

CHAPTER III

COMPARATIVE CLASSIFICATION OF THE SOURCES OF SOCIAL REVENUE

A COMPARISON of the most important sources from which revenue may be derived permits their classification with reference to the principles of Adam Smith. Unfortunately, neither Smith nor Mill has arranged such a comparative scale of taxable property. As the preceding review, however, has closely followed their thought, it is not unreasonable to believe, had any such scale been prepared by either, that it would not have differed materially from the one presented. Passages from their works have been cited in support of such a position. Apart, however, from discussion of the relative merits of other sources of revenue, they both give the first place in justice and equality to unimproved land rentals.

SOURCES OF PUBLIC REVENUE IN ORDER OF EQUITY AND ECONOMY

- I. Direct taxes on ground-rents, or on the annual value of unimproved land.
- II. Direct taxes on the rent of real estate, or on the rent of land and improvements combined.
- III. Direct taxes on the rent of improvements: houses, buildings, plants, and so forth.
- IV. Direct taxes in any form not included in the above: inheritance, income, and so forth.
- V. Indirect taxes on consumption for revenue: import and excise duties, octroi, stamps.
- VI. Indirect protective taxes of whatever nature: tariff-weapon, balance of trade, protection of industry, labour, and so forth.

The word "tax" is used in reference to many functions of an impost which, in any proper sense of the word, are not taxes at all. That which constitutes a good tax, in the legitimate sense, is the ability of the measure to satisfy the fiscal needs of the society justly and inexpensively. A tax, as a tax, neither has nor should have any other

purpose. In so far as its qualifications for the production of revenue are subordinated to other functions does it become an imposition, supported by the powers of the State subject to manipulation in connexion with interests coming under its influence.

Here occurs a significant question in connexion with fiscal methods; one to which little attention has been paid, either by economists or in the practical application of fiscal systems. The question is: If a certain source of social revenue is recognized as the best of all sources, to what extent should that source be used in supplying the social needs? If, for example, experience and recognized opinion unite in demonstrating the income tax to be the best and fairest of taxes, to what extent should social revenue be raised from incomes? If the assessment of individual income is the best and least expensive method of raising 5 per cent of the social requirements, why is not this same method the best for raising 10 per cent? But, if best for 10 per cent, why not for one half or the whole? If any given source is the best from which to derive 5 per cent of social needs, it seems the best from which to derive the entire amount required; the amount derived not affecting the source, which must apparently remain the best until exhausted.

Or again, if any given tax produces a certain quantity of revenue in the best and fairest manner, the question arises, to what extent should the resources of the tax be used? Should but 5 per cent of its revenue-producing capacity be employed for social purposes, and the remainder of the revenue raised by less advantageous means? Should but 10 per cent of its capacity be used? It is evident that a train of thought analogous to the preceding is suggested; and that, if a tax produces a given percentage of social revenue in the best manner, no other tax could meet the social requirements as well until this best of sources is exploited. Not 5 nor 50 per cent of the possibilities of such a tax, therefore, should be realized before other sources are touched; but 100 per cent of its powers should apparently be used by the society before other methods are adopted. If the best source is incapable of supplying the entire needs of the society, this best of sources should first be exhausted when the next best method should be determined and exhausted in turn.

To what conclusions these considerations lead, is evident. Ground-rents, of the annual values of unimproved land, are, in the opinion of the two greatest economic thinkers, the best sources from which a society may derive its revenue. In actual practice, the rent of unimproved

land presents many advantages over other methods of supplying such revenue. The question is, then, whether social revenue would not be most satisfactorily derived entirely from unimproved land values? Or, if these values are insufficient to produce the entire revenue, whether this best of sources should not be used as far as possible before others are touched? A science of fiscal method, if there is ever to be such a thing in human affairs, would seem to consist in the classification of the chief sources of social revenue, in reference to justice and fiscal advantage alone, and the adoption and exhaustion of the best available in succession.

A more or less familiar fiscal policy is here suggested. It is known as the "Taxation of Land Values," "The Single Tax," or "l'Impôt Unique" of the French writers of the seventeenth and eighteenth centuries. This policy first appeared some hundreds of years ago in the works of that body of men in France known as the Economists or the Physiocrats, and is associated with the names of Quesnay, Turgot, Le Trosne, Dupont de Nemours and others. It has been familiar in England for years, and in America is chiefly associated with the names of Henry George and T. G. Shearman.

The suggestion of deriving the entire social revenue from the value of unimproved land is radical; and whatever advantages it may possess from an economic or academic point of view should never outweigh the disadvantages with which it might be involved from other points of view. For reasons presented, however, the subject seems worthy discussion; the evident theoretic advantages presented are so great that it may be of interest to weigh these in relation to some of the many questions and objections which any such policy may involve. In application, difficulties, objections, and disadvantages crowd upon the mind in great numbers.

The first question is, naturally, whether the annual undeveloped value of land may be considered great enough to bear the burden of the administrative expenses of a nation. The attention then turns to the changes, desirable or the reverse, to be expected or feared from so radical a modification of accepted methods. The effects of such a system upon social and industrial conditions are suggested, together with its effects upon labour, capital, railways, money, franchises, and corporate wealth. Can the State justly impose such burdens upon property, protected and regarded as individual wealth for generations? The effects of such a system upon trade, markets, and international relations, progressive

society in its various aspects, and upon social, municipal, and jurisprudential problems are but few of the questions arising in the study of such fundamental change of existing systems.

The third portion of the present inquiry is devoted to the discussion of these and allied problems. As that form of wealth represented in unimproved values seems due to natural causes, the revenue derived from it has been regarded as the natural revenue, and the problems suggested are reviewed under the title of "The Natural Tax."