

SOCIAL EFFECTS OF NATURAL TAXATION.

§ 1. **The effect in general.** The adoption of a natural, intelligent, and scientific system of taxation would bring about a just distribution of wealth, would give a perpetual stimulus to industry and production, would greatly increase wages, would increase the profits of capital, would give a security to property now unknown, would encourage manufactures, commerce, and agriculture, and would incidentally solve many social problems which under present conditions seem almost insoluble.

It is hoped that as each branch of the inquiry has been discussed, it has appeared that each step towards this great but simple reform has been attended with the solution of some difficult problem. But others have been reserved for this final review.

§ 2. **Stimulus to production.** It must surely be evident, without argument, that when all taxes are concentrated upon ground rents alone, and when every piece of land is estimated for assessment at the amount for which it could be rented for present use, the tax constantly increasing, in exact proportion to any increase in the rental value of the land, it would generally be impossible to hold any land out of use for the purpose of speculation. The only exception would be cases in which it was so clearly desirable

that the land should be preserved for future use, that its possessor could better afford to pay the tax out of his capital than to allow the land to be put to any present use which would spoil it for a more desirable future use. The pressure put upon the land-owner to make immediate and beneficial use of the land would, in most cases, be irresistible. The result, in all but a few exceptional cases, would be that all land, which any one cared to claim as owner, would be put into immediate use for productive purposes; while a vast amount of land which is now held for pure speculation, would be abandoned to the use of any one who was willing to pay the annual tax.

Under such a system all land would be made useful, up to its full capacity. The possession of land would necessitate the constant employment of labor in its use and development; and all who were unable or unwilling to use land to the best advantage of the community would abandon it to those who were both able and willing.

But this is only one of the many stimulants to production which are involved in reformed taxation. Think of the many other encouragements which industry would receive. Money and credit, free from all taxes, would crowd into the industrial field. Factories, mills, furnaces, foundries, workshops, stores, offices, machinery, tools, instruments of production in every conceivable form, would all be free from taxes. The farmers' barns, crops, plows, tools and implements, his horses, cattle, sheep, materials and products of every kind, would be free of tax. His land could be drained, stubbed, subsoiled and im-

proved to the highest point, without adding a dollar to his taxes. Commerce would be free as air. The farmer would buy in the cheapest market, and sell in the dearest. Monopoly could no longer hinder production. The only limit of production would be the limit of demand.

§ 3. **Effect on wages.** Using the term "wages" as including all forms of compensation for personal labor, it should seem clear that the great increase in production which would thus be brought about must greatly increase the demand for labor, and would therefore produce a general and permanent advance in wages.

Nominal wages, expressed in terms of money, must advance, because there would be an anxious demand for labor on the part of all land-owners. For without a constant supply of efficient labor, the annual tax could not be paid; and then the land would fall into the hands of those who would extract from the land, either by their own labor or by the labor of others, a revenue sufficient to pay the tax, with a profit. The increased demand for labor thus arising would, in any country large enough to make a rate of its own, largely increase the general rate of wages. That this is the invariable result, in all similar cases, has been abundantly proved by past experience. The opening of new land to labor has always tended to increase wages; and under the proposed system of taxation there would be an enormous increase in the new land thus opened to labor, and therefore a corresponding increase in the reward of labor. The effect upon wages would be precisely that which would be

produced by the discovery of a new continent of fertile and healthy land.

Real wages (in other words, the real reward of labor) would be increased to a much greater extent than *nominal wages*. For while wages, expressed in forms of money, must rise, as already shown, prices of the good things which wages buy would fall, on account of the much greater production of such things, which would result from the immensely greater application of labor and capital to land. More than this, it having been already shown that the bulk of taxation is now borne by the wage-earners, and that the whole of this taxation would be taken off their shoulders by the new system, their *real* income would be practically increased by the full amount of this reduction of taxation; the effect of which they would feel in a general reduction of the cost of living.

§ 4. **Effect on money wages.** The advance in money wages must, of necessity, be rather vaguely estimated. But long experience has furnished abundant means for trustworthy calculations. It is not at all necessary that there should be a demand for double the number of laborers, to double the rate of wages. A much smaller increase in the demand will suffice, so long as the supply of labor does not meet the demand.

