

CHAPTER IV.

THOMAS G. SHEARMAN.

CHAPTERS IX and XIII FROM NATURAL TAXATION,
DOUBLEDAY, PAGE & CO., GARDEN CITY, NEW YORK,
1911.

THE NATURAL TAX.

§ 1. Automatic taxation. Having seen that every form of indirect taxation is unjust to the poor, and that every form of so-called direct taxation thus far examined is unjust to the honest, we cannot be surprised at the unanimity with which it has hitherto been declared that there is no scientific or natural method of taxation.

Nevertheless, if we can find in actual operation, in every civilized country, a species of taxation which automatically collects from every citizen an amount almost exactly proportioned to the fair and full market value of the benefits which he derives from the government under which he lives and the society which surrounds him, may we not safely infer that this is natural taxation? And is not such taxation capable of being reduced to a science?

Such an automatic irresistible, and universal system does exist. All over the world men pay to a superior authority a tribute, proportioned with wonderful exactness to these social advantages. Each man is compelled to do this, by the fact that other men surround

him, eager to pay tribute in his place if he will not. The just amount of this tribute is determined by the competition of all his neighbors; who calculate to a dollar just how much the privilege is worth to them, and who will gladly take his place and pay in his stead. Every man must, therefore, pay as much as some other man will give for his place; and no man can be made to pay any more.

§ 2. **Ground rent.** This tribute is sometimes paid to the state, when it is called a tax; but it is far more often paid to private individuals, when it is called ground rent.

Where there is no government there is no ground rent. As government grows more complex and does more for society, ground rents increase. Any advantage possessed by one piece of land over another will, it is true, give rise to rent; but that rent cannot be collected without the aid of government; and no advantage in fertility is ever equal in value to the advantage of society and government. An acre of sand on the coast of New Jersey, at Atlantic City, Cape May, or Long Branch, is worth more rent than a million acres of fertile land five hundred miles distant from all human society. The sixteenth of an acre of bare rock in New York City is worth more than a thousand acres of the best farming land in Manitoba.

Ground rent, therefore, is the tribute which natural laws levy upon every occupant of land, as the market price of all the social as well as natural advantages appertaining to that land, including, necessarily, his just share of the cost of government.*

*The definition of rent here given is not inconsistent with the principles of Ricardo; although it is not expressed in his words. As Senior and other friends of Ricardo have remarked, he never took pains to express himself accurately; and he constantly assumed that his readers would remember every limitation which he had once laid down and would comprehend all that was implied in his mind. His definition of the law of Rent is a remarkable illustration of his peculiar methods.

No man could have been more fully aware than was Ricardo, of the enormous amount of rent which was collected in his own time from land which had no fertility and no productive power. Most of his life was spent upon just such land in London; and for the use of such land he paid and received great rents. Yet his famous definition assumes that rent is never paid for anything except "the use of the original and indestructible powers of the soil." And his exposition of the operation of this law is confined so strictly to the growth of "corn" (that is, wheat), that some of his disciples and many of his critics seriously assume that Ricardo did not suspect the existence of any law of rent, which was not governed entirely by the growth of "corn."

But Ricardo's methods, in this and in other instances, recall the style of the Ten Commandments. Taken literally, those commandments are as defective a code of morals as can be found in almost any ethical system. They do not in terms forbid the most brutal violence or recklessness, if death does not result, nor any form of fraud or swindling not amounting to literal theft. They do not forbid any form of outrage upon unmarried women. They do not forbid lying, except in judicial proceedings. They have not a word about malice, envy, hatred, bribery, betrayal of trust, or even treason. And yet both the Hebrew nation and the Christian church have always seen these prohibitions implied in the curt words which denounce merely a few of the worst and most striking forms of crime.

So it is with Ricardo. He took the most striking and easily understood illustration of a principle, as his method of stating the principle itself. His writings always bear the marks of a genius, which was driven by its own internal energy to find relief in utterance, but which cared very little whether its utterances were understood or not. In this particular instance, he suggested a principle by a single illustration of the most familiar character. But the principle is not limited by the illustration. Any advantage which one piece of land has over another, for the use of man, was included, in Ricardo's mind, among the "original and indestructible powers of the soil." And foremost among these advantages stands that of affording standing ground, in the midst of a highly civilized society, under the protection of a highly organized and faithful government.

