

CHAPTER VI.

THE SINGLE TAX CONTRASTED WITH THE BALANCE LAND TAX.

AT the risk of some little repetition, it may be well to endeavour to make the Single Tax method clearer by comparing its provisions with those of a now familiar standard, the Balance Land Tax Act of 1891:

THE SINGLE TAX

1. Would not be levied upon any improvements, however large they might be.
2. Would be levied at a uniform rate, and without exemption, upon all properties, irrespective of size.
3. Would treat the mortgagee in precisely the same way as the owner, *i.e.*, it would consider him as being part owner of the *improvements* as well as of the *land*.
4. Would fall upon the land of the absentee owner at the same rate as on that of a resident.

Note.—While this is so, the absentee would derive very little benefit from the remission of other taxes. The Single Tax would therefore act automatically and equitably, to the benefit of those owners who throw in their lot entirely with the colony.

THE BALANCE TAX

1. Is levied upon all improvements which exceed £3,000 in value.
2. Is not levied at all upon any owner possessing less than £500 worth of land. A similar amount is deducted from all owners possessing less than £1,500 worth of land.
3. A progressively lessening deduction is made between £1,500 and £2,500, till at the latter figure the deduction becomes nil. Note.—The last item states that no *deduction* is allowed to owners of more than £2,500 worth, and the next one states that no *graduation* is imposed until £5,000 is reached. It is worth noting that between these limits (provided the improvements do not reach £3,000) all properties are taxed upon precisely the same assessment basis as that which the Single Taxers propose, *viz.*

1. No tax on improvements
2. No exemption
3. No graduation
4. And no absentee tax.

Upon values above £5,000 the *graduated* tax is imposed. Above £30,000 the two taxes rise to 50 percent above the penny tax. Above £90,000 they amount to double. The increase then goes on until it reaches $2\frac{3}{4}$ times as much.

In estates under £5,000 it falls upon the mortgagee, as if his money was lent upon

the *land* only, and not upon the *improvements*.

The *graduated* tax is imposed upon an owner "absent from or resident out of the colony for a period of three years or over," with an arbitrary addition of 20 per cent.

CHAPTER VII.

THE SINGLE TAX CONTRASTED WITH LAND NATIONALISATION.

A GREAT many people show how little they grasp the method of Single Taxers when they speak of them as Land Nationalises. It is quite true that the advocates of the two systems of reform have the same ultimate object in view, viz., the abolition of the private monopoly of ground rent, and its appropriation to the public benefit. But while the *object* aimed at is identical, the *methods* proposed are widely different, and the resulting conditions would present considerable contrast. The Land Nationalises seek to reach it by inducing the State to *acquire* the whole of the landed estate and to assume the functions of supreme *landowner*.

It cannot be too clearly stated that Single Taxers do not propose to *acquire* any land, or to interfere in any way with the titles of the present owners. Their scheme, therefore, does not, as Land Nationalisation would, involve any violent wrench to the systems of ownership transfer, or management now in vogue. It would not result in the retrograde step of denying a freehold to the many existing working proprietors; but would, on the contrary, extend its benefits, in the shape of security and certainty, to nearly all the existing tenants, by inducing landlords to sell to them.

But apart from this advantage, Single Taxers claim that their plan of actual working is much simpler — is, indeed, simplicity itself. They assert that so far from creating further officialism — as Land Nationalisation certainly would — it could be worked with a much smaller number of officers than is required under the present mixed system of taxation. They therefore contend that, being freer from official regulation, it would in actual working avoid most of the delay, uncertainty, partiality, and consequent liability to corruption, which are involved in any scheme of Land Nationalisation. If we compare the two proposals in parallel columns, we shall see that while

THE SINGLE TAX

LAND NATIONALISATION

1. Does not contemplate the acquisition of any land by the State. Proposes to acquire all land.

2. Leaves all land titles in the possession of *individuals*, now and therefore requires that landlords, working in the future, and therefore leaves to proprietor's, and tenants, should all become tenants them the secure enjoyment of the land, their power to sell or let it, and beneficial effects of ownership in the case of their right to bequeath it. This would do away with the land, probably lead to a great increase in security under which they now work, are universally the number of freeholders, by admitted to be the most efficient of producers. It inducing most landlords to sell out to would reduce them to the undesirable position of their tenants. This would result in tenants.