It having been shown that the taxation of ground rents would compel their owners to employ labor in producing something, out of which taxes could be paid while the release of the great purchasing class from heavy taxation would enlarge their purchasing power, it follows that an immediate demand for labor would arise, in excess of the local supply. The degree to

which wages would rise, in consequence of this demand, would largely depend upon the extent of the field over which the new system of taxation was in force. The adoption of just taxation in a single county, or even in an entire State, would cause a great increase of production there; but wages would be kept down, to a considerable degree, by the incoming of laborers from outside.

§ 5. **Immigration and wages.** But the adoption of just taxation, throughout the United States, would cause a rise in wages far too great to be repressed by foreign immigration. Laborers of all kinds have never yet come to America in any one year, to the extent of even one-twentieth part of the home supply. As the new arrivals furnish a market for nearly all that they earn, they do not, at the utmost, furnish an element of competition with native laborers in excess of one-half of their earnings.* If, therefore, the average rate of American wages could be doubled, by causes having a permanent operation, immigration might continue at full tide for many years, before it could seriously affect wages. The truth of this theory may be illustrated by the case of domestic servants. From various causes their average wages in the United States have much more than doubled since 1860. Those who then received \$6 a month could now readily earn \$14, while living in much

*Thus, suppose 800,000 immigrants to arrive in one year, less than half of them would be competitors for wages. Suppose the 400,000 competing laborers to earn \$400 each. They would spend \$350 of this. Half of this would be paid in wages to other laborers, producing what the new-comers wanted. Even if the other half injuriously affected resident laborers, it would amount to less than one cent in each dollar of their annual wages.

greater comfort and having much easier work. The immigration of women of this class has been enormous; but it has never reduced wages. It may well be doubted whether it has even had any material influence in preventing a further advance. All the great advance in the wages of domestic servants has occurred since they began to arrive in great numbers.

We may safely assume that any rise in wages which would result from a reform in taxation, extending over the whole or the larger portion of the United States, would be permanent, notwithstanding any probable amount of immigration.

§ 6. **Amount of rise in wages.** As the purchasing power of laborers would be increased at least 15 per cent. from the instant at which taxes were taken off their purchases, an increase of demand to that extent may be assumed as certain, subject to such reduction of demand as might be caused by the reduced profits of the not more than 50,000 families who would suffer any loss of income through the new taxation. As their losses would not trench upon their usual fund for expenditure, their purchases would fall off only to a very moderate degree. An allowance of \$3000 for each of these families would be ample. This would amount in all to \$150,000,000, or not more than one-tenth of the increase in the purchasing power of the other classes. After making large allowance for a saving disposition among the poorer classes, under their new prosperity, it is impossible to estimate the increase in purchases at less than ten per cent., or 1,000,000,000 per annum. It would probably be much more.

On the other hand, the anxiety of land-owners to put their land to profitable use, the absolute release of all productive industry from burdens, shackles, and restrictions, the untaxed money, untaxed manufactures, untaxed commerce, untaxed agriculture and untaxed credit would all combine to give a sudden and tremendous stimulus to industry. Production, for these reasons alone, could not fail to increase immensely. Adding this consideration to the other, the effective demand for labor could not fail to increase by more than one-third; and this would cause a rise in wages of fully 100 per cent.

§ 7. **Effect on capital.** The owners of capital will naturally desire to know how their interests will be affected. Will not the doubling of wages diminish the profit of capital? No. On the contrary it will greatly increase that profit.

In the first place, it must be remembered that ground rents are *not* capital. Correctly speaking, they are not even true wealth. They are mere taxes upon wealth—instruments by which tribute can be exacted from wealth. We are now considering only genuine capital—true wealth, employed in the reproduction of wealth.

In the next place, capital necessarily depends for its profit upon a large demand for its productions. Modern capitalists are fully aware that great gains can never come from small transactions, no matter how large the profit on each transaction may be. Sales of \$1,000,000 at a profit of 50 per cent. are of small account, compared with sales of \$100,000,000 at a profit of five per cent. The number of those who live

without their own labor is and must be always and everywhere so small, compared with the vast mass of mankind, as to afford an insignificant market for the enormous production of modern industry. The vast majority, who labor with their own hands, furnish the only market worthy of consideration for modern capital.

