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## **THE SINGLE TAX IN THEORY AND IN PRACTICE\***

With Special Reference to Canadian Experience.

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THOSE who were in business in the 70's of the last century will remember — and, perhaps, from sad, personal experience — the disastrous financial storms which were sweeping over this country and that of the neighboring republic. Many banks suspended payments and a number passed out of existence. Old-established and highly-rated financial, commercial and industrial institutions, unable to finance their obligations, were compelled to assign, and the official assignee flourished in this city as never before nor since.

The wheels of industry being stopped, thousands of all classes found themselves without employment or the means of procuring the necessaries of life. Poverty, with all its evil effects, was to be found on every hand, and, to alleviate the destitution, soup kitchens were established in all the large centres of population. The panic, which began in 1873, so affected the real estate market that one after another of the two hundred real estate brokers in the mid-section of New York City put up their shutters and turned to other occupations to make a living; and in 1878 only one of those brokers still remained in business. He tells us that he saw millionaire customers reduced to poverty over night, and compelled to turn to menial labor to support themselves and families.

When all classes of society were suffering from the effects of those bad times, there appeared, in 1879, a book written by Henry George, entitled "Progress and Poverty", in which he painted in glowing colors the contentment, happiness and prosperity which would come to all classes by the adoption of a system of single land tax to replace the systems of taxation which were, in his opinion, the cause of all the poverty and disturbed financial and social conditions then to be found in every land.

It is not surprising to find that at a time of such general depression the appearance of this book caused many to turn to Henry George as a modern Moses, who would lead them out from the bondage of a supposed unjust system of taxation into the

freedom of a world-wide system of single land tax, under which financial crises, class distinction, poverty and misery would be unknown, and peace, prosperity and brotherly love would reign under the fairy wand of a single tax.

A beautiful vision! And yet forty years have gone, and we find the followers of Henry George still wandering in the wilderness of speculation, and many are now commencing to realize that the promised land, which they thought they saw in the distance, was but a mirage.

While it is only justice to say that there is much to admire in the honest purpose of Henry George; while we are all in hearty sympathy with him in his endeavor to improve the social and economic conditions of the masses; while we are often hypnotized by his brilliant rhetoric and plausible theories, yet when we coolly and impartially analyze his writings we are forced to the conclusion that he is dealing in theories which are not based on experience, and are not supported by figures and facts.

Many, if not the majority, of those who call themselves single taxers, have never read any of the writings of Henry George, except, it may be, an extract quoted by some correspondent in a newspaper. Such people are prone to indulge in "mouth-filling phrases", and to overlook the fact "that not only is taxation a more complicated matter than is imagined by the ordinary tyro, but that the adjustment of taxation has always tested the energies of the greatest statesmen the world over".

Many speak of the single tax as if Henry George was the originator. He only revived theories advanced during the preceding two hundred years by the physiocrats of France in the seventeenth century; Thomas Spence, an obscure Newcastle schoolmaster in 1775; and Rousseau at the end of the eighteenth century.

With my limitation of time I cannot even touch upon the chief causes of poverty, which are deep-seated in the nature of man rather than of legislation, nor can I dwell upon the principles of taxation as laid down by the most eminent political economists of the past two centuries, further than to say that the taxation systems of all civilized nations are now founded on the principles laid down by Adam Smith, "that the subjects of every state ought to contribute towards the support of government as nearly as possible in proportion to their respective abilities, that is to say, in proportion to the revenue which they respectively enjoy under the protection of the state. This revenue comes from three sources: rent, profits, wages, and every tax which falls upon one of these is necessarily unequal in so far as it does not affect the other two.

Now, the theory of Henry George is that single tax on land values should replace all other taxes, and provide all the revenue necessary to meet the requirements of local, Provincial and Federal Governments. Such a tax, according to his theory, would abolish land speculation, encourage unlimited building, lower rents, increase wages, give permanent employment to all, and forever abolish poverty, with all its evil results. This tax was not to fall on all land, but only on land value. Notice the distinction. If a shiftless, improvident farmer had no return from his farm above a fair return on his labor and capital, he would not have any tax to pay. His neighbor, however, whose farm, as a result of his thrift, energy, industry and progressiveness, would yield a revenue in excess of a mere revenue on labor and capital, would have to pay a tax on his land value. As the community must have a stated revenue to meet the cost incurred in municipal services, the result would be that the hard-working, progressive farmer would not only be paying his own share of the municipal expenses, but would have to assume a portion of the share of his shiftless neighbor. This is not my statement. In the "Century Magazine," July, 1890, Mr. George, in his reply to the late Edward Atkinson, the eminent economist of Boston, wrote these words: "If there is a proportion of farm lands which yield no return above the ordinary return to labor and capital, then in such cases there is no real land value, and under the single tax such farm would pay no tax at all." I leave you to draw your own conclusions from such a proposition. In the same article he says: "We (the United States) have no more need for an army and navy and coast defences than Mr. Atkinson and I have for suits of armor and blunderbusses." He built his theory on the presumption of a world-wide permanent peace; but had he lived for 25 years he would have seen his statement that the United States did not need an army and navy and coast defences blown to pieces, and taxes levied to equip, transport to the battlefields of France, and maintain an American army of nearly four million men, which could not have been financed justly and equitably by any single tax on land.

