

pleasant hast thou been unto me; thy love to me was wonderful, passing the love of women."

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A SINGLETAX SUBSTITUTE FOR THE INCOME TAX.

Speech of Hon. Tom L. Johnson of Ohio, in the United States House of Representatives, January 30, 1894.

Mr. Chairman: I am for any kind of a direct tax in preference to any kind of a tariff tax. As I have said before, any tax on what men have is better than a tax on what men need; and so I am willing to support this income-tax bill. But I shall do so under protest and as a choice of evils.

As a measure for collecting revenue from income this is a very poor measure. The only thing about it that is not bad, is that it is not a bad companion to the tariff bill emanating from the same committee. It is marked by the same want of clear principle, the same indecision, and, if I may use the word, the same slouchiness. If you must have an income tax, the bill presented to the Ways and Means Committee by Mr. Thomas G. Shearman of New York, and which I have, at his request, laid before this House, is a much clearer and better one.

But since, to my regret, the time for our discussion of this question has been cut so short, I shall not take up the few minutes that have been accorded me with any discussion of the weakness of this bill as an income-tax measure. I prefer to take higher ground—that of objection to any income tax.

I am for any income tax as opposed to any tariff tax, for the reason that no income tax will enlist moneyed interests in opposition to its repeal, which any tariff tax inevitably does. I would gladly support any income tax, however bad, if offered as a substitute for the whole tariff. Not only would the country gain enormously and immediately from the freedom that would thus be given to production and exchange, but the great obstacle to further improvement would be removed. When we came to reform or abolish it we should find no powerful interests, representing millions filched annually from the masses, besieging Congress, filling the newspapers, and getting up petitions in the name of workingmen against reducing or abolishing such a beneficent tax.

But in itself, and for itself, and by itself, I am opposed to any income tax. I am opposed to any income tax, because all income taxes, even the best of them, are wrong and undemocratic in principle, because they involve another horde of official tax-eaters and require inquisitorial methods. It is better to tax men on what they have than on what they need, but in itself it is wrong to tax men on what they have. The true principle is to tax men,

not on what they have, but on what they have that belongs to all—to tax them, not in proportion to what they may have honestly earned or saved, but in proportion to the special advantages which they are suffered to enjoy. There is an enormous difference, a difference in kind, between what a man gets by his own exertions without any advantage over his fellows, and what a man gets by reason of special advantages accorded him over his fellows. This bill and all similar bills make no such discrimination.

But a discrimination is made in this bill—a discrimination as to the amount of income. The whole strength of the proposition depends on that. There is no one here who would venture to support for its own sake a bill which proposed to tax all incomes, or even all incomes above so small an amount as to bring the great body of his constituents under its provisions. The strength of this bill lies in its exemption of incomes up to \$4,000. It is not consistent in this, for it ruthlessly taxes, without any exemption, the little incomes of widows or orphans or aged people drawn from corporate stocks or bonds, but they are few and have but little political power. The great feature of the exemption is that it is purposely made high enough to exempt the great mass of voters. It is an attempt of the many to tax the few; of the majority to impose special burdens upon the minority, and that without any claim of right, without any assumption that there is any difference save amount in the incomes that are to be taxed and the incomes that are to be exempt.

Mr. Chairman, this is not democracy; it is communism! I am willing to accept communism for a while, as a relief from protectionism, which is a one-sided communism plus cant; but I shall not shut my eyes in doing so. The only clear principle in this bill is that the rich should be taxed *because* they are rich. If we admit this principle as right in itself, where shall we end? Such a road leads on to the social condition of those semi-barbarous countries where no one dare show any sign of the possession of wealth unless he heavily bribes government officials.

I protest as a Democrat and as a Democrat of Democrats, a Singletax man, against any discrimination against the rich, as I have protested and do protest and will protest against any discrimination against the poor. Democracy means justice or it means nothing. It means equal rights to all, and in this it means equal obligations on all.

Mr. Chairman, I am not arguing for the rich. I am arguing for the principle of equal rights. No one can see more clearly than we Singletaxers see that few can be rich, and none very rich, save by some unjust special privilege. No one knows better than we do that the great fortunes that have been and are being so rapidly accumulated in this country mean the appropriation of the fruits of

labor by those who do no labor. But the remedy is not by ignoring the equality of rights; it is by asserting that equality. It is by abolishing special privileges; and where that may not be done by taxing them. It is not by ignoring all distinction as to the source of income and jumping with shut eyes into communism!