This great majority always spend the larger part of their earnings; and they would continue to do so, even if their earnings were doubled or trebled. The doubling of their wages means, therefore, the doubling of the market for the joint production of labor and capital. It means the doubling of the gross profit of capital. This would not be true of a similar increase of income to any other class. The owners of rent would not double their purchases, if rent were doubled. They would put much of their surplus into capital, competing with capital already invested. This might be good for others than capitalists. Yet, unless it brought about an increase of wages, it would not increase the demand for goods; and so it would not increase the profit of capital. An increase of wealth, in the hands of the few, leads to increased wastefulness in the nature of their expenditures. Their outlay does not reproduce capital. The outlay of the working classes does. Not only does their food renew their vigor, but even their amusements when intelligently directed, greatly increase their productive power and energy. High wages lead not only to cheap production, but also to a vast increase of production. They also lead immediately to a corresponding increase of the market for such productions.

There is no conflict of interest between labor and capital; although there are many conflicts of interest between individual laborers and individual capitalists. The lifting of all taxation from labor and capital will benefit both.

§ 8. **Absolute security of property.** When taxation is levied exclusively upon ground rent every man will have, for the first time in human history, an absolute and indefeasible title to all of his property which is the production of human skill and industry, subject only to the right of the state to take it, upon making full compensation for its value. Such compensation would enable the owner to replace the property thus taken with other property of the same description and value. This general right of the state is practically no limitation upon the absolute right to individual property.

It is perfectly plain that no one has any such right at present, and that no one can have it, under any existing system of taxation. For, so long as the state assumes the right to tax anything besides rent, it is impossible for any man to retain the entire fruits of his own industry. Every year the state will deduct something from those fruits, under the name of taxation; and no one can ever foresee precisely how much will be taken in this manner. The fluctuations, both in the amounts and methods of such taxes, are so great and incalculable, that no one can have any reasonable certainty as to the extent to which his earnings will be secure against the demands of the state.

But if taxes were once confined strictly to ground rent, all this would be changed. Chattels of every

description would of course be absolutely secure; since the only remedy which would be allowed to the state for the collection of taxes would be a sale of some exclusive privilege on land. But buildings and all other improvements on land would be equally secure against all taking *without compensation*. This is not at first sight so clear; and it needs, therefore, fuller explanation.

§ 9. **Improvements paid for on tax sales.** The exclusive tax upon ground rent would lose its entire character if the state were allowed, under any pretence, to collect it from personal property or improvements. It is a fundamental condition of such a tax that it be collected *only out of rent*. It must, therefore, when payment is refused, be collected only by selling the control of the taxed land to some person, who will not only pay the tax, but will also pay to the landholder thus sold out, the full value of all his improvements. If no one will pay the tax, subject to those conditions, that is conclusive proof that the tax is too high, and that it is in reality based upon an assessment including other values than the mere value of the land. The purchaser in such case would, of course, take the land, subject to the annual liability for taxes; but he would also acquire the same absolute title to improvements which the previous possessor had; so that he, in turn, could not be sold out for taxes without full compensation for improvements. Thus no one would ever pay taxes upon the value of any other property than the bare land.

Universal experience has demonstrated that there would not be the slightest difficulty in carrying such a

system into practical operation. This system has long been in operation, upon a great scale, both in public and private affairs. Wherever ferry franchises belong to a municipality, as in the city of New York, such franchises are sold at auction, at intervals of five or ten years, always subject to two conditions: first, the payment of rent to the municipality; and second, the payment of full compensation to the former holder of the franchises, for boats, piers, houses, and all other structures and materials used in operating the ferry. Street railway franchises are sold in the same manner, for terms of years, by every *honest* municipal body having control of the subject.* So landlords constantly lease their land for terms of years, to men who erect expensive buildings thereon; the landlords covenanting to pay the value of such improvements upon the expiration of the lease. There is no more difficulty in providing for an annual sale of land, if necessary, subject to these conditions, than there is in providing for a sale in every five, ten, or twenty years. A ferry franchise is just as much a title to "land," within the meaning of law, science and common sense, as is any other land title whatever.†

Of course the valuation of improvements would be made upon a common-sense basis. The land-owner,

*The conception of a really incorruptible city council will seem, to most American readers, too wildly improbable for the basis of even a theory. But effete Europe is so far behind us, in the grand march of civilization, that such Utopian bodies are quite common there; and the method of the text is common also.

