

These considerations make it clear that Governments are bound to take for Public Revenue the value of special services rendered and of special privileges granted by them. If this excess value is insufficient to defray the legitimate expenses of Government, and not till then, is there any necessity or justification for a levy upon the value of the common service which all citizens receive equally.

As long, therefore, as the annual value of special services and privileges suffices for the legitimate expenditure of Government, taxes are unnecessary and unjustifiable. In taking for its expenditure this annual value created by its own action, the Government does not deprive any citizen of any wealth which he has made, but takes for the service of the community values which the corporate work of the community creates.

§ 69. THE PRIMARY SOURCE OF PUBLIC REVENUE.—The primary source of public revenue, national or municipal, therefore, consists of the special services rendered and the special privileges granted by the Government to some persons to the exclusion of others. With the exception of special privileges created by customs taxation itself—the protective system—and which, therefore,

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would disappear with the cessation of such taxation, all the more important special privileges granted by Government consist of the right to own or exclusively use land of exceptional productivity, *i.e.* pastoral and agricultural land, mining land, building land, water frontages and water rights, railway and canal tracks and public streets.

The use of exceptionally valuable land cannot be granted to all men alike. This right, whether it is actually being exercised by the grantee or not, is, therefore, a special privilege. The value of this privilege is measured by the Annual Rental Value of the land to which it refers. The ownership of land is nothing else but the perpetual right of exclusive use, free of rent.

This same privilege of using exceptionally valuable land is granted by Government for definite periods, or for indefinite but terminable periods, or in perpetuity, to certain persons or bodies of persons, in order to enable them to supply certain commodities or industrial services to the community, which could not be supplied by them without the grant of such privileges. Every citizen can manufacture gas, electricity, pneumatic power or heat without receiving a special privilege to do so. These commodities, however, cannot be delivered to their consumers without the use of the public streets in ways which cannot be permitted to all persons alike. Hence, the manufacturers of such commodities are granted the special privilege so to use the public streets.

This same privilege is given to the purveyors of water or hydraulic power, and to them is also granted the special privilege of taking water from rivers or using water power. The latter privilege is also frequently granted to the manufacturers of electricity.

Tramways involve the exclusive privilege of using public streets for laying the track, and railways and canals cannot be constructed, without the special privilege of a continuous track, which continuity confers a special value upon the land on which the track is laid or from which it is excavated.

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The value of these special privileges (Franchises) is separable from the value of the capital employed in the industry to which they have been granted. It is a monopoly value, *i.e.* it is measured by the excess price which the grantees can charge for the services which they render, over and above the price which could be charged for the same, if these industries were exposed to the free competition which would arise if the same privileges could be granted to all citizens alike.

These same persons, owners or privileged users of valuable land, are also the recipients of the special services which Governments render free of charge. All Governmental activities, when beneficial, tend to increase the productiveness of every person's labour, and, in addition, create, maintain and increase the rental value of land, *i.e.* of the opportunity to labour. All citizens participate equally in the former result; the latter benefits the owners or privileged users of land alone. The former cannot benefit anyone, unless he himself labours; the latter benefits the owners or privileged users of land, whether they labour or not. They participate equally with every other citizen in the general result of Governmental services, and, in addition thereto, they receive the special service of maintenance of and increase in the value of land; a service which increases the tribute which other citizens are compelled to pay to them for permission to use land.

The services which the Government renders are continuous. The value of land does not arise from services rendered in the past, but from the expectation that similar services will be rendered in the future and will be rendered without charge.

If these services were discontinued, or if their discontinuance in the immediate future were assured, or if a charge were made for them, the value of all land would fall. If their direction were altered, the value of some land would fall, and the value of other land would rise. That such decline and increase has resulted from changing lines of traffic, from the removal of public offices or of the

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seat of Government, and from other similar changes is well known.

The value of land, therefore, depends upon the services which the Government is expected to render in the future free of any special charge to the owners or privileged users of land.

These services cannot be rendered without expenditure, and expenditure presupposes revenue. Any system of taxation raises this revenue regardless of the value of the service rendered by its