So much, briefly, for the theory. And now let us turn and see what has been accomplished by the single tax in practice. For some years the single taxers referred us to Western Canada and a few places in the United States as shining examples of the prosperity resulting from the application of the single tax in those places. At present, they try to draw our attention away from the conditions now existing in Western Canada and refer us to Australia and New Zealand. Time will not permit me to go into the facts in connection with these two countries, further than to say that the unimproved land tax in Australia and New Zealand is only one part of their system of taxation. In New Zealand only 43 boroughs out of 113 have adopted the unimproved land tax, which is far from being generally satisfactory. In Australia, the town clerk of Brisbane City said "that he did not consider it would be desirable to revert to annual rental values as a basis for valuation"; while, on the other hand, the town clerk to the Borough of Brisbane stated "that he considered the old mode of rating on improved

values to be fairer than the new, and that he did not think rate-payers held any sentimental objections to the rating of improvements". Australia is now widening her base of taxation to meet increasing expenditures, so that the single taxer can find no consolation in viewing the taxation system there.

Reference is often made by single taxers to the success of their system in Houston, Texas. I have a letter from an official of the city of Houston, dated February 18, 1919, in which he says: "The single tax system is not in operation in the city of Houston, and never has been. However, the late Mr. Pastoriza, Tax and Land Commissioner during the years 1912, 1913 and 1914, inaugurated a system commonly known, as the 'Houston Plan of Taxation', under which Houston assessed all land for taxation at 75% of its value and improvements at about 25%. This was abolished in 1915 as being unconstitutional".

In the State of Oregon, in 1916, a single tax proposition was submitted to the vote of the people. This proposition, as described by a local single tax advocate in a freely-quoted paragraph: "Has as its intent to confiscate all land titles, leaving owners and mortgagees nothing but improvements and preferred rights to become tenants of the State". The resulting vote was 43,800 for and 184,900 against, nearly five to one, — the electorate decisively showing that they were not to be caught by any such socialistic theories, and were opposed to the confiscation of land in any form.

In the State of California, in 1912, 1914 and 1916, the electorate voted on a single tax referendum with a majority against it in 1912 of 74,638; in 1914, at 108,106; and in 1916, of 316,201. This amendment voted on was "that State, county, municipal and district taxes shall be raised by taxation of land values, exclusive of improvements, and no tax shall be imposed on any labor, product, business or person".

This proposition was described by the San Francisco "Chronicle" as "shockingly wicked and absurd"; and when it was so overwhelmingly rejected in 1916, the "Chronicle" in an editorial said: "While California probably outranks even Kansas as a cranky and uncertain State, the overwhelming vote by which the single tax humbug is snowed under proves that the mass of the people, at any rate, are not utterly clean gone daft. There is somewhere a boundary line beyond which reason holds sway and the single tax humbug is far outside of".

Coming nearer home, we find that the missionary work done by single taxers in Western Canada bore fruit, when, in 1909, a disciple of Henry George was elected Mayor of Vancouver, practically on his promise that he would carry into effect the principles enunciated in Henry George's "Progress and Poverty". Subsequently to his election the tax was taken off all improvements, and Vancouver prospering, as all other cities on this continent were prospering at the time, the boast was made that her

prosperity was due to her system of taxation. The supposed triumph of the single tax was such that the son of Henry George was taken to Vancouver by some enthusiastic single taxers to see the glorious results arising from the putting into practice of the theories of his father. While he was then entertained most royally, I do not think the same reception would be accorded today.

Following Vancouver, the exemption of improvements became practically the law of British Columbia, Alberta and Saskatchewan. When land values were soaring, fortunes being made daily in land speculations and general prosperity reigning throughout the West, the single tax journals and supporters were boasting far and wide of the success of the theories of Henry George in Western Canada.

In April, 1914, a body of citizens was appointed by Mayor Mitchell and the Board of Estimate and Apportionment of the City of New York to study the systems of taxation in the cities of the United States and abroad, so as to see if any improvements could "be suggested as calculated to effect an improvement in the ways and means of creating a revenue for payment of the cost of the city government".

This committee, which was composed of some of the ablest taxation experts of that city, had as chairman of the executive committee Professor Seligman, one of the most eminent political economists of the present age. One of the first things this committee did was to appoint Professor Robert Haig, instructor in economics in Columbia University, with the responsible duty of making a thorough study and exhaustive report on the so-called single tax in any American cities where the plan had been tried, but particularly in Western Canada, where it was stated that the single tax system was the cause of unparalleled prosperity and satisfaction. Professor Haig spent about three months personally visiting the cities of our Canadian West. In this time he not only studied the conditions through municipal officials, but interviewed all classes from the members of the legislatures down to the working man; and in his valuable report of nearly 300 pages he impartially records the replies to his enquiries, and the opinions expressed for and against the exemption of improvements, and gives valuable statistics to show the condition of things as he then found them. His conclusions were: "The system of taxation does not check or prevent speculation in land, the absence of a tax on buildings is not in itself an insurance that building activity will continue indefinitely, as witness the slump in all Western cities, except Winnipeg, in 1913 and 1914"; and, "it has been customary to think of Western Canada as a region where single tax measures have been uniformly successful. Such is not the case".