†Benson v. New York, 10 Barbour, 223, 233.

upon making default in taxes, would be entitled to just as much compensation for his buildings as those buildings really added to the market value of the land on which they were built, but no more. If, as often happens, an expensive building had been put up in a district where it could never be of any use, nothing should be allowed for it beyond the value of its materials, after it had been pulled down. But for any really useful building compensation would be allowed, sufficient to enable the owner to put up a similar building, in similar condition, upon an adjoining tract of land. In short, whatever loss the owner of the building incurred, by reason of his own mistakes or extravagance, he would be left to bear; but whatever value belonged to the building, exclusive of the land underneath it, he would invariably be allowed to retain.

§ 10. **The railway problem.** This is no place for even a full statement of the great railway problem, with its almost endless branches. Much less will an attempt be here made to give it a complete solution. All that will be attempted is to suggest the close connection between this complicated problem and the simple one of taxation.

It is by no means so clear as it seems to those who suffer from them, that high railway rates are actually unjust. That which is unjust in such cases is generally the fact that the large profits made upon such transactions are in the nature of rent, and equitably belong to the whole community. All attempts to correct this apparent injustice have thus far failed; and it may be worthy of inquiry whether this failure is not

caused by some unrecognized justice in the system complained of. May it not be, that the wrong consists, not in the differential rates, but in the failure of the government to collect any part of these differences for public use?

Are not many of the evils complained of due to inflated nominal values and fictitious securities? That such is the general opinion, is strongly indicated by the stringent prohibition of fictitious stocks and bonds, in the new constitutions of Illinois, Pennsylvania, and other States as well as in the statutes of still more. But if this opinion is well founded the concentration of taxes upon land privileges including railway franchises, will practically settle that question, by taking a very large part of such inflated values for public use.

The complete separation between the ownership of the road and the ownership of moving stock, proposed by Mr. Hudson,* would seem to cover all the remaining ground. Under the one natural tax, the owners of the road would be taxed in proportion to the value of its franchise; but the owners of rolling stock would not be taxed at all. All persons and corporations could operate trains upon the road, subject to general rules. If the people of any place were charged too much for the carriage of their persons and property, they could put their own trains upon the road, on equal terms with all others. This was the original railway idea; and it has been abandoned, not because it is really impracticable, as railway managers pretend, but because it is less profitable to railway

*The Railways and the Republic.

companies than the monopoly which is created by the present system.

§ 11. Just taxation the remedy for unjust appropriation. The proposal of a method of just scientific and natural taxation, is so simple and unpretending, that eager social reformers cannot believe it possible that it can carry with it any cure for the evils of our time. They point to the unequal distribution of wealth, the growth and powers of monopolies, the watered stocks and bonds, the bribe-bought franchises, the usurped privileges, the stolen lands, the wholesale appropriation of public property to private use; and they ask how it can be possible that "a mere fiscal reform" can bring relief from any of these evils. Yet it can. No great upheaval of society is needed. No social re-organization is required. No general state assumption of the machinery of production is either necessary or desirable.

It is continually but erroneously denied that the enormous fortunes of the present day are due to land monopoly or to methods of taxation. Fortunes of considerable extent are gained by skill and genius; and there is no good reason why such fortunes should not be encouraged. Bessemer, Edison, Bell and other inventors have deserved wealth; and the capitalists, who made their inventions possible and forced them upon public attention, deserve it too. But all the unwieldy fortunes, and all which have had an undesirable origin, owe their existence to some form of monopoly, which could not have existed under the natural system of taxation.

The enormous wealth of British dukes and of our

own—or lately our own—Astors, is of course due entirely to the comparative exemption of ground rents from taxation. But all the excess of wealth gained by railway kings, above a liberal compensation for shrewdness, sagacity, and foresight, is due to precisely the same cause. It has been shown that the chief value of railways consists in exclusive and peculiar privileges upon land; and the greatest part of this value arises from its comparative exemption from taxation.

