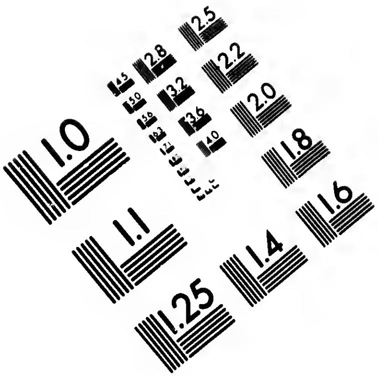

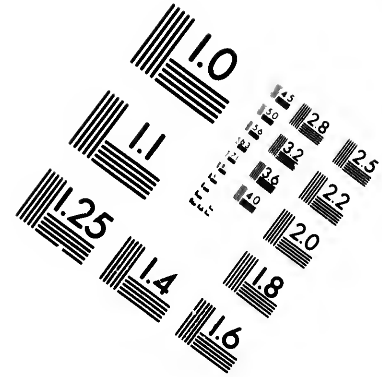

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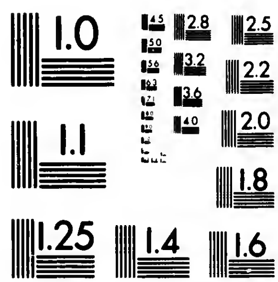

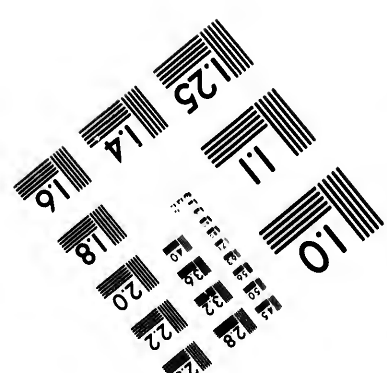

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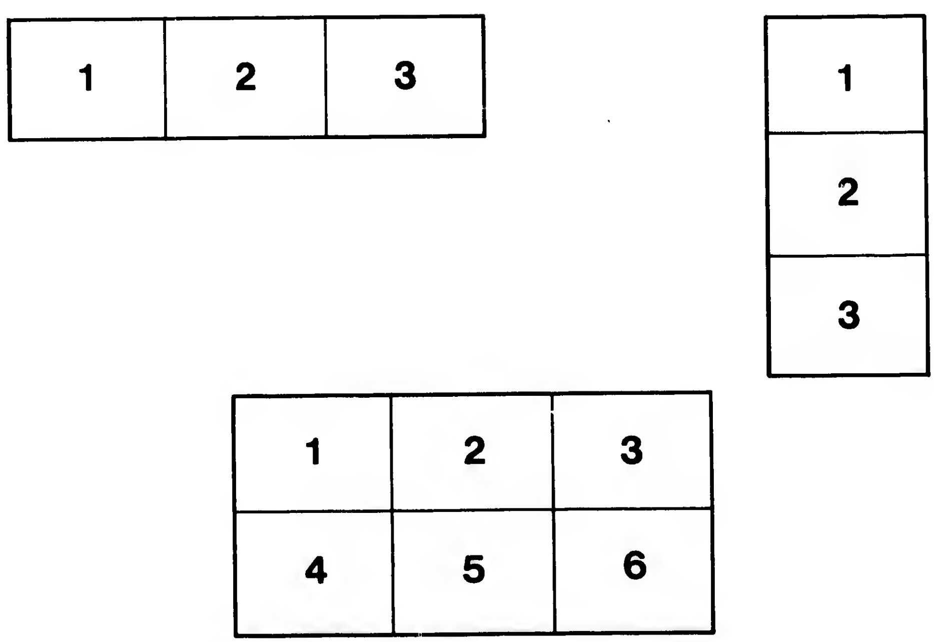

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PRINCIPLES

OF

Civic Taxation

ADVOCATED BY

F. H. BELL, Esq.,

HALIFAX, N. S.

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I.—The Problem.