While prosperity was general throughout Western Canada, few, if any, of the municipalities gave much thought to their system of taxation, so long as there was sufficient revenue to meet civic requirements; but when that prosperity began to wane in 1912, taxation became a burning question. As it was found that depreciation of land

values was imperiling the solvency of many municipalities, and would probably cause some of them to fall down on their bond indebtedness, many schemes were tried to bolster up the tottering land tax system, the chief of which was over-valuation. Proprietors had practically no redress against over-assessment. Section 371 of the Town Act of Saskatchewan says, "that in case the value at which any specified land has been assessed appears to be more or less than its true value, the amount of assessment shall nevertheless not be varied if the value which it is assessed at bears a fair and just proportion to the value at which the lands in the immediate vicinity of the land in question are assessed". In other words: even if lands were assessed at two or three times their value, such assessment must stand if all neighboring land was assessed alike.

Land values declining in Vancouver in 1912, the Aldermen of that city found themselves in a financial dilemma. It would never do for those in authority to admit the failure of a system which had been their boast and pride, so they increased the tax rate until in 1917 it was 24 mills,— this rate, of course, bearing heaviest on the small proprietor. In 1918, the Council was faced with the alternative of an increase of three and one-half mills or abandonment of the unimproved land tax. It was abandoned, and one of the newspapers of that city said in its next issue: "In point of fact the Vancouver City Council is out to broaden the basis of taxation, and get as far from the single tax as it possibly can".

This change of policy on the part of Vancouver has since been followed by practically all the municipalities in the West, — some voluntary, some otherwise.

Early last year South Vancouver defaulted in meeting its obligations, and the Provincial Government appointed an Administrator to manage its affairs. The Edmonton "Bulletin", in referring to the matter, said that among recommendations made by him to the taxpayers, asking them to help him to pull the municipality out of the fire, was one which might be of interest to the citizens of Edmonton, where the system of taxing land only, was tried to a finish and found insufficient. The Administrator said: "After careful consideration of the financial situation, I find it absolutely necessary to depart from the straight tax on land, drastic though it be."

Mr. C. J. Yorath, City Commissioner of Saskatoon, made a special report in 1917 upon Assessments and Taxation to the Mayor and Aldermen of that city. It was a scathing indictment of the policy of exempting improvements from taxation; and he stated "that it had proven to be the most difficult method of raising revenue, was largely responsible for enormous arrears of taxes, did not prevent speculation in land, but in fact stimulated speculation, as through the supposed advantage of inducing the owner to develop his property an unhealthy prosperity was created".

A single taxer writing to the "Montreal Gazette", in the latter part of 1917, said that "Edmonton had also adopted an honest and wise tax system, and it is highly improbable that the residents will be fooled by the speculators into any change whereby resident proprietors will carry the burden of speculators and non-residents; and that its utilities, municipally operated, had proxed a success".

A speaker in this city, in 1916, referring to Edmonton said that "wherever the site value system had been tested it has been attended by beneficial results; it has never been discarded where once applied, and as the matter becomes better understood the advocates of the system increase in vast numbers." What are the facts? In a letter from a city official of Edmonton, March, 1918, he says: "No changes in our system of assessment have been introduced during the past two years. Very radical changes are, however, contemplated for this year. Three of our utilities have returned substantial surpluses during the past two years, but the street railway has had a deficit which more than wiped out the surplus from the other utilities". The municipally operated utilities are: Electric light and power, telephone, water works and street railway, — the deficit in 1916 being \$20,827 and in 1917, \$25,540. Since that letter was received the so-called single tax system has been abandoned and Edmonton now taxes everything in sight.

As an evidence of the inflations of land values so as to obtain sufficient revenue on a low tax rate, Edmonton is a most conspicuous example. In 1914, with a population of 72,500, the assessed land value of that city was \$209,000,000. Montreal's total assessed land value in the same year was \$537,000,000. Had Montreal's land value been assessed at the same ratio to population as Edmonton's, the assessed value would have been \$1,874,000,000, or \$1,023,000,000 more than the actual total assessed value of Montreal's land and buildings. In other words, the assessed land values per capita were, in 1914: Montreal, \$825, and Edmonton, \$2,880, or over three to one. These figures show how the single taxers of the West were bolstering their theories by fictitious values and a low tax rate.

As a benefit to the working man it has utterly failed. The City Treasurer of Victoria, B. C., says: "With total exemption of all buildings from taxation, I think the working man is getting the worst end of the stick". This is the consensus of opinion of all who have carefully and impartially studied the conditions in the West.

To sum up: The single tax theory, when put into practice, has failed to abolish or in any way check land speculation; it has not lowered rents; it has not been instrumental in giving permanent employment to all willing to work; it has not increased wages; it has not lowered the cost of living; nor has it abolished poverty. Like many other plausible theories, "it has been weighed in the balances and found wanting".

