of taxing land, which is not free from the objections which we have found to lie against this method. In other words the area tax plan, or any other plan which is intended to replace the value tax plan, must comply with these requirements :

1. It must promote the *distribution* of land.

2. It must promote the *improvement* of land, in every sense of that word, and under all circumstances.

3. It must be equitable.

While there can be no tax on the value principle that is not a tax on improvement, which is, by its very nature, progressive value, yet there is value residing in real property, which does not depend on actual improvement, but on possible improvement. This, the germ of right inherent in ad valorem taxation, is the right, because of the necessity, to tax that part of value which arises from location, and which makes necessary some arrangement for the classification of land for the purposes of taxation. It is clear enough that an acre of land which is favorably located for purposes of improvement ought to bear a much higher tax than an acre the location of which suggests no improvement at all. A scheme of taxation avowedly for the purpose of promoting improvement must necessarily take into account the circumstances which make the question of improvement one of importance to the community. If we propose to tax an unimproved town lot as much as we tax the improved lot of the same area adjacent to it, then it will be necessary to tax it at a specific rate which, applied to a less favorably located lot, would be actually prohibitory of improvement; for, in the latter case no possible form of improvement would, under the prevailing circumstances, enable the owner even to reimburse himself for the tax, much less to make a profit or a living out of the business. Obviously there is value, in the one case, which it is just and necessary to tax and which is absent in the other case and should therefore not be taxed. This is included in that part of the value of land which is called by political economists the "unearned increment." The object of its taxation is, not to punish the owner of the land for having the foresight to buy that land when it was cheap and hold for a rise, but to promote its improvement. We are impelled irresistibly to the following conclusion :

So far as it is advisable to tax the "unearned increment" the tax thereon should be so imposed as to promote improvement, and it is therefore absurd to tax it according to any principle of taxation the effect of which is, in general, to check improvement.

Let us now see how far the principle of specific taxation will meet our demands.

First, it must promote distribution. There is no possible way of taxing land which would bring its holder so directly and squarely face to face with the fact that he is appropriating more than his share of the earth's surface, as taxation according to the area he appropriates. Its natural effect upon him would be to reduce the area monopolized by him to that which he could actually use to the best advantage. So far as any part of his land was worthless to him for present purposes, so far would he be willing to part with it for a fair consideration. It is plain that a permanent principle of area taxation, if found practicable, would promote distribution, and continue to promote it. A large tract of land, so rich in valuable minerals that its owners could afford to pay specific taxes on it, would be distributed and become available for agricultural purposes when the mineral resources are exhausted.

Again, area taxation would promote improvement.

This is the keynote of the campaign for area taxation, whether taken with reference to mineral land, farm land, or land in a growing community, desirable for building purposes, and possessed of an encouraging "unearned increment."

Producers of mineral raw material would not under specific taxes lock up thousands of acres for future use so as to restrict production and control the market. They would more generally operate under leases from individual holders, and would buy only such land as they could afford to pay the area tax on. There would thus be less monopoly

and more competition in the production of raw material of a mineral character, like coal or iron ore.

Farmers would take the advice which agricultural journals and conventions have been giving them for years, and reduce their farms to the area which they could manage most profitably. All the land that anybody really wanted would come into the market, within a convenient distance from the markets for farm products; for in thickly populated districts, from the nature of the case and the volume of public business to be transacted, the expenses of local government would be greater and tax rates higher and more prohibitory of monopoly than in sparsely settled regions.

We have stipulated, however, that the ideal principle of land taxation must promote improvement under all circumstances, and as soon as we come to consider the comparative workings of the specific principle upon developed and undeveloped land respectively, we are obliged to entertain the important subject of *classification*. For developed or improved land must be classed, not with improved land of some other class, but with unimproved land which would be brought by improvement to resemble it, so that the aim of taxation may be to secure that kind of improvement for which the unimproved land to be taxed is best adapted. It is now easier to see the unreasonableness of loosely classifying land as land improved and unimproved, cultivated and uncultivated. It is not easy to escape this conclusion :

The nature of the community in which the taxable land is situated is the proper basis of classification for purposes of taxation, and not the degree of improvement that has been attained. The community itself has no right to tax the value that its growth does not produce, and the nature of the community registers this growth in its municipal institutions.

