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THE ETHICS OF TAXATION DISCUSSED BY A FARMER *

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Does our System of Levying Taxes Apportion the Burden of Taxation among Citizens in Proportion to the Benefits They Derive from Its Expenditure. The Question Answered by One Who Has Given the Subject Much Careful Thought

I THINK it will be generally admitted that the man who improves a farm, builds a barn or house on it, drains it, or plants an orchard on it; or in a city or town, builds a factory, store or residence on a vacant lot, is doing a service to the public as well as to himself.



E. C. Drury

Wealth, that is those things that increase the efficiency and happiness of life, comes, it is true, from the land in one form or another, but from the land improved, not unimproved. The savage covers, shivering and hungry, in his wigwam, in the midst of unimproved land, which could yield many times over, all he could possibly need, had he the industry or knowledge necessary to improve it. He who improves land, creates wealth, not only for himself, but for the whole community. All our national wealth and all the advantages of civilization have their origin either directly or indirectly, in the improvement, the use of land. Yet, how do our laws reward the improver of land? By inflicting on him a heavier burden of taxation.

IN A NEW SETTLEMENT

Let us illustrate. Here is a school section of 4,000 acres in, say, New Ontario. Let us suppose the land is worth, when the section is opened for settlement, \$5 an acre. Of the 4,000 acres 2,000 are held by actual settlers, and 2,000 by absentees who are holding the land for speculation purposes. There are 20 settlers, each holding 100 acres of land, originally worth \$500. The settlers proceed to improve their land. They build houses and barns, clear, drain and fence the farms, each putting \$1,000 worth of improvements on their farms. Their investment is now \$1,500 each, \$500 in land, and \$1,000 in improvements.

But meantime their industry has made the section more desirable as a place of settlement. The value of land has risen. Unimproved land is now worth \$10 an acre, instead of the original \$5. Each hundred acres held by a settler is, on this basis, worth \$1,000. The rise of land values, due to the enterprise and industry of the settlers, has increased the value of their investment by 100% per cent., while the investment of the speculator has increased 100 per cent., for which he has done absolutely nothing, nay more, he has

*Mr. Drury, the writer of this article, is a farmer who believes that the day is past when a farmer's interests are best served by his own line fences. National Farmers are demanding the farmer's attention. One of the most important questions, Mr. Drury discusses in this article, is the question of the farmer's interest in the article adjoining, which we take from the Farmers' Magazine.

been a hindrance and a clog to his industrious neighbors.

REAPING WITHOUT SOWING

But now a school must be built. Fifty hundred dollars is required for this purpose. The land and improvements under our present system, are assessed to raise the money required. On this basis the 20 settlers each holding 100 acres, valued at \$2,000, each are taxed \$50 for this purpose. The 20 speculators are taxed \$25 apiece. But the

Three Kind Friends

ACCORD the slower sweet its place,
The proven friend of soil and kine,
The proven servant of our race—
A precious gift divine.

And let the plains the kison tread,
A Red Man roamed so long.

Be turned to golden corn fields broad—
Signs of a new race strong.

And may a wealth of roots abound,
Throughout our fair domain!

Where'er these three kind friends are found
Their fruit follows in their train.

The farmstead dot with flocks and herds,
On pastures green to roam;

And make the whole make sweet the words,
"Our farm is farm and home."

'Twill prove a present meed,
And leave a heritage secure,
To mark a worthy deed.

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thriftlessness and speculative cunning. One would think that the activity of the land-speculator was that most valued by the state, and must be encouraged, while that of the land-improver must be discouraged. Nothing more grotesque or foolish could be found in the entire kingdom of Popsytryrdom.

Nor can this system be defended on the ground that it taxes men according to their wealth. Quite as often, perhaps oftener than not, it exempts the wealthy and taxes the poor. That land is improved does not necessarily mean that its owner is rich. Quite generally, improvements are made with borrowed capital, while unimproved land is held by the rich as an investment for their surplus money. There might, of course, be individual instances where the introduction of the only sensible system, that of exempting improvements and taxing land values only, would result in a poor man paying a larger share on his unimproved land than he now does, but in general it would undoubtedly be found that more often it would result in the rich man paying a fairer share on his idle holdings. The best that can be said for the present system is that it is a survival of a past age of ignorance, unscientific and inefficient and that in its operation it discourages all good citizenship, and encourages all bad. It surely is not ideal.

EXAMINE THE INDIRECT TAX

But if this can be said of our present system of direct taxation, what shall we say of our system of indirect taxation, by customs tariff? That surely does not discourage industry! Do not its advocates claim that its effect is quite the reverse, that it encourages industry, gives employment to the working-man and raises wages? Does it not keep money at home, and protect us all from devastating deluges of cheap foreign goods? Let us see how much truth there is in these claims.

The direct effects of a customs tax are: First, it raises the price of imported goods by the amount of the tax, the rise in price going into the public coffers through the customs' house, and second, it effects a similar rise in the price of all home-produced goods of the same class as those imported, the rise in price going into the pockets of the producers. Thus it collects two taxes, one for the public and one for certain private individuals. It is this portion of the tax which it is claimed is such an encouragement to industry and enterprise. Let us see how it works out.

The private tax-collected by a customs tariff has several effects. First, it may so raise the price of certain products not normally produced in the country, that it becomes profitable to produce them. O Joy! A new industry is established, and workmen are employed. But this means a loss of wealth to the community instead of a gain. The same men and money employed in other natural forms of industry would produce more wealth than in this more or less artificial one. In the good old days, before the Interests laid their deadly grapple on both political parties, we used to be told that by means of a high enough protec-

WE EXEMPT SPECULATIVE CUNNING

It may be said that this is an extreme instance. I am not at all sure that it would be extreme in very many of our pioneer sections. But, granted, that it is, the principle illustrated holds good, not only in pioneer farming settlements, but in older localities and in towns and cities. We tax industry, skill and foresight. We exempt idleness,