

And He lifted up his voice and taught them saying: "Blessed are the meek; for they shall inherit the earth. Blessed are they that hunger and thirst after righteousness; for they shall be filled. Blessed are the pure in heart; for they shall see God." These promises, so long relegated to a spiritual state of existence, are soon to be realized on earth.

Already the pure in heart awake to a realizing sense of a Divine Presence, and the sick are healed. The whole human race, including the black and brown men, are to enter upon their earthly inheritance, where swords will be useless, and want and ignorance become unknown.

That hunger for righteousness—justice—that has so long filled the hearts of those who have caught a glimpse of man's possibilities, and of the infinite resources of his environment—that hunger is soon to fill to overflowing the lap of a new civilization "whose corner-stone is Justice, and whose capstone is Liberty."

TAXATION OF FRANCHISES.

Address of C. B. Fillebrown* Before the Joint Committee of the Massachusetts Legislature on the Subject of Franchises.

I would like to offer a few words which have direct and intimate bearing upon the subject before you this morning. They concern one or two principles of taxation which must have recognition in any solution of the tax problem, and without which no plan can be devised that will not be disappointing in its operation. My remarks will be based upon the Ford Law for the taxation of Special Franchises, now in operation in the State of New York, and which I had the honor to place before you at a previous hearing.

This bill, as you remember, enacted in 1899, was amended at a special session called by Governor Roosevelt, for the purpose of overcoming any possible constitutional objection. The payment of taxes under this act was held up for five or six years, pending trial in the Court of Appeals of the State of New York and the Supreme Court of the United States. The law having been sustained by both courts, sixteen million has been settled upon as the amount due, out of the twenty-four million accumulated taxes. This sum is in process of payment, and the operation of the law is now an established fact.

The Ford bill did not "prescribe any specific method of assessment," but simply "added certain items to the prescribed classes of real property, full provision for the assessment and taxation of which was already provided for by other laws in force."

An essential provision of the original bill was set forth in the following lines from Municipal Affairs, June 1899, page 270:

"The terms 'land,' 'real estate' and 'real property,' as used in this chapter, include the land itself above and under water, all buildings and other articles and structures, substructures and superstructures, erected upon, under or above, or affixed to the same; all wharves and piers including the value of the

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right to collect wharfage, crantage or dockage thereon; all bridges, all telegraph lines, wires, poles and appurtenances; all supports and inclosures for electrical conductors and other appurtenances upon, above and under ground; all surface, under-ground or elevated railroads, all railroad structures, sub-structures and superstructures, tracks and the iron thereon; branches, switches and other fixtures permitted or authorized to be made, laid or placed in, upon, above or under any public or private road, street or ground; all mains, pipes and tanks laid or placed in, upon, above or under any public or private street or place for conducting steam, heat, water, oil, electricity or any property, substance or product capable of transportation or conveyance therein or that is protected thereby, all trees and underwood growing upon land, and all mines, minerals, quarries and fossils in and under the same, except mines belonging to the State."

What is known as the Ford amendment was an addition of seven lines to the above section further elaborating the legal definition of "land" in the following words:

"Including the value of all franchises, rights, authority or permission to construct, maintain or operate in, under, above, upon or through, any streets, highways, or public places, any mains, pipes, tanks, conduits, or wires, with their appurtenances, for conducting water, steam, heat, light, power, gas, oil, or other substance, or electricity for telegraphic, telephonic or other purposes."

These seven lines are a clear and concise restatement of the legal meaning of the term "land" as including the recognized "rights and privileges thereto pertaining." It is this definition for purposes of taxation that is the basis of the few words of argument which I have to offer. It is interesting, because it defines with the sanction of the highest courts of the State and nation a public franchise as "land," a public franchise value as "land value," and because, to carry the argument to its natural and inevitable conclusion, it follows that the reverse of this statement must be equally true, viz: That land value is a franchise value. This conclusion appears to be fully supported by the fact in the case which is, that land depends for its value upon exactly the same concrete and tangible things which give value to a public franchise. A right to the streets is a franchise, or special privilege. A right to land, land tenure, is also a franchise, or special privilege.

I have submitted to you at a previous hearing an illustration of the economic fact that the value of the land in the State of Massachusetts is an untaxed value. In other words that, according to the assessed valuation of 1905, there is in the State of Massachusetts landed investments to the amount of \$1,300,000,000 most of which is untouched by taxation.

It is equally true that the market value of Massachusetts steam railroad and street railway franchises (say \$150,000,000) is also an untaxed value, or will be with the next change of hands, and if it is right to tax one it will then be right to tax the other, at the same rate and upon a fair valuation of land value or strictly franchise value alone.

The popular argument is that wealth or ability, when exempt, should be subjected to a proportionate and reasonable tax. It is tentatively submitted that, so far as concerns the principle involved, the same reason which held good for putting on the old tax when it was a new tax has equal force for putting another new tax on both to-day.