Here we have a basis of classification and taxation

which bears as direct a relation to the needs of the taxing authority as may be, for the taxing authority continually tends to identify itself with the most prominent interests of the social community, as asserted by its organized government. The social community, in its most general sense, will be found to create the limit within which it is equitable and productive of improvement to tax unimproved land. This limit may not, and in many cases cannot, be that of the social community itself; but so far as it will be necessary to depart from such a theory of it, we will find that the social community has the power to fix and to enforce more special classification within itself.

To apply these general statements to the conditions of taxation in a large city, insisting in general on the principle that an unimproved lot shall be taxed as highly as an improved lot of the same size and like location, the first class of taxable land should constitute the land fronting upon the principal thoroughfare, within those blocks most desirable for business purposes or fashionable residence. There could be as many such classes as circumstances might demand. There would be decidedly fewer—there could not possibly be more—complaints of discrimination or favoritism on the part of the assessors or the boards of revision than there are under the valuation system. To define what fronts upon a principal street and what blocks, bounded by other streets, should constitute the various classes for purposes of taxation would be as easy a matter of public enactment as the fixing of the boundaries of a ward or precinct for electoral or police purposes, and the publicity of the definition would afford the owner of the property taxed highest the compensation of a proof of his right to charge the high rents which tradesmen are willing to pay for a location on the best streets. The tradesman pays higher rents for the landlord's higher taxes now; but under the operation of specific taxation law he would be protected against landlords who make higher taxes an excuse for ex-

orbitant rents ; since he could easily find out in what class the property was taxed, the specific rate assessed upon it, and how far his landlord was justified in raising rents on this account. The facilities for concealment afforded by the necessity of assessing every property separately operate in favor of the landlord, and place the tenant more in his power than the latter would otherwise be. This consideration alone is an important argument in favor of specific taxation, and a reason why those who do not care to own property, but are willing to rent it, should support such a reform.

The just limits of such classification would easily define themselves. Provision could be made for appeals as easily as now, and the appeal should be announced in as public a manner as the original definition, so that no change could be authorized without good reason. The publicity incident to the whole machinery of specific taxation would in itself be a feature of incalculable value as a prevention of dishonesty, injustice or evasion.

County authorities could in like manner be authorized to classify rural property for taxation ; wild and barren land constituting one class, on which the tax per acre could be adjusted so as to induce the owner to investigate the possibilities of improvement, and if their realization were found to be beyond his individual power, the forfeiture of the land for nonpayment of taxes would injure no one. The owner would be rather benefited, and the public authorities would be free to sell the land to any buyer who thought he could make use of it.

Arable or cleared land should constitute at least one class, and timber land another, the latter to be taxed lower because of the increasing necessity of forest preservation. Plain common business sense in the exercise of the power of classification would be the best guarantee against oppression or discrimination. The fact that the area of every land owner's property is already a matter of record upon

county deed books, or may be easily computed therefrom, would facilitate area taxation and it would be an easy matter after the completion of preliminary surveys with a view to classification, to require that deeds should contain the respective areas included in each class, when more than one class was represented in a single piece of property.

The third question to be answered is, whether taxation according to such a plan would be just or equitable. Would its burdens be distributed in proportion to the actual obligations of the taxpayers to the community.

It is only fair that a man who holds more land than he can use should be subjected to some limiting influence, for, as we have seen, land is of increasing importance to the welfare of the whole people.

On the other hand, it is only fair that a general arrangement should be made under which a man who could use a large area should be at liberty to do so. To let him use as much land as he wants so long as he recognizes the public right in the matter by paying the tax in proportion to the actual amount used, is more in accordance with democratic principles than it would be to fix an arbitrary limit to the area which a single owner could own; nor could it be so readily evaded as the latter species of provision, under which a man could transfer tracts of land to his relations and thus escape the penalty. If the land were evenly taxed, it would make no difference who owned it.

To see that an area tax would be far more just than a value tax, let us assume that there are half a dozen properties, of the respective areas of ten, twenty, forty, eighty, one hundred and sixty and three hundred and twenty acres, and that the artificial improvements are of equal value throughout, consisting, say, of houses worth \$5,000 upon each property. Let us suppose that the land, without the houses, is worth \$100 per acre. The following table shows the total value of each property :

Property	1	2	3	4	5	6
Acres	10	20	40	80	160	320
Value	\$6000	7000	9000	13000	21000	37000

It is evident from this table that the taxation of real property on the ad valorem plan is *less burdensome per acre as the area of a holding increases*. If we decide to exempt artificial improvements and attempt, like Henry George, to tax the land itself, the ad valorem tax puts a premium on monopoly and discourages small holdings for homestead purposes. It is not to be wondered at that Mr. George suspects the existence of conditions which make the rich richer and the poor poorer. The only thing to be wondered at is that he fails to see that it is the taxation of that element of value which the individual creates, the improvements both in the soil and on it, that tends to keep poverty abreast of progress. But, just as a man on a giant's shoulders can see farther than the giant can, we can see that his principle that taxation should not handicap improvement extends farther than he thinks, and that it applies to land as well as to houses. The logical result of its extension to land is the principle of specific taxation; the taxation of land, not the individual.