There is no subject which more interests every person in business than that of taxation, none perhaps which occasions more discussion, and yet there is none the principles of which are less apprehended. The subject of taxation by the City of Halifax has been a burning one for some years past. The question is of the first importance, especially to a mercantile community. All taxation is a necessary evil, and it is the interest of all persons that it should be as light as possible. But the mode of taxation, and the principles by which it is regulated, make all the difference to a community in these days of close and widely extended competition between ~~one of small importance. The tax rate of none of our cities is exorbitant~~, success and failure. Compared with the question of upon what principles a system of taxation is founded, the amount of taxation actually levied is one of small importance. The tax rate of none of our cities is exhorbitant, compared with that of cities of smaller size elsewhere, and they are all well enough able to bear their burden considered collectively. But the burden may be so placed as to bear with most unjust even crushing weight upon some parts of the community, and if such is the case the community as a whole must suffer. The weight which a man can carry with ease upon his shoulders may bring him to an absolute standstill if tied to his foot. And similarly a burden of taxation that could be borne with ease if adjusted upon sound principles may be so adjusted as to be an almost insurmountable handicap to a community.

If there is any one thing in this world which should be conclusively settled by the combined teachings of experience and of reason it is the question of Civic and Municipal Taxation. The experience of Europe, and particularly of Great Britain, the experience of state after state and city after city in the United States, and the writings of every political economist of any note who has given attention to the subject, all point to the same conclusion. And yet to the great majority of the people of each municipality and city in which the agitation for reform is started the question comes up as a brand new thing, and the reformers are accused of seeking something strange and unheard of. Such is the accusation made against the Tax Reformers in Halifax at the present time, and yet they ask nothing more than to have the law changed to conform to what it has been in all the cities of Great Britain for half a century, to what it has been in Montreal

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and Quebec for nearly as long, to the general satisfaction of those communities, and to what has been recommended by numerous Tax Commissions in the United States. The problem to be discussed can be stated very briefly.

The reform of which the Tax Reformers in Halifax propose is to abolish the taxation on personal property, and substitute for it a system of business licenses and occupation taxes, both based on real estate values.

The City of Halifax requires to raise for purposes other than those connected with the Water Department a yearly sum (in round numbers) of $355,000. This sum it has to raise in chief part by assessments on the property of its citizens.

The law governing this assessment was until 1895 as follows:—It provides that "the assessment shall be rated on the owners of real and personal property by an equal dollar rate upon the value of such real and personal property within the city, whether such real and personal property shall be possessed, occupied or owned by individuals, or by any joint stock company or corporation, and whether owned by parties resident or absent, according to the best knowledge and discretion of the board of City Assessors.

"Under the term personal property shall be included all household furniture, moneys, goods, chattels, wares, merchandize and effects, wheresoever situate within the city, owned by any citizen, company or corporation, and all ships and vessels shall be assessed at half their value. * * The term personal property shall also inclulde all moneys belonging to the inhabitants of the city invested in public or private securities within the city, and all bullion and coin of gold and silver, all Dominion notes, and notes of solvent banks in the province or elsewhere, which may be in the possession and the property of any citizen, or in the custody of a bank or other party, except money deposited on deposit receipt, shall be considered as his moneys and be assessed accordingly." Money lent on mortgage is exempt and so also is stock in any incorporated company doing business within the city and "taxed on its capital or in respect of its profits or income." Partnership property is to be assessed to the firm.

By an amendment of 1895, stocks in trade are thereafter to be assessed at three-fourths of their value, and ships one-fourth.

Put in a nutshell, the ruling idea of the city tax law is that all property within the city, real and personal, shall contribute equally to the support of the city's burdens. "And what could be fairer?" asks the upholder of the present law. Two men each have $10,000, one invests his money in real estate within the City of Halifax, the other in personal property in some of its many forms—a stock of goods for trading purposes, let us say,—why should the one form of property pay taxes and the other escape entirely? Personalty has to be protected at the city's expense from thieves and fire; why should it ask realty to bear its burdens for it? What justice is there in allowing a wealthy man who does not happen to own real estate to wholly escape taxation? These are the questions that most naturally and inevitably occur to some minds when the proposition is made to abolish all taxation on personal property. It is incumbent upon the reformers to meet such questions, and to show why the taxation of personal property is unjust, inexpedient and impractical, and then to show by what means, if it is abolished, the deficiency in the city's revenue can be made up by some better and juster system.

II.—The Test of Practice.