§ 3. **The justice of ground rent.** Now observe how perfectly this natural tribute meets all the requirements of abstract justice, with which our professor-friends have so long wrestled in vain. Here is the exact *quid pro quo*. No sane man, in any ordinary society, pays too much rent. For he pays no more than some other man is willing to pay for the same privileges. He therefore pays no more than the market value of the advantage which he gains over other men by occupying that precise position on the earth. He gains a certain profit out of that position, which he could not gain elsewhere. That fact is conclusive proof that this profit is not the fruit of his labor, but comes out of some superior fertility in the soil, some superior opportunity for selling the fruits of his labor, some superior protection from government in the enjoyment of those fruits, or some other advantage of mere position. Thus he receives full value, in exchange for his payment. *He* receives it; not merely society in general. He receives the *whole* of it; he is not compelled to divide a dollar's worth of this benefit with his neighbors. But, on the other hand, he pays the full value of what he thus receives; and he owes nothing more to anybody. The transaction is closed, upon fair and equal terms.

Here, then, is a tax, just, equal, full, fair, paid for full value received, returning full value for the payment, meeting all the requirements of that ideal tax, which professors and practical men alike have declared to be an impossibility. It is not merely a tax which justice *allows*; it is one which justice *demands*. It is not merely one which *ought* to be collected: it is

one which infallibly will be and is collected. It is not merely one which the state *ought* to see collected; it is one which, in the long run, the state *cannot prevent* from being collected. The state can change the particular landlord: it cannot abolish rent.

§ 4. **Landlords natural tax-gatherers.** It is quite true that some men do not pay ground rent to anyone else. But these are landlords, of the most highly developed type. A few of these men seem, at first glance, neither to pay nor receive ground rent. But this is an illusion. They do receive such rent, in the value which remains in their possession, in excess of what they would hold if they paid rent like other people. Moreover, such men almost invariably have either paid a price for the land on which they live (which is capitalized rent paid by them), or they hold land which cost them less than they could sell it for (which is capitalized rent gained by them), or they have done both.

Those who actually receive ground rent, or who could receive it if they would, form the class which we call "landlords." They are the tax-gatherers appointed by Nature. Year by year they assess the value of the privilege of occupying their land. They can do this, with an accuracy to which no government assessor can ever attain; because they receive, at least once a year, the best possible information as to this value, in the form of bids from tenants. They have only to announce their willingness to receive bids; and the bids come in. Nobody runs after the assessor, to tell him what property is worth. Everybody runs after the landlord, to tell him what his land is worth. Not that everybody tells him the truth; but he soon finds out

what is the truth, by comparing conflicting statements.

The landlord, we repeat, is Nature's elected tax-gatherer. But Nature does not compel him, any more than any other collector of taxes, to pay over to the state what he collects. This must be done by the state itself.

§ 5. **Taxation of ground rents.** Nature, having thus provided a method by which all men pay, of necessity, a tribute sufficient to defray all expenses of government, clearly points to the collection of such expenses from this tribute. We have already seen that Nature and Science condemn every other method of raising public revenue, by making equality and justice impossible under any such method. Do they not, with equal clearness and precision, point to the taxation of ground rents, as not merely a just method of raising revenue, but also as the *only* just one? Scientifically speaking, a tax upon ground rents is not a tax at all: it is merely the collection, by the state, of a tax already levied by an automatic process. If we call it a tax, it is a tax upon the proceeds of taxation, and nothing else. Until this source of revenue is exhausted, every other tax is double taxation. So long as this fund remains, every other tax is of necessity unjust, as truly as it would be unjust to squander the proceeds of any tax among a few favored officials and then levy the whole of the same tax over again upon the people. Seldom has there been a more beautiful illustration of the wise yet relentless working of natural law, than in the proved impossibility of justly collecting any tax other than upon ground rent. It shows that Nature makes it impossible to execute justly a statute which is in its

nature unjust. The propriety of an exclusive tax upon ground rents is established, not merely by affirmative proof of its justice, but by the demonstration of universal experience that no other form of taxation can be made effective, adequate, just, and equal.