more efficient production, by eliminating elements of insecurity. Prescribes State ownership, and therefore involves State management or agency in such matters as the

3. *In* leaving the ownership of land to be decided, as at present, by sale, lease, or bequest, it necessarily leaves the management and agency also to the owners. following:—

(a) In determining the size and boundaries of holdings.

(b) In deciding who shall occupy each holding.

(c) In fixing the rent from time to time.

(d) In settling conditions of tenancy.

(e) In controlling the cultivation, to some extent, in order to prevent the impoverishment of the land.

(f) In assessing the value of improvements as between an outgoing and an incoming tenant.

Involves a similar levy, under the name of rent, upon all the State tenants. But as these would be *tenants* and not *owners*, several additional and complicating features are involved. A tenant who was dissatisfied with a change in his rent must be allowed to throw up his tenancy. This might bring into operation most of the six difficulties detailed in the previous paragraph. Much loss of time and temper would occur in invoking the aid of officials, and the cost involved might be considerable. If Party Government was in existence, Heaven help the honest man to escape the net of wire-pulling partisans

CHAPTER VIII.

"TAX" IS NOT A STRICTLY CORRECT TERM.

THE preceding part of this pamphlet has been devoted to an explanation, positive, negative, and by contrast, of what the Single Tax proposals are, and of what they are not. It is now necessary to show that the *nature* of the demand proposed to be made upon all landowners is not similar to that of an ordinary tax.

As a preliminary to this argument it will be desirable to show the present *position* of the ground-rent fund, which it is proposed to take for the purposes of public revenue. This fund is now in complete existence; part of it is paid by the tenants to the landlords, while the remainder is received in another form by owners who use their own land. In the former case, it may sometimes form part of a payment which includes the use of buildings or other improvements, and it may be paid at different intervals in different cases. But in either case, the fact remains that rent is paid for the use of bare ground by every tenant to his landlord *now*. It is, therefore, not a new charge so far as tenants are concerned, and the only change proposed is to divert the fund from *private* to *public* hands.

The position as regards the landowners is different. They have inherited or bought the fee-simple of their land, and are not legally subject to any annual payment to anyone as a condition of retaining its use. They are, therefore, entitled either to use it themselves, to let it to tenants, or to sell it. The annual value may rise or fall, but they cannot *be* called upon to refund to anyone if it rises, and they cannot make a demand upon anyone if it falls. The demand proposed to be made upon the landowner — to pass on the annual ground rent to the community — would, therefore, be an entirely new one. The equity, or otherwise, of making such an innovation will be argued later on, and it is only desired at the moment to make clear the position of the fund and the demand upon it.

Having disposed of these facts regarding the *position*, the course is clear for arguing that the ground-rent payment, by whomsoever made, is different in its *nature* from a *tax*.

Look, first, at the popular idea and the popular attitude with regard to the two payments. It will be seen at once that they are viewed quite differently. It is true that everyone would like to pay less of either, just as he would like to pay less for his food and clothing; but for the ground rent which he pays he has a feeling of having received value for his money. He has no sense of having been placed at any disadvantage as compared with his tenant neighbours. If he has paid more than some of them, he is able to feel that he has occupied a piece of ground which he values at that much more than theirs. He is, therefore, in a comparative sense, content with his bargain.

Not so with his taxes, however. The very word indicates the imposition of a burden — the extracting of something. With regard to them a man nearly always feels both that they are too large in amount, and that he pays more than his fair share of them. But it will be necessary to look deeper than popular impressions and attitudes. In doing so it will be apparent that ground rent is a measure of *value*. It is the amount which a man is willing annually to pay for a certain piece of ground rather than take some other piece which is so poor, or so remote, that he can get it for a mere peppercorn rent. He believes that his industry, carried on upon this particular spot, will be worth that much in *excess* to him every year beyond what it would be if exercised upon the less favoured site. He is, therefore, satisfied that in having made such a bargain he has entered into a reasonable business transaction. If he pays more rent it is because his profits are correspondingly more, without any increase of exertion. He feels that he is, for this reason, on a par with his neighbours, and is, therefore, not disposed to complain.