The great monopolies, which have grown with such startling rapidity, into such overshadowing power, owe all their wealth and power to their manipulation of railways and of duties on imports. Under natural taxation there would be no import duties to manipulate; and the railways could not afford to be manipulated.

§ 12. "Watered stocks." Let us pass to the consideration of the inflated stocks and bonds, which are made the excuse for extortion. What can taxation do with them? The answer is so plain that one wonders at the question. Even without the adoption of the full reform here proposed, the change of a few lines in the tax laws would put a speedy end to these abuses. If all corporate securities were made subject to the general tax rate, at their full nominal value, the "water" would be let out of them within three months. "Yet show I unto you a more excellent way."

Stock inflation does not really enable railways to charge high rates. The Erie line cannot charge more on through traffic than the Central. And, upon the whole, those who use railways do not pay more than

the service is worth. The real evil is that a very great part of the value of such service consists in the use of the land over which the railway runs, that this portion belongs to the public, and that hardly any of it is taken, as it ought to be, for public use. The proper remedy is not to give service to those who use the railways, for less than it is worth, but to use the same share of the value of railway land for public purposes, as in the case of other lands. When this is done, the entire people will receive through relief from other taxation their share of the value which they have given to the railways. And, at the same time, it will become impossible for railway companies to maintain inflated stocks and bonds; because to do so would be to invite greater taxation than they could bear.

§ 13. **Corrupt grants.** So as to bribe-bought franchises. It would be quite unnecessary to *rescind* them. It would only be necessary to *tax* them on the basis of their true value, which is pure ground rent. Thus American street railroads, which generally owe their franchises to the grossest corruption, and which charge fares of five or ten cents for a service which costs less than half that sum, need not be interfered with. Under a proper system of taxation, it would make little difference whether the fares were reduced or not. If the fares were reduced to three cents, ground rents would be increased, and the city would derive greater revenue from its taxes on those rents. If the fares remain unchanged, the value of the railroad franchise would be so much greater, and the tax upon that would be greater in proportion. It would make little difference, even to those who travelled in

the cars. If the fares were reduced, the travellers would have to pay more rent for their homes. Thus they would contribute as much to the public funds in one way as in the other.

At first sight it would seem that the redress thus obtained would be very inadequate. But it would not. Of course, no past wrong can be entirely obliterated. No scheme of social reform seriously proposes to secure compensation for all the past. The world does not contain wealth enough to pay damages for all past injuries. But the taxation of all franchises, on the basis of their present fair market value, with the concentration of all taxes upon ground rents, of which these are a part, would take for the public benefit all that the public could have secured, under the most honest and impartial sale of such franchises. It will also tax those corporations which obtained their grants for nothing, just so much more than it will tax those which paid a fair price.

§ 14. **Taxation the best remedy for past corruption.** For these franchises could not, upon the average, have been originally sold for more than they would now pay under such taxation. If they had been sold at auction for a sum in cash, free of taxation, they would never have brought a sum which, however well invested, would produce an income equal to the average annual tax. If new franchises should be sold, free of taxation, to the highest bidder for an annual payment, that payment, in the long run, would rarely, if ever, equal the taxes which would be paid under this system. Therefore it would be better, in the long run, to give these franchises to the corporations which

will give the best security for the best and cheapest public service than to sell them to the highest bidder either for a single or an annual payment. Indeed to sell them for a single present payment is obviously a bad method. It confines competition to a very few men of great wealth, depriving the municipality of the better service, which less wealthy but more energetic men would probably render; it cripples the operation of the franchise by impairing the capital of the managers; and it pours into the public treasury a large sum, which cannot be well invested, and which is an almost irresistible temptation to extravagance and waste.