§ 6. **No objectionable methods of collection.** The absolute soundness of the theory upon which the tax on ground rents is based is further established by the fact that its efficient collection requires no objectionable methods. Such a tax already exists in the United States; although it is covered up by a multitude of other taxes. We all know, by experience, that such a tax is entirely free from the oppressive and corrupting incidents of other taxes. It calls for no personal returns, no taxpayers' oaths, no exposure of private affairs. The collector of such a tax would not have the slightest excuse for inquisitorial proceedings, for the examination of private books, for entry into houses, for personal searches, or for asking a single question of the taxpayer. In fact, he would not pay the smallest attention to any statement which a taxpayer might make. Women and children would be taxed no more heavily than men. Trust estates would pay no more than others. There would be no exemptions, no favoritism, and no preference given, either to the rich or to the poor. Mistakes of course would occur; and the bribery of assessors would be possible. But those are an extremely small part of the evils of all existing methods of taxation; and some of the most monstrous inequalities are found where the assessors are absolutely incorruptible and thoroughly competent. All of these would disappear.

§ 7. **Assessment of ground rent practicable.** It is asserted by a few persons, who have given no careful consideration to the subject, that it is as difficult to assess accurately the value of the bare land, as it is to assess any other property. This objection will not bear the least examination.

Of course *absolute* accuracy is not to be expected in anything. It has not pleased God to make this world literally perfect, in any respect; and man cannot hope to be wiser than his Maker. But a close approach to accuracy is possible in taxing ground rents; and it is not possible in any other tax.

Where land is rented separately from its improvements, the tax can be collected with almost ideal accuracy. The tenant can be required to pay it, being allowed to deduct it from his rent. He will have no motive for understating the rent; and if he overstates it, the loss will be his own. Nothing but positive fraud on the part of the official assessor can produce inequality in this tax; and such fraud would be too dangerous to be common.

Where land and improvements are rented together, the value of the land alone is always approximately ascertainable. Real estate dealers in the district would have little difficulty in estimating the price at which any tract of land could readily be sold; and this would be the proper basis for assessment.

Where land is owned by the actual occupier, dealers can still easily estimate its market value. Titles to town lots are continually changing; thus fixing a standard of prices: while in rural districts there is much less variation in prices; and all the neighbors

know the relative value of each farm. Whatever inequalities might remain, it is certain that they would be vastly less than those which are now common.

§ 8. **Assessment of farm lands.** It has been asked: How can the unimproved value of farm lands be ascertained, after they have been cleared, ploughed, drained, and fertilized for many years? The answer is simple. The whole of a farm is to be assessed at the same value, per acre, which attaches to the unimproved land, remaining on the farm and having substantially the same natural advantages or disadvantages. It is next asked: How shall such an estimate be made, if the whole farm has been fully cultivated? There is no such farm, except a few very small ones, selected from larger farms; and in those cases the valuation can be made upon the basis of unimproved land on adjoining farms. It has been pretended that there are cases, in which there is no unimproved land nearby. But this is almost absurd. Yet if such a marvellous farm could be found, it is certain to be close to a highway. The price which could be obtained for the land covered by the highway, if closed and sold, would afford a perfect test of the value of all adjoining land.

But the best reply to all such objections is to be found in the practical experience of California, where this very method of assessment is carried out in agricultural districts, without difficulty, having been required by law, ever since 1879, and by the experience of Massachusetts, where the value of farm lands has been ascertained by the decennial census, for many years, carefully separating the value of improved lands from unimproved and unimprovable lands.

§ 9. Judicial correction of assessments. Under the present systems of taxation, it has been found necessary to allow appeals to the courts from some unjust assessments: while State boards of equalization in New York, Illinois, California, and other States put county valuations up or down, in order to remedy the evils caused by local carelessness or evasion. These remedies should be extended and placed upon a foundation of complete justice. The courts should be given full power to make local assessments uniform, reducing every assessment to the basis of the lowest in the county. The county would lose no revenue; for the tax rate would be increased to correspond with the general reduction. But citizens would be relieved from the gross injustice which many now suffer. At present, in New York, if not everywhere, a taxpayer can obtain no relief, unless his own property is overvalued. But an undervaluation of his neighbors is just as effectual an increase of his share of the general burden as would be an overvaluation of his own property. It would cast an offensive responsibility upon him, to give him relief only through a judgment increasing his neighbors' assessments; and such a course would produce no better result for the county than would a general reduction to one common basis. The State at large would take care of its interest in the matter, through the board of equalization.