The above table shows again that the ad valorem method of taxation discriminates in favor of the land miser, who locks up large areas for speculative purposes and keeps them idle and unproductive, while it bears hardest on the small holder who perhaps cultivates every square foot of his little lot not required for his houses and pathways. The lot holder who improves his property is punished, as if for doing wrong to the community, when he increases its supply of building accommodation and does his share to keep rents down. The farmer is punished by increased taxation if he increases the value of his farm by making it more productive, increasing the supply of food and keeping down the price of the necessaries of life.

In short, as a scheme for taxing all the necessaries of life, the ad valorem system of land taxation is a phenomenal success.

“But,” it is objected, “is it just to confiscate a man’s property because he is unable to improve it or to pay the taxes on it?” It is certainly just if the good of the community requires it. The good of the community justifies a railroad company in taking a man’s land for its tracks, unless he incorporates another railroad company and builds tracks on his land himself, and even then the other company may take his house itself or any other part of his property it wants, in order to secure a right of way. Neither form of confiscation robs him, so long as there is provision for the payment of a fair award of damages. He is in most cases compensated, both directly and indirectly. The railroad improves the value of his adjacent property and so will the other form of confiscation in the public interest. He can get a better price if he sells and a higher rent if he continues to own land in the vicinity. The development of the community improves the market for everything that he produces or handles. If a corporation can confiscate useful land to make it more useful, the people can surely confiscate useless land to make it useful.

A member of the Pennsylvania Legislature, after hearing argument upon a proposed amendment to the Constitution of the State, providing for the specific or area taxation of land, objected that such a change would make the rich richer and the poor poorer. This objection is worth examination.

Let us suppose two large farms, side by side, both under partial cultivation only. The owner of one is rich, the owner of the other is “land poor.” On the introduction of area taxation, the rich farmer would pay his taxes, but he would cultivate his whole farm so as to make every acre pay its share. Thus the objection might be partly

true; the rich might possibly become richer. It is a question, however, whether he would not find that he could do more and increase his wealth faster by reducing his area, and so sell a part. In either event, the increased production of that farm would increase the supply of food or raw material in the public market. The poor could buy provisions so much cheaper, and the manufacturers who employed them could buy raw material cheaper and hence pay better wages or employ more of the aforesaid poor. This is certainly not making the poor poorer.

Now let us see what would happen to the other farmer—the land-poor man. He could not pay the taxes on all his unproductive land, so he would figure up how much he could use and make pay its own taxes and then he would sell the rest. For it he would receive money, which he could either put into fertilizers, better buildings, machinery, live stock or miscellaneous investments without necessarily rendering himself liable to increased taxation thereby. If he used the purchase-money wisely, he would be richer, not poorer, as a result of the “confiscation” of part of his land. Meanwhile the purchaser of the sold land would probably improve it, thus at any rate raising the average value of land in the neighborhood and possibly increasing the population so as to enlarge the market for farm products. Both buyer and seller ought to be benefited.

It is not easy to see where the influence that would make the poor poorer would come in. The poor in general would be benefited by the fact that more land came into the market for sale and a house was easier to get.

So far as “confiscation” by this indirect method becomes necessary, so far would the supply of capital available for building and industrial enterprises be increased, for the money that was taken out of land would seek other channels of investment. Houses in which the

poor could live and factories where they could be employed would be multiplied, for small houses pay a bigger interest than most other forms of investment; and the increased development of the soil would result in the discovery of increased quantities and varieties of raw material. Thus area taxation would be likely to preserve and promote the tendency of population to flow from the country to the cities, by diversifying industries. This tendency is of the utmost importance, for upon its maintenance depends the adequacy of a constant soil to the support of an increasing population. A reduction of the average area required for each person may be a necessity of the future and this reduction is going on all the time if the population in cities and towns, requiring building lots only, increases faster than that which occupies land for cultivation.