James Mill, father of John Stuart Mill, and himself a famous writer on philosophical and economical subjects, used to wax wroth over the common saying that a thing was "good in theory, but bad in practice," because, he said, the best possible proof that a thing was unsound in theory was that it was unworkable in practice. Before undertaking any inquiry into the soundness theoretically of the taxation of personal property for municipal purposes it will be useful to see how it works in practice. If we find it works very badly it will be time to see if we can account for the defectivenesss in practice by showing an unsoundness in theory.

One prime requirement respecting a tax system is: Does it reach all the things it is supposed to reach? Does it tax all the property and persons it is intended to tax? If it does not, and much property and many persons escape, it cannot be other than unfair and unjust. It is easy to apply this test to Halifax.

It is a statement which will hardly be disputed that in a community such as Halifax the value of the personal property is at least equal to that of the real estate. There is no way of making an exact or an approximate calculation of the value of the personal property. But when, in addition to all the property in such visible shape as furniture and stocks in trade, we consider the number of persons, who, while not owning any real estate, own personal property in some form or another, the sums on deposit in our banks and the amount invested in our numerous joint stock companies, we do not think the statement will be disputed that the personal property within the City of Halifax is worth as much as the real estate. It is, in fact, a thing generally accepted among writers on economic subjects, that the personalty of any community equals or exceeds in value the real estate. Prof. Seligman of Columbia College, New York, says (Political Science Quarterly, March, 1890):—"In our modern civilization the value of personal property far exceeds that of real estate. For personal property does not denote merely moveable objects, it includes money, public obligations, and the vast mass of intangible property represented by securities of corporations, of which only a small portion are certificates of ownership in realty. Above all, personal property includes the entire and ever increasing annual products of agriculture and industry—the gigantic mass of modern wealth devoted mainly to consumption, but existing as the stock in trade of individuals. Even in our most western commonwealths, where the communities are still mainly agricultural, it is an acknowledged fact that the personalty exceeds the realty. The Auditor of the State of Washington tells us that if a true valuation could be reached, it is 'clear and incontestable that the wealth of the territory in personal property, for the purpose of taxation, would largely predominate over that of real state.' And if this is true of the far West, how much greater must be the relative proportion of personalty in the busy marts of the East." Another well known authority on economic subjects, Mr. Thomas G. Shearman of New York, says:—"Long study of all accessible statistics has convinced the writer that the average market value of improved land, irrespective of improvements, is almost exactly equal to the value of all improvements affixed to it, that the value of actual visible chattels is about the same, and that the value of unimproved land is about half as much. In other words, dividing saleable property into seven equal parts, land would represent three-sevenths, improvements on land two-sevenths, and chattels two-sevenths." When to these "actual visible chattels" is added the enormous mass of "invisible" chattels, such as money on deposit in banks, and investments in stock and other securities, which are supposed to be taxed by our law, it is clear that we are within the mark in stating that the personal property in this city equals in value the real estate. All of this personal property is supposed to be taxed by our law, and consequently the value of personal property returned by the assessors should be equal to that of the real estate. But actual returns are very much otherwise. The value of real estate returned for assessment in the current year [1895] is $15,795,810, that of personal property only $5,003,650. Consequently there must be some ten millions of the latter which should be assessed, but is not, throwing its burden upon the rest of personalty and real estate. There is no doubt that this is the case. There must be a goodly proportion of that amount on deposit in the different banks in the city—all expressly made assessable by the law, but not one copper of which is reached by the assessors. Tried by this first test, that of efficiency, our existing law is found overwhelmingly defective.

Most obviously there is something very wrong with a tax system which pretends to tax all personalty property, but only succeeds in reaching one-third of it.

The upholders of the system will perhaps, at any rate if they have not given any study to the question of taxation in other countries, say that the remedy is to enforce the law—assess all the property that escapes. We will deal more at length with that answer further on. For the present it is enough to say, a statement which will not be challenged by any one in the slightest degree familiar with the subject, that the history of taxation in the United States for the past quarter of a century has been nothing but an incessant attempt by most rigorous and inquisitorial laws, and equally rigorous inspection, to reach all personal property, and everywhere the attempt has been nothing but a most conspicuous failure.

