

State service: an illustrated monthly magazine devoted to the ..., Volume 3
By James Malcolm

ARGUMENT AGAINST THE SINGLE TAX

State employee in a book on taxation in New York State
gives reasons why he is opposed to the theory of Henry George

The following article opposing the single tax is taken from a recent book by Frederick D. Bidwell of the State tax commission. Mr. Bidwell's book is entitled: "Taxation in New York State," and contains a great deal of valuable information for those who are interested in the history and development of taxation. The State Service magazine reproduces the part of the chapter on the single tax and prints also in the following article the appeal to the legislature of James R. Brown, president of the Manhattan single tax club in behalf of that system of taxation. These two articles, one in opposition and the one for, may be interesting to our readers who would know the arguments usually presented on both sides of the subject.— Editor.

HENRY GEORGE claims that man is a land animal and therefore cannot live without the use of the land, and that the land should belong to all of the people because of man being a land animal; that man can no more live without the use of the land than he can live without air and water. Therefore land should be as free as air and water. All will agree that man is a land animal, and that he cannot subsist without the products of the soil any more than he could live without free access of air and the use of water. But that is no argument against the private ownership of land. Mr. George says that the man who owns the land under our present system virtually owns those who must occupy land. He fails to recognize that man is a social as well as land animal, and that social conditions are as necessary for man in a state of society as the use of the land or the air and water.

For the sake of illustration we will suppose that land is the hub of the wheel of society. Man must draw his support from the land; that in his undeveloped state — in his tribal state, land was practically the only essential to his well-being; but when the division of labor was first adopted, then social progress commenced. It was when man evolved to that state of intelligence where he saw that a division of labor was better for his well-being, that the fisherman said to the rude boat-builder, "You build the boats and I will fish;" and these two said to a third: " You till the soil while one builds the boat and another fishes."

This division of labor continued to grow as man progressed intellectually and socially.

The growth has been long and continuous and each and every new invention had added to the wants of man, and has therefore become a necessity in the state of society that he now exists in. The greater the wants of society become the greater becomes the division of labor.

While land is the hub of the wheel of society, the various articles of value, that are desired by the individuals of society, form the other portions of the wheel. Transportation facilities, telephone and telegraph systems, machinery of all descriptions that is today used, great manufacturing plants, banks, in fact, the whole superstructure of society are the spokes, the felloes and tire of the wheel. Man in a state of society is just as dependent on these numerous other factors which have been designated the spokes, the felloes and tire of the wheel, as he is on land, the hub of the wheel. In a state of savagery the hub, or the land, would supply the wants of man, but not in a state of development. So there are many thousand lines of pursuits of trade and combinations of various interests that may be promoted by individuals, that can be of no more harm to society than any possible monopoly of land.

Henry George and his school of followers assert that a single tax on land or land values as they designate it cannot be shifted, but must be paid by the land owner. In this they are at variance with another school of land taxers led by Isaac Sherman, who contend that a single tax on land would be shifted from the land owner to the consumer and so be diffused throughout the community. The consensus of opinion favors the Henry George theory that a single tax on land or land values would stay put and could not be shifted.

The single taxers state that a single tax on land values would increase production. What the land needs to increase production is more fertilizers and not more taxes. The farmers will agree with this last statement.

The single taxers say that land values are community made values and what the community has made the community is entitled to and these should not go to the private land owners. But value is a social and not an individual phenomenon. Admitting that bare land receives its value through its social environment, we must also admit that the same social environment increases the demand for other commodities and so brings about an increase in value. Take a newspaper for instance. When published in a desert it is worth nothing; when published in a town it is worth something; but when published in a city it receives its maximum value. Is not a milk route more valuable in a city than in a village? The greater the demand for land the greater its value, but the same is true of everything else. How much value has a house in an out-of-the-way place where there is no demand for it? But the same house placed in a city where there is a demand for houses would have considerable value.

But land values do not always or necessarily increase. The single taxers pick out isolated instances and tell us that twenty, thirty or forty years ago Mr. So-and-So bought a piece of land for a song, a town or city grew up around it, and now he is immensely wealthy from an increased value of his land which the community has created. But where there is one case of this kind there are hundred if not thousands of cases where people have purchased land with the expectation of a rise in value, but it has not risen in value and after paying taxes and special assessments for a period of years they have lost and not made on their investments.

Street railroads would be exempt from taxation entirely under the new system of a single tax on land values for the land used by them in running their cars belongs to the municipalities. The same is true of the gas and electric light companies. Telephone and telegraph companies generally extend through the public streets and highways, and so could not be taxed for land which they did not own.