But as he has only agreed to pay the equivalent of the *excess* value attaching to labour carried on at a particular spot, it can scarcely be affirmed that he has consented to part with any of the produce of his labour. Nor can this be affirmed in the case of any of the neighbouring tenants, or of more distant or less favourably situated tenants; for if the

investigation is carried far enough afield it will reach the tenants who sit, practically, rent free. Those who pay no rent cannot, as a matter of course, be said to suffer a deduction from the produce of their industry. Their industry is less efficient, but it suffers no actual deduction. Their condition may therefore be taken as the standard one; their industry may be said to be exercised at the zero point; they receive no *excess* value over and above the bare value of their labour. To make assurance doubly sure, retrace these steps, and follow up the rent scale again. It will be noticed that none of the tenants pays away in ground rent any part of the produce of his industry, because, as has been shown, he only parts with the *excess* value which that industry acquires by reason of the advantages of his location having added efficiency to it. This is obviously his view of the case, seeing that if he did suffer such a deduction he would speedily give up his tenancy, and go further afield, where he could retain the whole. The higgling of the market is constantly and everywhere regulating the ratio of *rental value* on the basis of the *supply* of land in relation to the *demand* for it.

Next as to the statement that a tax *does* constitute a deduction from the produce of the payer's industry. This will be shown most simply and directly by first considering the case of the tenant who sits practically rent free. Directly a demand for any tax is made upon a man so situated, it amounts to a demand for a part of the produce of his industry. This is so because he has no *other* source from which to pay it. No equivalent advantage comes to him in connection with the imposition of the tax, such as comes to any of his rent-paying neighbours in return for their ground rent. Taxes are not optional payments, and the payer mostly disapproves of some of the objects for which they are imposed. As for the other objects on which they are spent, some do not benefit the payer at all, while from the remainder the benefit is very doubtful as compared with that which arises from the optional use of land which will be under his own control. This being so with the man who sits rent free, it is the same for rent payers. It has been shown that when they pay ground rent they part with only the *excess* value which has been added to their industry. It follows that when the tax is imposed upon them, it must come out of what is left after their rent is paid, *i.e.*, out of the normal

produce of their industry. Thus, a tax forms part of every man's comparatively unprofitable expenditure, and goes in reduction of the balance from which it is possible for him to make savings.

The position is, therefore, made clear to be this — that ground rent is a payment *in exchange*; whilst taxation is *expenditure*, and is mainly an addition to the cost of existence. It must therefore follow that the taking of ground rent for the purpose of public revenue, and the remission of all existing taxes, would have the effect of causing the wheels to run more smoothly. The remission of all taxation would remove the friction now caused by the constant dissatisfaction felt with the various taxes and the mode of levying and collecting them. The two systems are so diverse in their operation, that it may fairly be asserted that the word *tax* does not convey a correct idea of that proposed by Single Taxers.

CHAPTER IX.

A NEW PRINCIPLE IS EMBODIED IN THE PROPOSAL.

IT having been asserted that the word *tax* is not strictly applicable to the plan of deriving public revenue from ground rent, it will be necessary to explain more fully the principle which underlies it. It has been shown that the payment of ground rent by a man does not involve any deduction from the proceeds of his industry, while the payment of taxation does do so. Such a deduction amounts to a *sacrifice* on his part, and, indeed, the idea of sacrifice is inseparable from our present systems of taxation. Hence we talk of "equality of sacrifice," and in this Colony we have been diligently taught for some years that the taxation should be "put upon those who are best able to bear it." By all means, if a *sacrifice* is to be asked from the people, let each one bear it according to his *ability*. There is an evident sound of fairness about such a doctrine. But even a good watchword will not suffice to neutralise the radical defect of our present system. It is evident that a sacrifice of part of everyone's earnings is now demanded, and this constitutes a *tax* on *industry* and a *discouragement* to *thrift*.