The experience of France has shown that small farms prove so profitable to the farmers as a whole that they are continually tempted to buy more land, not knowing what else to do with their money. Distributive influences therefore should be permanent and self-acting. With the growth of the community and the consequent increase in the demand for revenue to pay the expenses of administration, the taxation on a given area tends to increase. If it increases faster than the whole demand for land, further sub-division is promoted. If it increases more slowly, production is relieved to that extent. But it should increase at about the same rate, for both increases are the effects of the same cause: the increase of population and the general prosperity and development of the community.

As an example of how the specific method of taxation would work, let us examine the conditions of taxation in Lancaster County, Pennsylvania—the richest agricultural county in the United States—with the unusually low county tax rate of two and a half mills on the dollar. The assessed

value of real property in the year 1885, exclusive of the City of Lancaster and the Borough of Columbia, was about \$70,000,000, and therefore produced a nominal revenue of \$175,000. The area of improved land in the county (including Lancaster and Columbia) at the time of the census enumeration in 1880, was 490,922 acres, or a total area of 970 square miles, or 621,000 acres. Thus the amount raised by taxing all rural property ad valorem in 1885, could have been raised by a specific tax of 35.6 cents to the acre of improved land, or an average tax of 28 2 cents to the acre. The average area of a Lancaster County farm is 54 acres; the average value of farm land, including all improvements, \$100 per acre: so that the ad valorem tax, at two and a half mills on the dollar, would be one-fourth of one per cent. of \$5,400; that is, \$13.50 as the annual tax bill, or 25 cents per acre. It may be provisionally estimated, therefore, that in Lancaster County the effect of substituting specific for ad valorem taxation would be to increase the actual taxation according to the improved area 10.6 cents per acre, or 42.4 per cent. So far as this would operate to effect a reduction in the average farm area, it would reduce it from fifty-four acres to thirty-seven acres and a half; 37.6 acres, taxed at 35.6 cents an acre, paying the same tax that a farm of 54 acres pays now. But there are 130,000 acres of unimproved land. Let us suppose that 30,000 of this is capable of immediate improvement and should be taxed at 35.6 cents an acre. If it were all collected, \$10,680 would be obtained and the tax rate on improved land would come down 9.4 per cent. If the 100,000 acres of unimproved land not yet considered were taxed five cents an acre, to begin with, \$5,000 more would be produced and the tax rate on land would come down nearly five per cent. more. The policy of taxing unimproved lands more heavily and thus relieving improved land, while stimulating the unimproved to improvement, would of course have to be adopted gradually; but its benefits would be likely to

vindicate it from the start. Doubtless there is much unimproved land in Lancaster County for instance, which would be taken up and improved at once if sold for taxes.

The conditions of improvement vary with the growth of a community, and thus while it would be unjust to begin the taxation of unimproved land in a rural community by taxing it as heavily as the improved land nearest to it, for the reason that the former may be only remotely capable of improvement, development creates a presumption in favor of capacity and this capacity is more uniform as development progresses. It becomes virtually uniform when the form of improvement suggested by circumstances is building and not cultivation; and thus, while a sliding scale of discrimination between improved and unimproved land is possible in the country, there should be no discrimination at all within any class of city property. The anti-discrimination principle should be applied throughout, the modifications required in undeveloped rural regions being introduced through classification on a basis of natural characteristics. Wild or mountain land, swamp land, timber land and cleared or arable land all suggest themselves as easily determined forms of classification.

As we advance from the country to the city, we find that under the ad valorem system the value of the ground is taxed more and more compared with that of the building on it, until we reach a point at which a property consisting of a frame shanty and a lot of 25x100 feet, which in the country was taxed entirely on the value of the shanty, would be taxed entirely on the value of the ground. City taxation of realty thus tends to become ultimately taxation of the land alone. To repeal the common law that improvements should be taxed would secure a more harmonious and pleasing, as well as a more useful development of outlying streets and suburban avenues. Commodious houses would be more readily built by large capitalists and thus rents would be lowered for the wage workers in centres of population. A simple provision, like that abolishing irredeemable ground rents in Pennsylvania, could be enacted, requiring a landlord to sell to a tenant the house occupied by the latter at a price not exceeding the capitalization of the rent at a fixed rate of interest. This would do much to keep capital in circulation in the community and to secure a supply of houses equal to the demand.

