

A Single Tax Handbook for 1913
By Charles Bowdoin Fillebrown

Chapter VI. A SINGLE TAX CATECHISM.

FOREWORD.

This Catechism is the fruit of four years of specific application, and a tenth revision for brevity and clarity. Its claim to attention lies not in its nominal authorship, but in the consensus of economic opinion upon which it is grounded. Three-fourths of the queries deal with taxation principles of universal application; the others, which deal specifically with the single tax, attempt to apply these general principles to a particular problem.

About ten years ago the author of the Catechism undertook to ascertain the consensus of opinion among economists concerning the nature of rent and the incidence of taxes imposed upon land. Extensive correspondence and circularizing carried on for several years resulted in substantial agreement of over a hundred economists upon certain general principles of taxation. The results of this correspondence have been printed in the Proceedings of the American Economic Association for April 1908, pp. 117 to 120, and can also be found on pp. 187-190 of the A B C of Taxation.

The author therefore believes that the part of the Catechism dealing with general principles of taxation may be considered to represent the mature opinion of most political economists.

CATECHISM.

1 Q. What is meant by the Single Tax?

A. The gradual imposition of all taxes upon the value of land, exclusive of improvements, thereby eventually abolishing all other taxes.

2 Q. What is the ethical basis of the Single Tax?

A. The common right of all citizens to profit by site values of land which are a creation of the community.

3 Q. Does it mean the nationalization of land?

A. No; it means, rather, the socialization of economic rent.

4 Q. Then it does not mean the abolition of private property in land?

A. No; it simply proposes to divert an increasing share of ground rent into the public treasury.

5 Q. Does the common right to rent involve common ownership of land?

A. Not in the least. When the rent is appropriated by the community for common purposes,

individual ownership of land could and should continue. Such ownership would carry all the present rights of the land owner to use, control, and dispose of land, so that nothing like common ownership of land would be necessary.

6 Q. What is meant by economic rent?

A. Gross ground rent — the annual site value of land, i.e., what land is worth annually for use — what the land does or would command for use per annum if offered in open market.

7 Q. What Is the distinction between the taxation of land and the taxation of rent?

A. Taxing land means, in the ordinary use of the words, to tax the land upon its capital value, or selling value, at a given rate per \$100 or \$1,000 of that value. Taxing rent means taxing the annual value, or ground rent, at a given percentage of that rent.

8 Q. What is meant by the right of property?

A. As to the grain a man raises, or the house that he builds, it means ownership full and complete. As to land, it means legal title, tenure, "estate in land," perpetual right of exclusive possession, a right not absolute, but superior to that of any other man.

9 Q. What is meant by the right of possession?

A. As to land, if permanent and exclusive, as on perpetual lease, it means the right to "buy and sell, bequeath and devise," to "give, grant, bargain, sell and convey," together with the rights and privileges thereto pertaining, in short, the same definition for POSSESSION that the law applies to PROPERTY.

10 Q. What should be the limit of revenue under the Single Tax?

A. The same as under any other system of taxation, the cost of government economically administered.

11 Q. What is meant by land value?

A. Land value, in its usual sense, means the selling or market value of land — its net value to the purchaser — the value supposed to be adopted by the assessors as the basis of taxation.

12 Q. Does this mean the site value or the natural fertility value of land, or both?

A. Chiefly the site value.

13 Q. What is site value?

A. Site value of land is the value of the legal "rights and privileges thereto pertaining," as specified in every deed of land conveyance, the value of proximity to the advantages of

industrial, economic, social, political and other activities, an artificial socially created value In trade, commerce and communication with the world.

14 Q. You would not say that land is a product of industry?

A. No; but the annual site value of land is a product of the growth and industry of the community.

15 Q. You would not say that the supply of land can be increased?

A. No; but fresh demand is constantly requiring not only an increase in the public equipment of land already in use, but also the constant extension of such equipment to new area.

16 Q. Why should buildings and all other improvements and personal property and capital be exempt from taxes?

A. Because, in taxing them the community, instead of appropriating a fund of its own creation, already at hand and doubly sufficient for its own needs, is taking from the individual what belongs to him by the best of all titles, namely, the right of production.

17 Q. Why should stocks and bonds be exempt?

A. Stocks, because they are only paper certificates of property, which itself has been taxed once already. Bonds, if legitimate, because a tax on borrowed money is paid after all by the borrower and so becomes an added factor in cost of production, and consequently in the cost of living.