But when we examine further into the result of the attempt to assess personalty in this city, we discover another fact—that in one respect it is vastly more successful than it is in any other, and that one the very respect in which taxation is hardest to bear, and in which excessive taxation can do the most injury to the community as a whole. Of the five millions of personalty discovered by the assessors, nearly four millions consisted of goods held by persons in business for the purposes of their trade or as a manufacturing plant. In 1891 (and there has been no material change since then), an examination of the assessors' returns disclosed the fact, that of the total amount collected from personalty in the city, fifty business firms, principally engaged in wholesale trade and manufactures, contributed nearly one-half, twenty contributed one-fourth, and ten firms actually paid one-fifth. All the other people in the city, all the large and numerous retail establishments, all the commission houses doing so large a share of the city's trade, all household furniture, all the people of wealth combined, only paid one-half of the amount collected from personal property. The other half fell upon the wholesale and manufacturing business of the city. No further or strong proof is required, that these trades are bearing a most unfair and unjust share of the burden of taxation.

Now if there is any part of the community less able than another to bear taxation, and the undue taxation of which will work disastrously to the community as a whole, it is the wholesale trade and manufactures of a city. But the discussion of this point must be reserved for our next article.

III.—The Goose that Lays the Golden Egg.

Last issue we showed that the wholesale and manufacturing business of Halifax were being most unfairly over-assessed in respect of personal property, they bearing no less than one-half of the total taxation on personalty. Of course it is easy to see why this is the case. The assessors can "get at" their personal property, at the rest of personalty they cannot. No diligence on the part of an assessor can discover the amount of money a man has deposited in a bank, and if he did discover it the only effect of trying to tax it would be to drive it to some more hospitable and rational city. It is impossible to get at a man's investments in stock and other securities. But the goods of a wholesale merchant cannot be concealed, and the assessors pounce down upon them, make a guess at their value, and tax them on that.

We said last issue that if there was any one thing which should not be taxed, and the taxation of which would do more harm to a community than another, it was the wholesale and manufacturing trades of a city. It is worth while to dwell on this a little because we believe misconception and want of thought on that point have much to do with the opposition to Reform. The average man is apt to think the retail trade of a place just as important as the wholesale. One sells by bigger lots than the other, that is all. He is apt to think of the wholesaler as being a richer man than the retailer, doing a bigger business, and therefore reasons that if there should be any discrimination it should be rather in favor of the retailer that the wholesaler. One of our City Fathers actually said, "If the wholesale people don't like our taxes, let them go somewhere else. We can do without them better than they can do without us," and no doubt he spoke the minds of numbers. And yet, paradoxical as it may seem, the wholesale trade is far less able to bear taxation than the retail, and if there is to be any discrimination it should be in favor of the former, and not of the latter.

What makes a city—what causes a multitude of people to draw together at that one spot on the face of the earth? Nothing but wholesale trade and manufactures—the trades that do business beyond the limits of the city—that deal with the outer world and bring some portion of its wealth into the community. All the other businesses in the community, important though they be, and no matter how money-making they may be to the individuals engaged in them, are nothing but the machinery for distributing the wealth brought into the community by the wholesalers and manufacturers. If those last were to be destroyed, every other business in the place would instantly shrivel up like an autumn leaf.