You protectionists—you Republican protectionists and you Democratic protectionists—you are really but socialists, and that, socialists of the worst sort; for those who avow themselves socialists wish to have the state interfere with production and exchange for the purpose of improving the condition of the poor; but you want the state to interfere for the purpose of adding to the wealth of the rich.

You read political economy backward! You ignore its first and clearest principles. You assume that it is capital that employs labor, though the veriest child could tell you that capital could not be until labor was. You assume that it is from the store of the employer that the workman gets his wages, whereas if the workman did not render to the employer a greater value than his wages, and that in advance of receiving his wages, the employers of labor could not continue business, still less make a profit. You prate of preserving "our own home market," as if to the most ignorant woman who ever went marketing the goodness of a market did not consist in the abundance of sellers and the cheapness of goods, instead of in the scarcity of sellers and the dearness of goods. From first to last, you see things inverted, as though you stood on your heads and imagined the branches of the trees to be really their roots; and the sum and climax of your political economy is the assumption—agreed to even by the so-called Democratic members of the Ways and Means Committee—that the rich must be taken care of, so that *they* may take care of the poor.

This income-tax bill is a twin brother of the protectionist-tariff bill which Democratic protectionists, with the aid of Republican protectionists, have imposed on this House by the stifling of the real Democratic sentiment.

Having kept up by your unholy alliance the special privileges of the rich, to the continued robbery of the poor, you now propose to take from the rich a little for the relief of the poor!

*Mr. Johnson of Indiana.** Does the gentleman really think that the single tax on land values would be far better than any of these schemes?

Mr. Johnson of Ohio: Of course I do. [Laughter.]

Mr. Johnson of Indiana: I knew you did. I only wanted to bring out that fact.

Mr. Johnson of Ohio: I have only fifteen

minutes or I would give you a lecture on the single tax. [Laughter.]

*Mr. Hendrix.** Why does not the gentleman decorate this measure with an amendment embodying his own ideas?

Mr. Johnson of Ohio: That will come further on. My friend from California [Mr. Maguire] proposes to offer to this bill a Singletax amendment. There may not be many of us who will stand up to vote for it now, but those who do will be proud of it hereafter, and some of you gentlemen may regret that you were not in the number. [Laughter.]

Mr. Johnson of Indiana: Does not the gentleman think that that is the logical result to which the present course of the Democratic party leads?

Mr. Johnson of Ohio: I hope so; but I may be hoping for too much.

Mr. Johnson of Indiana: But does not the gentleman believe so? Does not the gentleman believe that that is going to be the position in which the Democratic party must ultimately land? That, having destroyed the protective system, they must find something else to take its place?

Mr. Johnson of Ohio: Mr. Chairman, I do not know whether the present Democratic party will adopt it or not, but I am absolutely sure that some party, a real democratic party, will espouse the cause of the Singletax, which is the only solution of the labor question, and I will be a member of that party. [Laughter and applause.]

Mr. Johnson of Indiana: I only wanted to develop the gentleman's position.

Mr. Johnson of Ohio: Well, you will have no difficulty in doing that. [Laughter.]

I will vote for your income-tax bill if I must, as I will vote for your tariff bill; but, as a Democrat, I protest against the one, as I protest against the other—as anti-Democratic measures, involving an insult to labor! Labor is not a poor weak thing that needs protection or that needs to ask the rich to pay its debts. Labor! it is the producer of all wealth. All that it needs is justice; equal rights to all. Give it that; abolish your special privileges, and labor can take care of itself. It is your people who do not labor that will need to be taken care of.

Nor is an income tax necessary. There is a better mode of direct taxation open to us—a far more effectual way of striking at great fortunes. That is by way of the direct tax, resorted to, beginning in 1798, three times already—that is to say, with every great financial exigency in our history.