And those corporations which have obtained valuable franchises for nothing, except bribes, will necessarily be taxed more heavily than those which are already subject to an annual payment. Thus the Broadway Railroad, in New York city, is subject to an annual payment of \$40,000. The real annual value of its franchise (obtained by paying aldermen \$20,000 each) is so much more than \$400,000, that this figure may be taken as an extremely moderate one. Assuming that to be correct, the taxable value of this franchise would be reduced to \$360,000, by this liability to an annual payment. If another charter, equally valuable, should be granted in a parallel street, for nothing, its taxable value would be the full \$400,000. Supposing half of such value to be taken by taxation, half the amount gained by bribery would be recovered. Under the present system, every conceivable method for recovering the loss sustained by the community through such schemes of corruption has been tried,

without the slightest success. Even if the adoption of just taxation should only recover half of a just compensation for the franchises corruptly given away, that is a thousand times more than has ever yet been recovered, and ten times more than ever can be recovered in any other way.

§ 15. **Usurped lands.** Take the case of usurped or stolen lands. In Great Britain, the lords of the manor, having had control of Parliament for centuries, have stolen vast quantities of land from the people, under the forms of law. In the United States, vast tracts of land have been taken up, under forged grants or under perjured testimony. Spanish grants are a by-word; and the homestead law has been perverted into the most successful scheme for buying government land at a fourth of its value which could have been devised. It ought to be entitled: "An Act to prohibit the purchase of land by honest men, and to encourage monopoly and perjury." Railroad lands, to the amount of hundreds of millions of acres, have been obtained for nothing, except a few beggarly bribes to Congressmen and State legislators, amounting in all to less than a ten-thousandth part of the market value. What then? Shall we sue in the courts for relief? None could be had, without laying down rules of law, which would be ruinous to innocent purchasers, all over the land. Shall we pass confiscatory laws? The Constitution forbids; and if it did not, our own consciences would revolt at the idea. There is no possible relief in that direction.

Great Britain has no written constitution; and her Parliament has unlimited power. Shall Parliament

direct the confiscation of the old common lands? Shall it undertake to reclaim literal possession of "the land for the people"? Let us not waste time in discussing the question on moral grounds. Rightly or wrongly the moral sense of the people would revolt at such a proposition. And if it did not, yet the immense complications involved in awarding compensation for improvements would break down the whole project. It is not worth while to inquire into the abstract morality of an utterly impracticable scheme.

But in Great Britain and America alike, the adoption of a just, natural, and uniform method of taxation would give an immediate remedy. Without confiscation, without violence, without any social upheaval, it would take for public use about half of the revenue thus misappropriated, which is no more than ought to be taken, in any case; while it is far more than can ever be obtained in any other way.

"The best remedy for injustice is simple justice."

§ 16. **Reform in government.** By this time, it is hoped, the attentive reader will have begun to see that the adoption of natural taxation leads, by an easy course, to reform in all methods of government and the abolition of corruption in public office, by removing most inducements to corruption. It would nearly extirpate the bribery of legislatures and councils, by leaving nothing for any one to gain by offering bribes. Not absolutely, of course. It cannot be too often repeated, that nothing in this world is or ever will be perfect. But this reform in taxation would remove most of the present inducements to bribery, falsehood and fraud in public affairs.

§ 17. Abolition of fraud and bribery in tax matters.

The most prolific sources of these evils are directly connected with bad methods of taxation. Every change in laws imposing taxes upon commodities, either by a tariff or by excises, affects so many private interests that all parties agree in charging wholesale bribery and corruption upon each other, and none seriously claim to be innocent. This branch of the subject has already been sufficiently treated. The innumerable frauds and perjuries which arise out of the taxation of personal property have also been referred to. All these abominations would disappear, with the acceptance of natural taxation. Nobody would be required to make any return of his wealth; and no attention would be paid to it, if he made any. There would be but one thing to be taxed; and its value would be ascertained by independent investigation. Valuations of land might be compared with the rents actually paid; but those rents would be learned by inquiry among tenants, not among landlords. Large land-owners might attempt to bribe assessors, as they do now. But the value of land is so easily determined, that other land-owners could be provided with an ample remedy, in an application to the courts to make assessments just and uniform.

§ 18. Special local assessments dispensed with.

The complex system of special assessments for local improvements, which is indispensable under all existing methods of taxation, with its allowance for "betterments," to use a current English term, would become unnecessary. All improvements could be made at the common expense; because whatever im-

provement might thus be made in the value of adjoining property would all be an increase in the value of the mere land; and this addition would lead at once to a permanent increase in the tax upon that land, to a proportionate amount. Such assessments have always been a fertile source of injustice, inequality, and fraud. They are, inevitably, largely based upon guesswork; whereas the subsequent taxation would be measured by actual, known values.