But it is time that we outgrew such crude methods, and Single Taxers say that we *can* do so, and they emphatically state that *no sacrifice*, need for the future be asked of any citizen in order to carry on public services. They say that no deduction need be made from either the current *industry* or the *savings* of any citizen; they contend that the poorer people of a country are more interested, if possible, than the well-to-do in hastening the only reform which can produce such a change; that they are more interested than any others, if they could but see it, in ensuring the *universal* adoption of this principle, and in seeing that it is carried out in its *purest form*, *i.e.*, free from all such pauperising and vote-catching devices as *exemptions* and *deductions*. These latter would then become the traditions of a reign of injustice; of an era in which mercy and philanthropy, falsely so called, were grudgingly substituted for that justice which would have kept all things right.

What, then, is the opposite principle which has been hinted at? A fitting phrase to describe it needs coining, but it may be briefly described as "payment in proportion to opportunity enjoyed."

Take an illustration to explain the meaning of this. If a man is allowed by the community to occupy a corner site in a leading thoroughfare for his business — a fertile holding near a railway station or on the banks of a navigable water for his farm — or a salubrious plot commanding a fine view for his residence — the "opportunity enjoyed" by him of producing wealth or enjoying comfort is a *superior* one. Should he not make to the community which allows it a "payment in proportion" to the "opportunity" enjoyed? And would this be asking him to make a sacrifice? Certainly not!

And if, as time wore on, the leading thoroughfare became more busy if some part of the fertile holding became desirable for building purposes, and, as a consequence, other parts became available for more profitable cultivation in the form of vegetables, fruits, and flowers—or if there were many persons willing to give a higher annual payment for the residential site — should the owner not be called upon for a "payment in proportion" to the *improved* "opportunity enjoyed" by him, provided that he wishes to continue to enjoy it? And would this be asking him to make a *sacrifice*? Most emphatically not!

Or would either of these demands be equivalent to what we now call taxing him? Would it take any part of his earnings or savings? Certainly not! His income would be enhanced before a greater demand would be made. His payment would be analogous to the buying of stamps for postage, or of tickets for a railway journey. They are one and all payments for services rendered to, or for opportunities enjoyed by, him. The change which has come about is the arrival of a larger community to purchase his wares — to make it possible for him to find a market for things which are more profitable to cultivate than his former crops — to bring greater conveniences in the shape of transit facilities, refinement, and recreation, within easy reach of his dwelling. The members of the community have, in effect, come to his gate *to receive* his produce, and thus to save him the time formerly occupied *in*

carrying it to them. They have offered to buy a more valuable class of produce if he would turn his energies in that direction. "The ball is at his foot" by reason of the community having *brought* it there.

These would all be free gifts to him if he did not pay an equivalent price for them to the community. Such benefits have not come to him spontaneously, but are the products of busy hands and brains. If he gets the advantages for nothing, it must follow that others will fall correspondingly short of receiving the full reward of their industry; they would thus be making a sacrifice for his advantage. His annual payment for these benefits, therefore, cannot be described as a sacrifice; he prefers remaining to enjoy them, and, as a consequence, pays the equivalent of their value. He would pay the sum quite readily if it represented the hire of a labour-saving machine or of an improved means of public transit. Obviously, then, it is an equitable principle, alike to the land user and to the community as a whole, that the occupation of this particular land should only be permitted in exchange for an equivalent annual payment. There is mutuality in it, and any other conditions on either side would be unfair. As long as every *other* user makes a return to the community equivalent to the value of the land which he occupies, the *first man* has no ground of complaint against anyone.