§ 10. Correction by sales. If all other remedies failed, one would remain, which is far too dangerous for use under existing methods, but which would be quite safe under the new system. The owner of any real estate which was assessed for more than the real

value of the bare land, could refuse to pay the tax. Then his land would be offered for sale to the highest bidder, subject to the obligation of paying to the owner the appraised value of all improvements thereon, upon the principles already stated. The value could never be more than the cost of replacing the improvements, and it would often be much less; because costly buildings are frequently erected in situations where they are or become useless, and therefore of no value. To the full extent of their actual market value, however, the purchaser at a tax sale would be required to indemnify the owner. Such a sale would determine the precise value of the land, for the purposes of taxation.

Nor would such sales, however frequent they might be, work any hardship to the landowner. He would have a right to bid; and he would have great advantages over any other bidder. All the money paid in excess of the tax and the penalty would go directly into his pocket; and, therefore, he would be the only bidder not required to pay more than that sum. If the tax were really excessive no one would bid up to it; because the purchaser would be compelled to pay annually thereafter as large a tax as he was willing to bid at the sale. The tax sale, in short, would fix the valuation upon which future assessments would be made. Thus the ground rent (which, capitalized, constitutes the only value of any land) would be fully taxed; while the land-owner would have absolute security for the possession of the value of all his improvements, free of tax. But no such experiment would ever become really necessary.

§ 11. **Taxation of franchises and monopolies.** It

has been already mentioned that the professed defenders of farmers and other owners of small homesteads oppose the concentration of taxation upon ground rents, on the plea that this would exempt all franchises and monopolies, including railways, express companies, telegraphs, telephones, gas works, electric lighting works, oil-pipe lines, and the like. If this were the fact we may be sure that the shrewd managers of such monopolies, assisted as they are by the most sagacious and experienced advisers in the country, would have discovered it by this time. We may also be sure that the legislatures of two-thirds of the States, owned as they are, body and soul, by corporations of this precise class, would hasten to avow their conversion to the principle of taxing ground rents and to embody it in their statutes. The Senate of the United States would before now have passed any necessary amendment to the Constitution, by a two-third vote.

But do we see the slightest tendency in this direction? Is the proposal received with favor by the managers of a single great railway or telegraph or of any great monopoly? On the contrary, is it not notorious that they are unanimously and bitterly opposed to it?

These gentlemen are not deceived. They know well enough that their valuable franchises represent exclusive rights to the use of land, and that they neither have nor can have any exclusive rights to anything else, except to patent rights, which are very costly, and which last only for a few years.

§ 12. **Railway franchises.** Take one of our great railway lines, for example. Add up either the market value or the cost of replacing its rails, equipment, build-

ing improvements and chattels of every kind, whether movable or immovable, and at a most liberal valuation. The total will not come within millions of its nominal debt, and will never touch its capital stock. What gives value to the enormous amount of stock? The exclusive privilege of using a narrow strip of barren land, five hundred, a thousand, or two thousand miles long, unbroken by highways or any other rights over land, whether public or private. Under the present system railway managers persuade local assessors that this land should be valued no higher than equally barren land in adjoining farms; and the farmers' especial advocates insist that this is the true basis of valuation. But it is absurd.

The value of all land depends upon the value of the use which can be made of it. No farmer can use his land for the carriage of goods or passengers, beyond the limits of his own farm. If all the farmers between New York and San Francisco agreed to build a railway, without forming a railway corporation, they would be compelled to break their line at every highway, to dismount their passengers and to unload their freight. Therefore, nobody outside of a railway company can use his land for this most valuable purpose. And this privilege of using an unbroken strip of land, with locomotives running forty miles an hour, is all which gives to the stock of any American railway company its market value; while it generally covers from one-third to one-half of its bonds, in addition.

The notion that such privileges on land are to be appraised by the acre, like farm lands, can be readily tested by applying the same principle to any other land.

In great cities land is often sold at a price estimated by the square foot. Some lots, containing 2,000 square feet, are salable for \$200,000, or \$100 per foot. But if a single foot of this land were sold by itself, with the knowledge that no more could be had, who would give even one dollar for it, except as a means of blackmailing the owner of the rest? Just so, the value of a strip of land unbroken for a thousand miles, for use as a railway, is something immense; while the same land cut up in a thousand sections, never to be united, would be almost valueless. For purposes of transportation it would have no value whatever.