The exceptional fact that a new tax upon railway franchises today would become, as in the case of land, an old and burdenless tax to the next purchaser, is submitted as the strongest of reasons in favor of increased taxation of this burdenless kind, to the relief of wages and enterprise. This fact that taxes upon land values and upon public franchise values cannot be made to stay put

beyond a few years, a generation at most, is set up as a guideboard to the open road that leads in the direction of the possible ultimate abolition of all taxation.

Railways—Shall it be ownership or taxation?

It is admitted that one of two things must come, viz: either these public utilities must be owned by the State, or they must be regulated by the State. It is respectfully submitted that the best, if not the only effective regulation possible is through the agency of taxation, which can be made to extract from the corporation that part of its profits directly contributed by the public, leaving all its improvements, in other words, its plant—the capital devoted to its industry—free of taxation.

The astonishing thing is that economists, legislators, and newspapers in their opposition to ownership of certain monopolies do not suggest and discuss, even if they are not ready to advocate, the compromise alternative to ownership. How else can the opposition to public ownership head off its coming better than by advocating taxation in its stead, and why not be as persistent in experiments of taxation as of ownership? thus contributing to the only possible solution—experimental test and demonstration—the survival of the fittest. The true system when found will be the one which bears the supreme test of furnishing a maximum service at a minimum cost.

Public ownership, it is said, may be all right under comparatively pure civic conditions, as in Switzerland, or in Glasgow, but public ownership is not safe where there is graft. Of taxation it can be asserted that it is safe and sane, graft or no graft. The essence of any graft exterminator must reside in taxation—the taxation of special privilege. Would any one maintain that change for the worse is possible to the American graft of today? Is the graft of a corporate city worse than graft of all its constituent citizens? Are not the people the victims in either case? and cannot graft be resisted more concretely and thus more effectively by the arm of a strong individual executive than by the slower instrumentalities of public administration?

For myself, I do not incline to ownership of transportation, but I do not pretend to be wise enough to decide between the two, nor does it appear to me immediately necessary to make such choice. There is one good way easily open for its determination, viz; the comparative test of time. That the use of taxation, an instrument ready-made and close at hand, is wise, I have not a doubt.

It must be admitted that legislative regulation, being uninformed and uninspired, cannot be otherwise than arbitrary, unaccommodating, undiscriminating. Taxation is neither of these, but is elastic, self-adjustable and self-operative.

Do we always analyze in our own minds what is meant by public utilities—quasi-public corporations—semi-public functions? We mean, do we not, that a part is public business and a part is private business; that one part represents public capital, another part represents private capital; one part is public function, one part is individual function; one part is franchise, the other part is equipment and operation?

If these constituent parts can be separated why not treat them separately? Why, in order to control the public agency is it necessary to assume the private agency? Why not, through taxation, assume gradually the public's right to the franchise and let improvement and operation remain in private hands? If not quite sure that it is wise to take over both, why not take the franchise first, and observe the effect? If persuaded that it is wise to take both, why not, in the natural order, take them over one at a time—the franchise first? Then, instead of a legislative reduction of rates once in ten or twenty-five

years in the face of a formidable lobby, there would be an annual regulation of the rate, or of the corporation tax, or both, by the board of assessors, or the board of equalization in the light of an honest expert public accounting, to secure all the benefits which could be claimed for public ownership without the dangers which would attend the latter. Whether the issue take the name of taxation vs. ownership, or individualism vs. socialism, it is alike a vital question of public weal.

President Roosevelt recognizes taxation as the remedy for billionaires, although he chooses to begin to correct an unjust distribution at the dead end, so to speak, that is, with the inheritance tax, instead of with the franchise or privilege tax, the effect of which would be to prevent unjust accumulation.

Mr. Bryan says: "The people should have the benefit of any monopoly that might be found." How can this benefit be better secured to the people than by charging the corporation a fair price for what the people do for it, leaving the corporation free to prosecute its private business in its own way?

ETHICS OF THE SINGLE TAX.

(*For the Review.*)

By CHARLES R. ECKERT*.

Within recent times the world has experienced a wholesome moral awakening. Wherever one chances to look, business and professional men, teachers and preachers, editors, politicians and statesmen are seen attempting to attune their acts and utterances to a higher moral key. There are of course false notes in this awakening. All are not sincere in their pretensions to higher and truer conduct. But notwithstanding the false notes that may be detected, there is yet behind and beneath the movement towards a higher and truer plane of human conduct much that is real and abiding. After the dervish spell has passed and the moral condition of the people and the equilibrium of society are again established, there will be noted a marked and pronounced step forward in the march and progress of mankind.

This is characteristic of human advancement. The line of progress is not straight and direct, but zigzags to and fro like the swinging of a pendulum. But in addition to this moving backward and forward, now to the right and now to the left, there is a constant and ever upward and onward advance. And this is the resultant of the works and prayers and thoughts of those high priests of righteousness, who, ever and anon, are keeping the spirit of truth burning in the hearts of men.

Human progress is the combined progress of the individuals composing society, and hence society cannot rise higher than the aggregate of the sum total of human goodness. Character development is purely individualistic, but while it is almost solely a matter of individualism, it does not follow that society and its institutions do not influence, for good or ill, the individual. On the contrary society and its institutions materially affect the growth and develop-

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