Finally city lots would be taxed under the system of a single tax on land values, but they are taxed already for all they will sell for and in many cases far beyond their selling value. Seven-elevenths of the farmers' wealth consisted of his land as, the 1910 United States census bulletin on agriculture for New York State shows. This bulletin gives the value of the farmers' land in New York State to be \$707,747,828 and the value of his buildings to be \$476,998,001. As the greater part of the farmers' wealth consists of the bare land it can be readily seen how injurious the single tax on land values would be to him. Contrary to the impression created by the single taxers that rich people are buying up the land, and that tenant farmers in New York State are increasing under the present system of taxation, this census bulletin shows that tenant farmers in New York State are decreasing. It states that during the past decade, from 1900 to 1910, the number of tenant farms in the State had fallen from 54,203 to 44,872, a decrease of 9,331 or 17 percent.

No wonder the farmers realize that the single tax on land values will ruin them. This system of taxation would result in the destruction of the one class above all others upon which our prosperity rests — the class of independent small farmers.

The system of the single tax on land values is opposed to social justice and the equality of taxation. Why is the man who has invested his hard earnings in land to be exposed to the danger of having part or all of his property taken away from him? When he invested his money in land it was on the basis of the accepted policy of social justice, that private property in land was to be treated like private property in other things. The vast majority of land owners are modest and numberless men in modest circumstances. Why should the selling value of their land be so diminished by

an act of government that a part or all of their property is confiscated? Does it not run counter to our very ideas of social justice and of equality of taxation? Of course, those who hold that there are no vested rights in land would brush aside this argument, but the common sense of most people is not yet ready to go to the length of accepting the bald proposition that the State has a right to take away a man's property without compensation.

The single tax is a proposal hundreds of years old, exploded every time it has been studied seriously, and now kept alive chiefly by funds contributed by enemies of true tax reform.

SINGLE TAXERS APPEAL TO LEGISLATURE

*They present reasons why the plan should be adopted to
raise public revenue — Declare the present system has failed*

By JAMES R. BROWN
President, Manhattan Single Tax Club

James R. Brown, president of the Manhattan single tax club, is an expert on the single tax. He has lectured on the subject all over the country and had the advantage of being long a personal friend of the late Henry George. This article was written as an appeal to the members of the legislature this year on account of the importance of the question of taxation at this session.— Editor.

AS never before the tax question is up, clamoring for adjustment. This year for State purposes over eighty million dollars must be raised. The budget of New York city will be about two hundred and fifty million dollars and other cities in proportion. With the loss of revenue, due to prohibition, the need of a better method of taxation is imperative.

Taxation is the most important thing in human affairs, and the vital thing in taxation is how we do it. Nothing makes for human happiness or misery, individually or collectively, in such a degree as our system of taxation. It is the omnipotent hand that opens or closes the door of opportunity.

Our present tax methods are one grand magnificent muddle — no business principle, no ethical principle, no economic law has any place in our application of the taxing power.

Every taxroll in this State is but a collection of guesses — a list of crimes of petit and grand larceny, a record of fines and penalties on business, production and thrift; while the sum total of the selling price or assessed value of the land, is but the capitalized value of the yearly premium we place upon idleness.

We do not deliberately commit all these follies, they grow out of our ignorance of what taxation is and how it should be applied. The brightest concept we now have of the vital function of raising taxation, is, we need so much revenue, we go out and grab it wherever we can find it, utterly disregarding services rendered or value received.

Every year we tinker our tax laws, and the tinkering job bids fair to hold out for many years to come, unless we adopt an honest, reasonable and sane method of charging citizens for public services.

To tax is to take. Taxation is payment for public services.

By public services we mean streets, sewers, lights, police, etc.

Public service should be paid for as all other services are paid for, according to the value of said services.

The value of your house, furniture, garage, auto, etc., is not and cannot be the measure of the value of public services.

To tax a man on the value of his house as payment for public services is just like charging a man for a suit of clothes by the value of his auto.

Taxing a man on the value of private services is simply taking private property for public use without compensation — in other words stealing by due process of law.

When a man builds, paints, or improves his house, he pays for those services to the painter and builder — why then should he be called to pay for those services a second time to the town that did not build or paint; in fact, rendered no service and delivered no goods?

To increase a man's assessment merely because he rendered a private service unto himself is, to say the least, unreasonable.

If your butcher, going past your house, noticed that you had painted or improved your house, went back to his shop and sent you a bill for twenty pounds of steak that he had not delivered, and did not intend to deliver, you would say he was both a fool and a

crook — then in the name of common sense why should the town do such a foolish and dishonest thing?

The value of public services is only measured by what is commonly known as land value — but which is not the value of land but is the value of government — that is public services.

The land along a street not graded, without sewer, far from a fire station, far from schools will be very cheap.