Again, the value of land depends upon the variety of uses to which it may lawfully be put. Steam railways, although very useful, are to some extent a nuisance. The government cannot permit them to be operated upon every tract of land. Consequently land owned by individuals is generally restricted to other uses; and it is therefore worth less than land owned by railway companies.

§ 13. Other franchises. The franchise of a telegraph company is of the same nature. It is absolutely nothing but an exclusive privilege to extend its wires over land. But this is a privilege of enormous value. The founders of the Western Union Telegraph Company have managed to sell this privilege to investors in its stock, for at least \$50,000,000.

The franchises of gas companies, electric light companies, steam heating companies, water works, and the like, consist so obviously of mere privileges to use unimproved land as to need no explanation. Street railroads, also, so palpably own no privileges, other

than the mere right to run over bare land, that it seems almost an insult to the understanding of any reader to explain the case. None of these corporations have any other franchises, than these rights over land. For these franchises, most of them have paid enormous bribes to legislators and aldermen. Upon these franchises they have issued vast amounts of stock and bonds. One such corporation, after purchasing all the rails, equipment, and other productions of human labor connected with the road, for about \$200,000, proceeded to issue \$8,000,000 of stock and bonds, upon its land privileges.

It will be said that there are general railway laws, so that anybody can construct a new rival line, and thus destroy the land values of an existing line. Whenever that can really be done, the truth of this theory is promptly proved, by the destruction of stock values in both corporations, as in the desperate struggle between the New York Central and the West Shore lines, in 1884. But this is only partially true. A rival line must run through towns and very near cities; or it can get little business. The aldermen of every city must be bought up; and as the old corporation will pay liberal bribes to induce the aldermen to do nothing, the new one must bring far more liberal considerations to bear upon our patriotic rulers. Nor is it merely a question of money. Bribery must be conducted decently and in order. Public sentiment must be judiciously worked up to support the scheme. It requires an immense amount of ingenious and well-directed effort to carry any such project into effect.

In the case of street railroads, telegraphic subways, gas works, and other privileges in cities, it is obvious

that the limit is soon reached; and even the liberality of a legislature or a board of aldermen cannot make room for many rival schemes of this kind. The streets cannot be torn up forever; although, in New York and Brooklyn, they do not fall much short of this. The limits imposed by nature are such that more than three-fourths of the whole market values of the stock and bonds of corporations, having these municipal privileges, consist of pure land values.

Under the present system, in most cases, all these enormous values go untaxed. The law of New York distinctly exempts franchises from taxation; although it is well settled that they would be taxable as "land" but for this legislative interference. Under the system here proposed all these values would be fairly taxed.

§ 14. **Can the rent tax be shifted?** While the Duke of Argyll and all his landlord allies rend the air with their denunciations of the proposed tax on rent, as confiscation and robbery, other opponents of the tax, appreciating the fact that tenants far outnumber landlords at the polls, devote their energy to proving that this tax would all be shifted upon tenants, by an increase of rent, so that landlords would finally pay none of it. If this were true, then no relief from the unequal distribution of wealth can be had; for all direct taxes would ultimately fall upon consumption, just as surely as do indirect taxes. In short, *no* tax would be really direct. The greatest benefit thus far held out, as the result of adopting an exclusive tax upon ground rent, would be unattainable under that or any other system.

On the other hand, if this doctrine is true, the indignation of the Duke of Argyll and all the great land-

lords of Great Britain and Ireland is absurdly misdirected. If they can recover this tax from their tenants, precisely as the importer of foreign goods recovers customs taxes from the purchasers of those goods, they will lose nothing by the change, and may even profit by it. It is very clear that the landlords do not believe a word of this doctrine of shifting taxation; for if they did they would look with indifference, if not with positive favor, upon the taxation of ground rents. So far from doing this, dukes, earls, and marquises are eagerly struggling in England for election as councilmen and aldermen, for the sole purpose of preventing the taxation of ground rents.