But if there is still a doubt lingering in any mind, then look at it from another point of view by means of an analogy. Suppose that in setting up housekeeping a man buys furniture for three rooms — he does not complain that he has *sacrificed* his money. If he subsequently adds a room to the house, and furnishes it, he does not say that he has made a further sacrifice. Of course, he does not. These transactions are *fair exchanges* and the "payment in proportion to opportunity enjoyed" by each occupier of land is on the same footing. They all give equal satisfaction to both parties to the respective bargains, and they cause no *sacrifice* to either; each party is ready to repeat the same again, upon occasion. They all enjoy, and pay an equivalent for, some of the superior advantages which can be obtained by the members of a community, and which can never be realised by isolated families.

It is probable that everyone would agree to this proposition regarding rent as long as it was understood to apply only to a *tenant*. They would say that if he used *any* land it would be right in the first place that he should pay *rent* for it, and that if it was *public* land it would be right in the second place that he should pay it *to the community*. But the general contention would be that if he rented the land from an *individual* the latter should be entitled to keep the rent for his private use. Similarly, that where an owner used his own land he should not be called upon to pay rent to the community. People generally would say that ownership entitled the owner not only to the free *use* of his land, but to the *ground rent* which he could derive from it if he chose to let it.

This is where Single Taxers diverge from the ordinary belief. They say that every user of land, without exception, whether tenant or owner, should pay the full ground rent annually to the community. They cannot acknowledge the equity of exempting the owner from this obligation to make an annual payment. This must be read in conjunction with the previous statement that Single Taxers *support freehold tenure*, but the argument for its justice will not be dwelt upon here, but will be taken up later on. The only contention here made is that "payment in proportion to opportunity enjoyed" is the correct principle to guide the raising of public revenue; that a man should not be taxed upon his *income* or his *savings*, but upon the *opportunity* which is allowed to him.

The complaint is frequently made against the Single Tax scheme that it would put all the burden of taxation upon one class of the community — viz., the landowners — and that the rest would pay nothing. Enough has probably been written to show that this is an unfounded statement, but it may be well to point out its origin. It has, no doubt, arisen from looking no deeper than the surface. There is a half truth in the statement which appears to give sanction to it. It is quite true that only the landowners would walk into the post-office and lay down the cash. The fallacy lies in the assumption that what they would part with is a portion of the proceeds of their own labour and skill. That which they would lay down is a payment for the use of a piece of ground to which the

presence of the community had attached a special value. They would get an equivalent for the payment just as surely as the purchaser of a railway ticket does when he takes the journey, whether it be long or short, for which he has paid the fare.

The whole arrangement, under the proposed system, works out to the reasonable satisfaction of everyone without demanding any sacrifice of earnings. It is very difficult at first to believe that such a reform is possible. We all feel that something is not right now, but a vague sense of hopelessness has almost benumbed us into despair of ever finding a solution to our troubles. Clear-headed men, however, having boundless faith in the efficacy of right principles, have thought out the matter for us. Henry George, without question, stands forth as the leading expounder of this most complete scheme of economic reconstruction. It is one that is worthy of the respectful consideration of every statesman, every politician, and every elector.

CHAPTER X.

THE CHANGE, AND WHY IT IS DESIRED, STATED BRIEFLY.

THE change desired is the transfer from landowners to the community of the receipt, or enjoyment, of ground rent; a process which may be described as the "nationalisation of ground rent." It is believed that this fund would provide all necessary colonial and local revenue, and that all existing taxes and rates might, as a consequence, be abolished.

The reasons for desiring this change are two in number: 1st. That the use of land, by every owner, should be annually paid for to the community. This is in order to remove land from the category of income-producing investments, so that the owner could derive *no other income* from it than that which arose from his *personal use* of it. 2nd. That the selling value of land should be destroyed. This is for the purpose of protecting intending owners from having to pay any premium before they commence a useful occupation of land. The purchase of an unimproved section would cost them nothing; an improved one would cost them the price for which they could bargain to buy the improvements from the existing owner. It is also intended by this means to free land from the domination of owners who don't use it. This would allow settlement to proceed along natural lines, and would largely prevent the existing frequent obstruction of public improvements which are desired by the community.

Single Taxers believe that the realisation of these objects would settle the whole difficulty usually referred to as "The Land Question."