§ 19. **Bribery made unprofitable.** The most appalling developments of crime in American government, however, have taken place with regard to the grants of special privileges on land, especially to railway, gas, electric light, and similar companies. The notorious robbery of the United States by the Union Pacific and Central Pacific companies, to an amount exceeding \$100,000,000, is only one of many instances, although the most prominent one. The repeated purchase of the Broadway Railroad franchise from corrupt aldermen and legislators, repeatedly set aside by the courts, has attracted more attention than hundreds of similar crimes. But every street railroad franchise in New York has certainly been procured in precisely the same way; and probably every such railroad in the country, the franchise of which was worth anything, was chartered upon similar terms. Gas companies, electric light companies and steam heating companies, all pay heavy bribes for permission to lay their pipes or wires in city streets.

The taxation of all these franchises, at their full value, on the same basis with other privileges over land, would make it impossible to obtain them for

nothing. No bargains with aldermen could relieve them from paying handsomely for their annual value. There would no longer be an eager crowd of bribe-offerers; and therefore the crowd of bribe-takers would cease to buy their way into municipal government. The bribes offered to aldermen would be too small to repay the aldermen's bribes to their electors. Such franchises would be generally given to those who would accept them on terms most favorable to the public, with respect to low charges, good accommodation, and faithful service. No money would be paid, either to the municipality or to the aldermen; for taxes would have to be paid; and they would automatically increase, as the value of the franchises increased.

§ 20. **The tenement house problem.** The rapid increase of low-class tenement houses in large American cities, especially in New York, has excited the just anxiety and alarm of our most thoughtful citizens. Many plans of restriction and regulation are urged. They all aim at results which are eminently desirable. But they all involve large expenses, which must be finally borne, under our present methods of taxation, by the very tenants whose extreme and degrading poverty is the very cause of the difficulty. It is perfectly true that such houses do not afford sufficient space and air to sustain health. It is often true that they do not furnish accommodations necessary to maintain decency; although much has been done of late years to improve them and to keep them under careful inspection. But every good thing is costly; and who is to pay the cost? If the landlord is forced by law to provide better accommodations, he must

charge more rent for the house; and it has been already shown that he can, in the long run, compel the payment of such additional rent; because, if he could not, no more tenement houses would be built until tenants were able and willing to pay a fair rate of interest upon all the cost of building such houses, including all compulsory improvements.

Or suppose that the cost of such improvements is paid by the government. The expense would be paid out of taxes. Who would pay the taxes? A full share would fall upon these very houses; and, as the cost of such improvements when made by the city would be far greater than it would be if they were made by the landlord, the probability is that the tax upon the class of houses thus State-repaired would be nearly as great as the cost of private repair would be. Be it more or less, this tax must be finally paid by the tenants. And in this event, a large share of the tax would fall upon other buildings, occupied by a class but little less poor than the occupants of tenement houses; and thus they would be dragged down into actual poverty.

The next result would be that the tenement dwellers would be so impoverished by the increase of their rents, as to deprive them of some portion of the food or clothing which they had with difficulty managed to provide under the original rent. All of them would suffer inconvenience; most of them would suffer actual privation; their earning power would be reduced; and many of them would be driven out altogether, by the bidding of other tenants, who had previously occupied houses or parts of houses of a slightly higher grade,

which they had been compelled to give up by the pressure of taxation, or which, while they were much better than the tenements had been before tenements were reformed, were no better than the reformed and improved tenements.

Any compulsory improvements of this kind must inevitably make the lot of the lower class—the “residuum,” as it is called—harder than ever.

As usual, it will be said that “this is all theory.” Unfortunately it is a theory which was never much thought of, until practical experience called attention to it. The dwellings of the poor have been torn down and rebuilt with improvements, upon a large scale, in Paris, London, Berlin and other cities, and always with precisely these results. Those who occupied the old, condemned buildings did not return to the new ones. They simply could not afford it. Their places were taken by others, who had always occupied rather better homes, and who were driven by increased taxation to descend a step in the social scale, finding in the new dwellings, homes not quite equal to their old abodes, but much better and more expensive than the buildings which had been destroyed as uninhabitable. The “residuum” were driven into more degraded conditions than those under which they previously lived.