The weight of authority upon such a question is worthy of attention, although by no means decisive. Now, while a few respectable and sincere students of economic science hold to the doctrine of the transferability of the ground-rent tax to the tenants, no one will dispute that an overwhelming weight of authority, both in numbers and in reputation, scout that doctrine as absurd. Not only the entire school of Ricardo and Mill, but also nine-tenths or more of other economic writers make it a fundamental doctrine of their science that such a tax never can be transferred to tenants.

§ 15. **The question illustrated.** Let us, however, consider the question for ourselves, as if it were entirely new. The simplest way of testing it is to imagine that the tax was made heavy enough to absorb the whole rent. For, although this is impossible, it really makes no difference whether half or the whole of rent is taken by taxation, so long as the state is determined to take some fixed proportion of rent. Any good ac-

countant can satisfy himself that the result would be the same under either plan. But persons unaccustomed to figures could not follow any other calculation so easily as they can follow one based upon a tax equal to the whole rent.

Let us then suppose the "single tax unlimited" to be in operation. Let us suppose the total ground rent of the United States to be \$1,000,000,000. The total production of the nation does not exceed \$13,000,000,000 per annum. Out of this, 65,000,000 people have to draw their living expenses. Even if they had no ground rent and no taxes to pay they could not possibly save \$5,000,000,000 a year. But suppose they could. The landlords collect in rent \$1,000,000,000. The government takes the whole of this in taxes. The landlords then shift the tax upon the tenants, and insist upon collecting \$2,000,000,000 in rent. But the government next year taxes the whole of this increased sum out of the landlords. The landlords then raise their rent to \$3,000,000,000. But the government immediately takes the whole of that in taxes. The landlords raise their rent to \$4,000,000,000. The government again takes it all. They raise rent once more to \$5,000,000,000. Again it is all swallowed up in taxes. Will the landlords raise their rent again? How can they? They would by that time have taken every dollar that tenants earned, over the barest living; and if they attempted to extort another dollar, some tenant would die of starvation; and rents would fall, from lack of tenants. And as the government would have extracted the whole of their rent, they would have gained not a dollar by their persistent oppression of their tenants.

§ 16. **Distinction between land and houses.** It will be said that nothing of this kind could really be done by any government. Quite true; but that is simply because nothing of the kind could be done by landlords. Landlords know, to their cost, that it takes three or four years to enable them to recover from tenants even increased taxation upon *houses*; although they will recover it in the end. But, since it is difficult to recover a tax which tends to diminish the number of houses, how vastly more difficult must it be to recover a tax upon the value of land, which has no tendency whatever to diminish the amount of available land.

And here the reader can see the reason for the distinction. If owners of houses cannot recover from tenants the tax upon houses, nobody will build any more houses for renting. But the owner of land cannot create any more land, no matter how liberally he may be paid for it; and he cannot diminish the area of land, no matter how little he may receive for it. Every increase of taxation upon ground rents makes it more difficult to keep land out of use; and therefore it increases the competition between landlords to get tenants. Under a light tax upon ground rents, two tenants pursue one landlord. But under a heavy tax, two landlords pursue one tenant. If ground rents should be taxed even to half their amount, landlords without tenants would be compelled to sell at any price to other landlords who could get tenants. The tendency of all taxes upon ground rents, therefore, is to reduce rent, rather than to increase it; and this makes the very idea of a transfer of such taxes to the tenant utterly absurd.

A moment's reflection will satisfy everyone that landlords charge just as much for their land as they can possibly get, except in special cases of good nature, charity, or ignorance.* In all ordinary cases the only reason why they do not charge more is that they cannot find anybody able and willing to pay more. How can this condition be changed by taxes upon rent? It is not and it cannot be. The average landlord will charge the highest rent which he can get, tax or no tax. And, as no man will ever get more than he *can* get, no amount of tax upon ground rents will ever be shifted over to tenants by an increase of rents.

§ 17. Amount of the tax on rent. It does not follow that the state should compel the landlord to pay over all that he receives. If the state could and should do this, the landlord would cease to do his work; because he would receive no compensation for it. Natural laws again settle this question, by making such exact collection impossible. Not all the power of all governments, concentrated upon the landlords of a single town, could extract from them *precisely* one hundred per cent. of the rent received by them.