18 Q. What is privilege?

A. Strictly defined, "Privilege is a special and exclusive power, conferred by law, on particular persons or classes of persons, and ordinarily in derogation of the common right."

19 Q. What is today the popular conception of privilege?

A. That it is the law-given power of one man to profit at another man's expense.

20 Q. What are the principal forms of privilege?

A. The appropriation by individuals, or by public service corporations, of the annual site value of land created by the growth and activity of the community without payment for the same. Also, the less important privileges connected with patents and the tariff.

21 Q. How may franchises be treated?

A. Franchise privileges may be abated, or gradually abolished by lower rates, or by taxation, or by both, in the interest of the community.

22 Q. Why should privilege be especially taxed?

A. Because a tax upon privilege can never be a burden upon industry or commerce, nor can it ever operate to reduce the wages of labor or increase prices to the consumer.

23 Q. How are landlords privileged?

A. Because, in so far as their land tax is an "old" tax, it is a burdenless tax, and because their buildings' tax is shifted upon their tenants; most landlords who own and let both land and tenement houses and business blocks thereon avoid all share in the tax burden.

24 Q. How does privilege affect the distribution of wealth?

A. Wealth as produced is now distributed substantially in but two channels, privilege and wages. The abolition of privilege would leave but the one proper channel, viz.: wages of capital, hand, and brain.

25 Q. What Is meant by an "old tax" or a "new tax"?

A. By the term "old tax" is intended the tax in force at last change of ownership; by a "new tax," one imposed since then.

26 Q. How would the Single Tax increase wages?

A. By gradually transferring to wages that portion of the current wealth that now flows to privilege. In other words, it would widen the channel of wages by enlarging opportunities for labor, and by increasing the purchasing power of nominal wages through reduction of prices. On the other hand, it would narrow the channel of privilege by making the man who has a privilege pay for it what it is worth.

27 Q. How much ultimately may wages be thus increased?

A. Fifty per cent, would be a low estimate.

28 Q. But what are "fair" prices and "fair" wages?

A. Prices unenhanced by privilege, and wages un-diminished by taxation.

29 Q. Why should land be singled out to bear the bulk of the burden of taxation?

A. Because in the private appropriation of the annual site value of land is found the bulk of privilege.

30 Q. How much does this particular form of privilege amount to?

A. It amounts for 1912 in Boston and New York to upwards of fifty million and two hundred

million dollars respectively.

31 Q. In what other respects is land a better subject for taxation than everything else?

A. Land has three generic peculiarities by which it differs radically from everything else.

32 Q. What is its first generic peculiarity?

A. It is that the site value of land is a creation of the community — a public or social value.

33 Q. What is its second generic peculiarity?

A. It is that no tax, new or old, on the site value of land can be recovered from the tenant or user by raising his rent.

34 Q. What is its third generic peculiarity?

A. It is that the selling value of land reduced as it is by the capitalized tax that is imposed upon it, is an untaxed value. Whatever lowers the income from land lowers proportionately its selling price, so that whether the established tax upon it has been light or heavy, it is no burden upon the new purchaser, who buys it at its net value and thus escapes all part in the tax burden which he should in justice share with those who now bear it all.

35 Q. Is not land peculiar also in that it is a gift of the Creator, and not a product of labor?

A. Yes, that is true of land itself, but not of the value of land.

36 Q. What is meant by a capitalized tax?

A. It is a sum, the interest of which would pay the tax.

37 Q. Why would the Single Tax be an improvement upon present systems of taxation?

A. Because the taking for public uses of that value which justly belongs to the public would relieve all workers and capitalists of those taxes by which they are now unjustly burdened, and would make unprofitable the holding of land idle.

38 Q. Should not all people pay taxes for the protection of their property?

A. Yes, and that is what they are doing when they pay their ground rent. To tax them again, as is now done, is double taxation.

39 Q. Do all people, then, pay ground rent?

A. Yes, in proportion as they are users of land.

40 Q. Why, on similar lots of land, should one man with a \$10,000 building be taxed as much as another with a \$100,000 building?

A. Because the cost to the city, for public equipment and public service, is substantially the same in both cases.

41 Q. Would it not be confiscation so to increase the tax on land?

A. What would be "confiscated"? No land would be taken, no right of occupancy, or use, or improvement, or sale, or devise; nothing would be taken that is conveyed or guaranteed by the title deed.