There is in my mind more than a doubt of the constitutionality of the income tax reported by the Committee of Ways and Means. It is true

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*Joseph C. Hendrix, a Democratic member of the 53rd Congress, from Brooklyn, N. Y. Had been a writer on the New York Sun, and was postmaster of Brooklyn under appointment of President Cleveland from 1886 to 1890.

that the Supreme Court, under pressure of war necessities, drove a coach and four through the constitution and declared the income tax of 1861 constitutional. But the proposed tax differs from the income tax of 1861 in important details, and the Supreme Court, if disposed to—and it will be urged to this by the strong influence of aggregated wealth—can easily find good reason for declaring this measure unconstitutional. But the constitutionality of a direct tax, apportioned according to the population of the various States, is not open to question.

As to the substitution of the direct tax for the income tax, there will at once be made the objection that in proportion to their wealth it will fall far more heavily on the States of the West and South than on those of the North and East. We shall at once be told that Texas, with an estimated wealth of \$695,842,320, would under the direct tax have to pay only a little less than Massachusetts, with an estimated wealth of \$2,154,134,626; that Florida, with an estimated wealth of \$76,926,938, would have to pay a little more than New Hampshire, with an estimated wealth of \$252,722,016; that Washington, with an estimated wealth of \$124,795,449, would pay something more than Rhode Island, with an estimated wealth of \$321,764,503!

But the error in the conclusions drawn from these figures is seen at once when we note that this assumed valuation of real and personal property is made up largely of items that have no value in themselves, but are merely evidences of the ownership of things having value, or of obligations for the payment of value, such as stocks, bonds, promissory notes, and other evidences of indebtedness, titles to lands, buildings, and other improvements. The real things represented or called for by these documents, which so greatly swell the assumed valuations of the Northern and Eastern States, do not, in great part at least, really exist in those States; they in great part exist in or are called for from the Western and Southern States, which occupy to the North, the East, and Europe the relation of debtor to creditor, of tenant to landlord. Thus the great disproportion in assessed valuation would largely disappear on an estimate of the value of the things which the direct tax as heretofore imposed has been laid on; and the incidence of a direct tax apportioned in the constitutional way, according to population, while still unequal, would not show so glaringly unequal as these figures would make it appear.

Now, Congress has never yet committed the folly of attempting to tax mere evidences of value. The first tax, that of 1798, was levied upon "dwelling-houses, lands, and slaves." In 1813 it was levied upon "all lands, lots of ground, with their improvements, dwelling-houses, and slaves;" in 1861 upon "the value of all lands and lots of

ground, with their improvements, and dwelling-houses," with an exemption of \$500 to any individual who actually resides thereon.

While a tax upon the value of all lands and improvements, when apportioned among the States in proportion to population, might still appear unequal, there is an easy method of doing away with real inequality—that of striking out improvements and making the direct tax a tax on the value of land and lots alone.

Very much of the improvements of the South and West—for instance, practically all the railroads—are owned in the North and East and in Europe, and a still greater proportion of the land values.

Now, it is an accepted and indisputable principle of political economy, obvious to whoever will think of the matter, that any tax falling upon improvements must be borne by the users of the improvements. Thus a tax levied upon improvements must be paid by the residents of the State in which those improvements are located, no matter where the owners may be, for the residents of that State alone can be the users of those improvements.

But it is also an accepted and indisputable principle of political economy, obvious to whoever will think of the matter, that any tax on the value of land will not fall upon the user of the land, who must be a resident of the State; but upon the owner of the land, who may be—and to a very large extent in our West and South is—an absentee residing in the great Eastern cities or in Europe. Thus by striking out improvements in the direct tax and leaving it a tax upon the value of land alone we obtain a tax which, though apportioned to a State and collected in that State, is with regard to the South and West in large measure borne by absentee owners of the land of that State. Thus the seeming inequality is corrected. Texas might appear to pay a greater *pro rata* tax than Massachusetts, and Florida than Rhode Island, and Washington than New Hampshire; but this would be only seeming. Either in the shape of direct ownership or of mortgages an immense proportion of the land values of the South and West is really owned by residents of the North and East and of Europe, while the people of the South and West own practically nothing of the land values of the East and North.