Nor does it follow that even ninety per cent. of rent ought to be taken. Where rents are large the retention

*This is universally true in the United States. In many parts of Europe, especially in England, agricultural rents are limited by custom and public opinion. In Ireland, they are often limited by law. But all that results from such restrictions is that rent is divided between two or more landlords. The mass of the people, who are the real, final tenants, gain nothing whatever. The farm-tenant either sub-lets the farm, at a higher rent, or he makes a larger profit out of the farm, without selling his produce any cheaper or paying a penny more wages to his laborers.

of ten or even five per cent. might be sufficient to induce landlords to follow up tenants and extract from them that just rent which everyone ought to pay. Where rents are small a commission of ten or even fifteen per cent. may be insufficient for this purpose. An iron rule is not a natural rule; and it will not work well.

What would Nature or Science dictate upon this point? Is it not that the state should collect from the natural tax collectors whatever amount the state really needs, for the effective but economical administration of government? Is it not better, in case there should remain any considerable excess over this, that it should remain in private hands, rather than it should be taken by the state, before the state officers know how to use it for the real benefit of the people at large? Grant, if you please, that there would be such surplus of rent as to breed wasteful luxury among landlords, is not this less injurious to the community than wholesale waste and embezzlement of public funds? Our whole national history illustrates the truth that surplus public revenues first corrupt public officers and then debauch the nation itself.

But in fact, in the long run, there will be no such question to decide. The honest needs of public government grow faster than population and fully as fast as wealth itself. Local taxation will increase rapidly; and it ought to do so. Such taxation increased in Ohio, for example, 1400 per cent. in forty years, between 1846 and 1886; while population increased only 100 per cent., and wealth 1,000 per cent. It is more likely that vigilance will be needed to prevent the taxation of

rent from rising too fast, than that it would be required to keep landlords from retaining too much. This does not imply that ground rent will not be sufficient to supply many, possibly all, of those additions to human happiness which Henry George has pictured in such glowing words. But such extensions of the sphere of government must take place gradually; or they will be ruinous failures, simply because the state cannot at once furnish the necessary machinery for their successful operation.

This natural tax might be adopted in one day, not only without injury to the nation, but with positive benefit to more than nine-tenths of all the people. But this would be strictly upon condition that the amount collected for public use should not at first exceed that which was previously collected. Indeed, it would be essential to the permanence of such taxation that public revenues should be at the beginning of the new system even smaller than they were immediately before. And we may be perfectly sure that they would be. A body of 4,000,000 taxpayers will take care of that.

§ 18. **New benefits shared with landlords.** There is, nevertheless, a certain element of truth underlying the idea that a rent-tax can be shifted. While it is not true that one dollar of the tax can be transferred to the tenant, in any case where rent is fixed upon strictly business principles, it is true that, in many places, and especially in rural districts of England, the owners of farm lands do not charge the full market value of the land to their tenants. Personal considerations, kindness of feeling, custom, long-continued relations between the families of the landlord and the tenant, public

opinion, tradition, the desire to control votes, and many similar influences keep rents below their market value. Under a system of taxation, concentrated upon rents, these influences would lose much of their power. Under a tax, deliberately raised to the highest practicable point, these influences would lose *all* of their power. Tenants would, therefore, find their rents increased to the full value of the land. Here would seem to be a real shifting of the tax.

But this would be only a seeming, not a reality. The tenants, who now receive the benefit of those influences, are in reality themselves landlords, to that extent. They divide economic rent with their landlords. They do not divide the rent, thus left in their pockets, with the community at large. They do not reduce the prices of their products or charge any less for their services. Many of them sub-let a part of the land to others, to whom they charge the full market price. The community, as a whole, pays just as much rent, when the duke allows the farmer to occupy land at 20 per cent. below its full value, as it does when the duke's creditors seize his land and make the farmer pay the last penny that the land is worth. The farmer sells wheat at the same price and pays to his laborers the same wages, in either case. But there is a good deal of difference in the style of his daughters' dresses and the length of his annual vacation.

There is another result which must follow, if the community gains in wealth and happiness, through this change in methods of taxation. Every advance in prosperity—every widespread increase in wealth, tends to increase rent. If it is true, as will be pres-

ently maintained, that this reform in taxation will stimulate production, increase wages, promote the development of industry, add to the profits of capital and reward the efforts of skill, then there will be a greatly increased demand for the locations which offer the best natural opportunities for the use of capital, labor and skill; and ground rents will rise. But this is not the shifting of an old burden; it is the sharing of a new benefit.