Suppose some huge manufacturing concern, employing thousands of workmen, such as one of the great ship-building concerns on the Clyde, or the American Watch Company at Waltham, or Lever Brothers' mammoth Sunlight Soap works at Birkenhead, were for some reason to locate at some out-of-the-way spot in Nova Scotia. A city would immediately spring up round the works. The workmen would require houses to live in. There would be mechanics of all sorts, shops of every description, places of amusement, churches, professional men. For every one person employed directly about the works there would probably be one or more engaged in some occupation not connected with them. And yet every dollar of money circulating in the place would come from the big works, and if they were removed, the town would disappear as quickly as it arose. If anyone thinks this is a fancy sketch, let him read the history of some of the abandoned mining towns of the Western States. They owed their existence to the discovery of the mines. While these flourished they grew apace—stores, theatres, churches, hotels, every branch of business and industry found a place in them. The mines ceased to pay and the towns died as suddenly as if the plague had smitten them. Johannesburg and Kimberley, the new cities of South Africa, have grown up entirely in consequence of the gold and diamond mines; and if these failed, would vanish as quickly as they have sprung up. There are whole communities in the world dependent upon the one industry in which they have something to supply the world at large. Turk's Island in the West Indies is one such. It is a busy place, with a population of about five thousand people, fairly well to do and comfortable, among whom are to be found representatives of almost every calling. And yet the whole place is absolutely dependent upon one industry prosecuted by some half-dozen firms, that, namely, of making and exporting salt. If that business were for any cause to be rendered unprofitable Turk's Island would not be long in becoming a deserted rock once more. To pursue the last illustration a little further, Turk's Island has keen competitors among the other Bahama Islands in the salt trade, and prices have to be cut very fine. Suppose our assessment law, which so many uphold as so eminently fair and reasonable, were put in force there. There would be no difficulty in enforcing it. The principal wealth of the place lies all about in huge white heaps, open and exposed, the easiest mark imaginable for the assessor. But the very first attempt to saddle it with the one-and-a-half per cent. imposition which our Halifax wholesale merchants are called upon to pay upon all of their goods that the assessors can find would drive the salt merchants into bankruptcy, close up the salt pans, or hand over the trade to their competitors, and make the island a desert. The variety and multiplicity of our employments in Halifax prevent us seeing as clearly as in such an illustration as this the all-important function of wholesale trade and manufactures in this or any other community, and the evil consequences sure to flow from unfair and excessive taxation upon them. But there is no difference. It is only its manufactures and its trade with the world beyond its own limits that make the difference between Halifax and Chezzetcook. All our civic life and industry centre in these and depend upon them; and if our worthy alderman could see his suggestion carried out and the wholesaler driven out of the city, there would soon be no city left behind them.

We can now see why taxation affects the wholesale trade and the retail so differently. In one sense it makes very little difference what taxation you impose upon the latter. So long as you taxed all retail grocers or bakers or dry goods dealers in the city equally in proportion to the value of their stock or the volume of their trade (supposing such a thing to be possible) it would not make much difference what the rate of taxation was. As they have only to compete against one another, they would have no difficulty in making their customers pay the tax in the prices of the goods. But the wholesalers and the manufacturers have to compete with the world, and if they are subject to any tax to which their competitors are not subject they must bear the loss themselves, they cannot add it to the price of the goods; the wholesale trade of the place will languish and the whole community suffer in consequence. This is no suppositious case. It actuallly has happened; here is one illustration. Says Prof. Seligman:—"The liability of stock in trade (in England), at first generally disputed, was finally affirmed by Lord Kenyon (Chief Justice) in 1795. The results were doubly disastrous. For the early success of the experiment led the justices of the peace to begin that most unjust and improvident method of poor relief, known as the allowance system. And secondly, the practice of rating stock in trade, which was confined to the old clothing district in the south and west of England, resulted in the rapid decline of the ancient staple trade and a transfer of the business to Yorkshire, where personalty was not assessed. The law of 1840, which is re-enacted yearly, finally exempted all personalty from taxation; but it was powerless to bring the trade back to its ancient channels." It was a case of the load being tied to the foot, instead of carried on the back.

IV.—How the Attempt to Tax Everything Has Succeeded.

We have shown in previous articles—(a) that the present system of taxation in Halifax operates most unfairly, inasmuch as while all personal property in the city is supposed to bear an equal share of the burden, as a matter of fact, not above one-third is actually reached; (b) that of what is reached an altogether unfair proportion is made up of the stock-in-trade of wholesale merchants and the plant of manufacturers, these being in fact assessed at pretty nearly their full value, and (c) that the wholesale and manufacturing trades thus singled out for excessive taxation are precisely the things least able to bear it, and the taxation of which is best calculated to injure the community. Before going farther it will be as well to deal with one point sure to be raised. If the present law, it will be said, is defective and unjust in operation because so large a proportion of personalty escapes, then amend it so that personalty can no longer escape—it can surely all be reached if the law is made stringent enough and enforced with sufficient vigor.