Statistics on this subject are generally unreliable, but it is often assumed that the farmers of the United States pay half of the total taxation, local, municipal, State, and national, both for revenue and protection. Of land values the farmers own but a small proportion—probably not over 10 per cent. We must remember that more than one-half of the people of the United States own no land or interest in land whatever and are mere tenants. But to be entirely safe let

us assume that 20 per cent of land values is owned by farmers. A proposition to transfer the burden of taxation to a species of property of which they only own one-fifth would be greatly to their advantage when, under the present system, they are paying half of all the taxes.

Land value is greatest in the cities. Farmers own no land worth ten million dollars an acre. They have no valuable mineral rights and forest and water privileges, and of the value of the property they do hold by far the largest part is really the value of improvements. For, when we speak of a good farm being worth \$50 an acre, we are including the value of the clearing, draining, fencing, and buildings, a value that is due to the application of labor to the land. But when we speak of city land being worth \$10,000,000 an acre, we speak of the land alone, and have no reference to the value of the improvements on it. Now, a tax on the value of land exclusive of improvements, would exclude all the farmer's improvements, and if an exemption of \$2,000 of the value of land in the hands of the actual user were made it would relieve all small home-owners, and 95 per cent of all owning-farmers, from paying any of the tax, while the immense and constantly increasing non-land-owning class would be entirely exempt.

Understand me; I do not favor such an exemption in itself. We Singletaxers, who would put all taxes, national, State, county, and municipal, on the value of land, irrespective of improvements, ask for no exemptions for small holders. But in proposing this tax as a substitute for the income tax it is only fair to it that it should be put in the same form and given the same extraneous advantage. As between a tax on incomes without exemption and a tax on land values without exemption there is no question which the masses of our people and especially the masses of the West and South would prefer. If there is to be an exemption in income tax, then let us propose the same exemption in this direct tax, that the people may fairly choose between the two.

But it will be said you are proposing now what you objected to before. You declare the taxing of the few by the many to be undemocratic and unjust. Now, you are proposing another tax, that will fall only on the owners of valuable land, already but a minority of the people of this country, and that with the exemption will fall only on a very small minority, and they in greater part non-residents.

The difference, however, lies in this: In the income tax it is proposed to make no distinction as to the source of income. The only distinction is in amount. It is proposed to take the income of the man who has earned it by his exertion as fully as that of the man who has merely appropriated what belongs to the community.

In the direct tax that I advocate, and that my

friend, the gentleman from California [Mr. McGuire], will introduce, we will not take one penny from the earnings of labor or of capital. We call on no one for anything that the individual has added to the common wealth. We take for the use of the people what the people themselves have created. As a matter of equal rights, as a matter of common justice, we ought to take it all. Since we are not now going to take it all, but only some little portion, we have a right to discriminate by taking at first from those who have most profited by the injustice which robs the many for the benefit of the few.

Who created the land values of Texas, so largely owned in the East and in Europe? Who created the land values of Florida, a State which is said to be "owned" by half a dozen great millionaires living in the East? Who created the land values of Washington, whose forests, to say nothing of farm land and town sites, yield millions annually to the residents of great cities and European capitals? Was it not, is it not, the people resident in those States? What was the value of those lands before settlement began? What would it be if settlement were to disappear? Who give their enormous values to the land of New York city? What would be those land values if all but the land owners were to leave Manhattan Island?

No; in this simplification of the direct tax by striking out the value of improvements we will be recurring to the only true and just basis of taxation, to a tax which is only in form a tax, and which is in reality but a taking for the use of society what the growth of society has produced. And the effect of this mode of taxation may be readily seen. What will your income tax do to open avenues of employment to those now suffering from the want of employment? Nothing whatever but to create places for a few more tax gatherers. But even the little measure which I advocate in the direct tax would at once, and perceptibly in the new States, operate to check and choke speculation in land, to open to that great army now rapidly becoming chronic tramps the natural opportunities for the employment of their own labor, and to restore that state of things which prevailed in our West before the land had been so monopolized, when "want of work" had never been dreamed of.

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TOM L. JOHNSON.*

By Edmund Vance Cooke.

**A Man is fallen. Hail him, you
Who realize him stanch and strong and true.**

*This poem in its original form appeared for the first time in *The Public* of January 7, 1910, at the close of Mr. Johnson's last term as Mayor of Cleveland, and was republished in the same form in *The Public* of June 3, 1910, at the time of the banquet given to Mr. Johnson in New York, May 30, 1910, on which occasion the poem