42 Q. But would it not be an injustice to the land owner?

A. If it be an injustice to tax hard-earned incomes (wages) to maintain an unearned income (economic rent) that bears no tax burden, how can it be an injustice to stop doing so? There can be no injustice in taking for the benefit of the community the value that is created by the community.

43 Q. What is the lesson of the inevitable "capitalization of the land tax"?

A. It is that an unfair discrimination in favor of the land owner can never be overcome until all taxes are paid out of ground rent; then all men will enjoy total exemption equally with the land owner.

44 Q. How could the land owner escape the alleged burden of an increase in his land tax?

A. Simply by assuming the legitimate role of a model landlord, by putting his land to suitable use, in providing for tenants at lowest possible price the best accommodations and facilities appropriate to the situation that money can buy.

45 Q. Does not a land tax increase house rent or store rent?

A. The landlord, as a rule, exacts the full ground rent for the use of his land. To take half or all of this annual site value in taxation could not make land worth any more for use.

46 Q. In old cities, is not nearly all the land in use?

A. About one-half the area of New York and Chicago is classed by the assessors as vacant. In Boston the proportion is: Occupied, 42 per cent; vacant, 46 per cent.; marsh, 12 per cent.

47 Q. How would the Single Tax affect the farmer?

A. It would greatly reduce his taxes. His buildings, stock and crops would be exempt. His land is at present assessed at nearly twice its proper unimproved value, while town and city land is often valued at less than one-half its actual value, thus subjecting him to a more than four-fold

disadvantage.

48 Q. What relief could It bring to strictly agricultural towns, where the unimproved land values are very small?

A. However poor the town or heavy the taxes, it would at least tend to equalize their present tax burden. The assessed valuation of land in the three smallest towns of Massachusetts, Alford, Holland, and Peru, is \$282,335, or more than three times that of the buildings. Allowing one-half of the assessed valuation of land to be improvement value, the unimproved basis for taxation would be \$141,168, or 60 per cent, more than the buildings. Thus an apportionment according to unimproved land values, increasing ever so slowly, would seem to be fairer than one according to improvements, which require constant renewal.

49 Q. How would the Single Tax affect the tenant?

A. It would neither increase nor decrease his "land" rent. It would reduce his "house" rent by the amount of the "house" tax.

50 Q. How would it affect the man who owns the house he lives in?

A. In nearly every case it would reduce his taxes. Roughly speaking, his taxes will be less or greater in proportion as his house is worth more or less than his land. He has usually not less than \$2,000 worth, of house on \$1,000 worth of land, while the average downtown landlord frequently has no more than \$300 worth of building on \$1,000 of land, so that the two are now taxed in the proportion of \$3,000 to \$1,300. Under the Single Tax they would, on each \$1,000 worth of land, be taxed equally.

51 Q. Would the Single Tax yield sufficient revenue for all government purposes, local, state and national?

A. Careful estimates indicate that all present taxes amount to not much more than one-half the annual site value of the land.

52 Q. How could the Single Tax be put into operation?

A. By gradually transferring to land all taxes not already on it.

53 Q. How might such a plan be worked out?

A. If fifty cents per thousand should be deducted yearly for thirty years from the rate on all property other than land, the reduction would finally amount to \$15 per thousand, and it would then be practically exempt from all taxation.

54 Q. But how could it be worked out in case of the land?

A. Recognizing that a right thing may be done in a wrong way, it is insisted that a right way ought to be found to do a thing that ought to be done. THE FOLLOWING IS PRESENTED AS A NATURAL AND CONVENIENT UNIT OF CALCULATION. To be exact: — An average of about 20 per cent, of the gross ground rent of land is now taken In taxation, as for instance, in Boston. If an additional 1 per cent, should be taken each year for thirty years, it would amount at the end of that period to 30 per cent., which, added to 20 per cent, would make 50 per cent, or one half, which is about the average proportion that present taxes bear to gross ground rent. Meantime few land owners would feel the change, much less be prejudiced by it. This plan may be varied to suit any situation. If 2 per cent, instead of 1 per cent, additional should be taken each year, the total tax at the end of twenty years would be 60 per cent, or at the end of thirty years, 80 per cent, of the total ground rent. Whether the assessment be made upon the rent or upon the capital value is only a matter of form. For the first ten or fifteen years there could be small inconvenience in continuing the present basis of the capital value.