§ 21. **Its solution.** Must we then abandon all hope of improvement in the homes of the poor? Not at all. While insisting upon renovations and necessary improvements, *let us remove all taxes from houses.* This will make houses more abundant; this will make house rents cheaper; this will enable house owners to fur-

nish necessary improvements, without increasing rents or losing interest on their investments.

Let us work out an illustration. Twenty thousand dollars is a reasonable estimate for the price of many tenement houses in New York; half for the house and half for the land. Houses being usually assessed for 70 per cent. of their full value, the house, as distinguished from the land, would be assessed at \$7000, and taxed, at present rates, \$133. If this tax were taken off, representing, as it does, a capital of about \$2600, the owner could afford to spend \$2000 on improvements without raising the rent, and yet make a profit. Competition with other house owners would eventually compel him either to spend about as much or else to reduce his charge for the house by more than \$100 a year. Legislation might hasten his action or require him to make the improvements, instead of lowering his rent. In either case the tenants' condition would be greatly improved.

Without deciding that no other reform is necessary or desirable, it is at least demonstrated by long and wide experience that no permanent and complete reform of the tenement house is possible, without first abolishing all taxes on buildings.

§ 22. **Summary of conclusions.** The adoption of natural taxation would obviously relieve the great mass of the people from all taxes and tax-burdens whatever, except rent; which they now pay, in addition to taxes.

It would put an end to that artificial concentration of wealth in the hands of a few, which is now making such rapid progress.

While leaving natural inequalities in human skill, intelligence, industry, and productive power to produce their natural effects, in moderate inequalities of wealth, it would gradually remove those unnatural and monstrous inequalities which now exist, with no benefit to any one and with vast injury to society as a whole.

It would put a premium upon improvement and industry, by relieving them from double taxation; while it would lay such burdens upon mere "dogs in the manger," as would drive them into productive industry.

It would secure to the owner of every product of human industry and skill an absolute and indefeasible title to such property; so that it could not be taken from him even for taxes, without full compensation for its market value; a title, therefore, far superior to any which can now be held by any human being.

It would increase the demand for human labor in the production of good things for human use, to the utmost possible limit; thus causing a general rise in wages of at least 50 per cent. and more probably 100 per cent.

It would relieve wages from all present forms of taxation; thus increasing the net income of laborers, at once and forever, by at least 15 per cent. more. Whether "times" were good or bad, wages high or low, the net income of every laborer would always be *at least* 15 per cent. higher than it could possibly be under the present system, at similar periods.

It would encourage capital to free investment, by re-

lieving it from all fear of punishment for enterprise, under the name of taxation.

It would solve the American currency problem, by opening banks of deposit in every nook and corner, free of taxation; thus giving to every farmer precisely the same facilities for exchange as are enjoyed by the wealthiest merchant or manufacturer, and making a large supply of either coin or notes superfluous.

It would largely reduce the share of taxes paid by farmers, because their share of ground rent is smaller than is that of other land-owners; while it would not increase the present burdens upon residents of towns and cities, since they would pay nothing but rent; and that they pay now, in addition to taxes.

It would remove all shackles from commerce, trade, manufactures, agriculture, and industry of every kind, giving them a stimulus such as they have never known.

It would throw open to all men some land, upon which they could make a living, without requiring them to invest any capital in its purchase, and at no greater rent than they could reasonably afford to pay.

It would, therefore, enormously increase the production and wealth of the nation, while securing a fair, though not literally equal, distribution of that wealth.

It would reform government, by lifting the masses out of the degrading conditions which make them an easy prey to corrupt influences, by removing all temptation to fraud in matters of taxation, and by destroying the chief inducements to the corruption of legislatures and councils.

It would not at once make men moral, industrious,

or intelligent; it would not give to any man a dollar which he did not earn for himself; it would not open any "royal roads" to wealth; for "royal" ways are ways of idleness.

But it would open fair and equal opportunities to men of equal capacity and industry; and it would remove nearly all artificial hindrances to the success of the honest, intelligent, and industrious.