The answer to this is that for the past quarter of a century and more, the history of taxation in the cities and states of the United States has been nothing but one long continued struggle by most rigorous laws and most determined efforts at enforcement, to reach for assessment and taxation all descriptions of personal property, with no other result, apparently, than that the more vigorous the attempt the more complete the failure. Volumes could be filled, and have been, with the history of these attempts, all ending in failure. It will be impossible in our space, to do more than give in the briefest outline an account of some of them.

Probably the most vigorous of such attempts is that made by the State of Ohio, and it may be taken as a fair illustration. According to the laws of this state, the following subjects are supposed to be taxed by a uniform rate of taxation:—"All moneys and debts; all investments in bonds, stocks, joint stock companies or otherwise; all real and personal property according to its true value in money; all notes and bills discounted; effects and dues of every description; all banks and bankers; so that all property employed in banking shall always bear a burden of taxation equal to that imposed on the property of individuals." Certainly no one can complain of want of comprehensiveness in these. To carry them out a system of enforcement equally inquisitorial is provided. Blanks are made out containing lists of every conceivable kind of personal property. These are sent to every person over twenty-one, and a full answer must be returned on oath under heavy penalties. By law the return to these blanks is required to set forth:—"first, the number of horses, and the value thereof; second, the number of cattle, and the value thereof; third, the number of mules and asses, and the value thereof; fourth, the number of sheep, and the value thereof; fifth, the number of hogs, and the value thereof; sixth, the number of pleasure-carriages, and the value thereof; seventh, the total value of all articles of personal property not included in the preceding or succeeding classes; eighth, the number of piano-fortes, and the value thereof; ninth, the average value of the goods and merchandise which such a person is required to list as a merchant; tenth, the value of the property which such a person is required to list as a banker, broker, or stock jobber; eleventh, the average value of the materials and manufactured articles which such a person is required to list as a manufacturer; twelfth, moneys on hand or on deposit; thirteenth, the amount of the credits; fourteenth, the amount of the moneys invested in bonds, stock, joint stock companies, annuities or otherwise; fifteenth, the monthly average amount or value for the time held or controlled the same within the preceding year of all moneys, credits, or other effects invested in bonds of the United States, or of his own state." These returns art to be verified by oath. If the assessors are not satisfied with that, they have the power to bring the taxpayer before them and examine him upon oath, and if any person refuses to list his property or be sworn, the assessors have power to fix an arbitrary amount as the value of his property, against which he cannot appeal. Surely the partisans of rigorous law and vigorous enforcement can desire nothing further; and now for the working:—

For this Prof. Ely quotes the Governor of the State in his "Special Message" of 1887: "Personal property is valued all the way from full value down to nothing; in fact, the great majority of the personal property of the State is not returned, but is entirely and fradulently withheld from taxation. So far as personal property is concerned, the fault is chiefly with the people who list the property taxation." The message goes on to show that during a period of increasing wealth, and with a steadily increasing assessed valuation of real estate, the valuation of personal estate has steadily diminished, notwithstanding every effort to get at it. In 1883 the value of personal property assessed in the State was (leaving off the odd figures) $542 millions. In 1884 it was $528, and in 1885 $509. Between 1882 and 1887, the amount of money in the state dwindled by no less a sum than $11 millions. Between 1882 and 1892, the amount of "money on hand" in Hamilton County, in which the great city of Cincinnati is situated, fell away from $2,321,502 to $1,535,375. "Credits" in the same time dwindled from $6,571,029 to $4,289,901. Apparently the more rigorous the taxes were made, and the greater the vigor shown in attempting to enforce them, the less successful they were in reaching personal property; and there is certainly a reason why it should be so. So long as the laws are moderate, no particular effort is made to evade them. But with greater vigor comes two things,—first, the discovery how easy it is to evade such laws, and second, a blunting of sensibilities and conscience by evasion, which leads to still greater evasion.

In our next we propose to give briefly the experience of a few other states and cities.

V.—Further Illustrations of the Attempt to Tax Everything.

Last week we gave the experience of the State of Ohio in its determined attempts to assess personal property of every description, with the sole result that the more determined the effort, the more personal property seemed to slip out of sight. We propose this week to give briefly the experience of some few other states. There is no difficulty in finding the material. Every State in the Union has the same story to tell.