As soon as the street is graded, paved, sewered, lighted, supplied with fire department services, etc., the value of the land begins to climb and it will climb up at least to the full cost of such improvement.

The selling price or assessed value of land is simply the part of what should be the yearly tax that we fail to collect, capitalized.

The selling or assessed value of land pays no taxes. This statement will be a great surprise to most assessors.

If I own a lot the gross ground rent of which is \$75 per year — the tax amounts to \$25, leaving me net rent amounting to \$50. I will ask \$1,000 as selling price, because \$50 is 5 percent on \$1,000. If the tax was \$50, leaving me \$25 net rent, I could only ask \$500 as \$25 is 5 percent on \$500 or \$25 capitalized. Increase the tax to \$75, the selling price would disappear, though not the value for use or gross rent. I would simply be unable to sell any taxes that were not collected, for the good and sufficient reason that the town collected all its public service value.

Now reverse the action and don't levy any tax at all on my lot value, but leave all the gross rent in my possession — what would the selling price be? Would it not be \$1,500, for is not \$75 five percent on \$1,500?

You see how it is that the less you tax land values, the higher the selling price of the land. On any labor product the reverse is true, the less the tax the cheaper the goods.

The selling price of land is an embargo on capital and labor, and is, combined with taxes upon improvements, the reason why capital invested in real estate pays such poor returns.

Professor Bastable of the Dublin university said:

As land is sought for revenue, what lowers its revenue lowers its selling price, and therefore a land tax falls altogether on the possessor at the time of its imposition. Subsequent acquirers take the land subject to the burden and pay a lower price in consequence."

No part of the tax upon land values can be added to the gross rent. This truth of economics is admitted by all economists, and is perhaps the only fact of economics upon which they all agree.

Professor Seligman of Columbia university says:

The incidence of the ground tax is on the landlord. He has no means of shifting it; for, if the tax were to be suddenly abolished, he would, nevertheless, be able to extort the same rent, since the ground rent is fixed solely by the demand of the occupiers. . . . The point is so universally accepted as to require no further discussion.

However the economic reason that land value tax cannot be shifted is the land is fixed in quantity and taxes upon land values instead of driving land out of use, and making it artificially scarce and dear, will encourage it into use, by creating a demand for land users among land owners.

The important thing about taxation is the incidence, and the difference in effect between taxes upon land value, and taxes upon labor or capital value, constitute the great and most vital truth of economics.

Taxes upon labor and capital values restrict production — increase the cost of living — lessen the employment of labor and capital — strangle trade and commerce, give us poverty instead of plenty.

If we do not tax or take land value for social purposes, it becomes a premium on idleness or a payment to the speculator to hold land out of use — thereby making land artificially scarce — artificially dear — raising rent — increasing the cost of living, and worst of all, closing the door of opportunity on labor and capital.

Our present fool method drives out of use enormous areas of valuable land — We fill our cities with vacant lots or lots with old ramshackles on them — we increase our tax burdens by a senseless expansion of area — and we punish every one who does a sane and useful thing in the way of production. We have made it in many instances more profitable to hold land idle than to use it.

Under the fell influence of the artificial boosting of the value of land, the door of

opportunity closes, capital wastes and the worker starves because we have driven a wedge of boosted land value between labor and capital on the one hand and *land*, without which there can be no production at all, on the other hand.

The remedy lies not in charity, prayers, religion, anarchy, socialism or bolshevism, but in the proper use of the taxing power of the people.

By taxing or taking public value for public use we lessen the cost of living, thru the removal of burdensome and unjust taxes that rest upon production, and by taxing land values we pry open to the free use of labor and capital the boundless resources of this earth.

Professor J. B. Clark of Columbia university said years ago:

As the creator, not of the substance of the earth, but of the value residing in it, the State has a producer's right to use and dispose of its product.

Our difficulty in raising revenue lies not in any economic law, nor in the nature of man himself, but in our failure to understand economic law and the dual nature of man. Man is an individual animal and also a social animal — his individual activities produce private property — his social activities produce public property or land value. A just tax law will not violate the rights of private property, nor will it violate thru failure to collect the right of the social organism to social or public property. Proceeding along these lines, revenue in abundance will be found and that without taking one cent of private property for public purposes, thru taxes upon incomes, personal property, or improvements upon land.

New York city has uncollected taxes amounting to \$250,000,000 per annum, which is capitalized at \$5,000,000,000, and appears upon tax rolls as the assessed value of land.

Every dollar expended for public purposes is at once registered in increased land values; and should be regarded as a deposit of funds in a bank and drawn when required for public expenditures: Acting on this, the burden of taxation would fall where benefits of government are conferred.