Take first the Empire State of New York. Certainly there can be no doubt as to the enormous amount of personal property there, if only it could be got at. For twenty-five years the history of taxation in that State has been nothing but a history of attempts to reach personal property, with absolutely no success. The laws are rigorous, very similar to those of Ohio, of which we furnished an abstract last week; the assesssors and boards of equilization have by general admission done their utmost to carry these laws out, but the result has been the same as in Ohio:—"Only those are reached who are least able to pay." The State assessors in one of their annual reports, say of taxation upon personalty:—

"Women, heirs, executors, administrators, guardians, and trustees of persons of unsound mind, are assessed beyond all measure of justice. A man dies, leaving in personal property an amount, the interest of which is barely sufficient, with rigid economy, to support the widow. The records of the Probate Court or the publication of loss of life by an insurance company reveals the fact, and the assessor, bound by his oath to be 'diligent' in his enquiry for personal property, enters the full amount on his roll; and if in the city, the tax of from two to four per cent. must be paid from this amount, already too small to provide the necessities of life.

"This same assessor, however, if not forgetting his oath, when enquiring of the wealthy neighbor as to his personalty, very likely accepts the negative answer as truthful, though it is well known to the community that he possesses large means. The one has not yet learned how to cover the personal property by an assumed indebtedness, while the other is well versed in the many devices by which he may escape even the 'diligent' assessor. This is no fancy picture; many cases of hardship on assessing personal property have come to our notice. Here is one:—A man in comfortable circumstances, with a business giving him good support, becomes insane; his business is placed in charge of a trustee, who converts his effects into money. Awaiting a better opportunity for investment, the amount is deposited in a savings bank at 4 per cent. interest, the only means of support for the wife and family. The assessors placed the full amount thus deposited on the assessment roll, and yet they could truthfully say that they had not violated the law in so doing. The common practice of many is to create an indebtedness to bridge over the 1st July, after which the assessor cannot reach the party for personal assessment. It must, however, be patent to everyone that has given attention to this matter of the assessment of property, that the present practice is a farce, and should no longer be tolerated."

Between 1871 and 1884, the amount of personalty assessed in the State diminished by $107,184,371. Between 1875 and 1885, the assessed value of realty rose from $1,960 millions to $2,762 millions, an increase of $801 millions. Yet in the same period the assessed value of personalty dwindled from 407 millions to 322 millions, a decrease of 75 millions. Between 1871 and 1888, the realty of the State increased in value from 1,599 to 3,122 millions. Yet in the same period the personal property of this great State shrank, according to the assesssors, from 452 millions to 346 millions.

California is another State in which the most desperate efforts have been made to reach every description of personal property. In 1879 a new Constitution was adopted for the State. It was carried through by the votes of the farmers exclusively, the moneyed classes voting solidly against it. By it every conceivable description of personal property and wealth in every form was proposed to be made subject to taxation, and holders of stock in corporations were avowedly and intentionally made subject to double taxation, first, upon the corporate property, and again upon the stock held by them. "It was supposed," says Mr. Shearman, "alike by the friends and enemies of the new constitution, that under its operation personal property of every description would be thoroughly reached, and at any rate that whatever was by any chance overlooked, would be more than made up by double taxation for that which was found. The actual result has been to falsify all the predictions of both the friends and enemies of the constitution, for it has done none of the good or evil which was anticipated, for the reason that the capacity of the patriotic taxpayer to commit perjury, and the susceptibility of the assessors to bribery, had been altogether underestimated. Some of the results are positively ludicrous. * * * Personal property is vanishing from San Francisco, loans of money are becoming unknown in the rest of the State, municipal bonds are not held within the State to an amount equal to one-tenth of the bonds known to be outstanding, and money has been smitten by a pestilence, two-thirds of all that there was before the adoption of the constitution having taken to itself wings and showing no signs of returning." In San Francisco, which it was especially desired to "get at," where real estate has increased in value between 1880 and 1894 from 122 millions to 178, and "improvements on land" from 43 millions to 83 millions, the amount of money in the same time has unaccocuntably shriveled away from 19 millions to 7, and all other personal property from 68 millions to only 56. Over the whole State the general result was that the proportion of personal property to the whole assessed value of property has steadily fallen from 50 per cent. in 1860, to 34 per cent. in 1874, 26 per cent. in 1880, and 13 1-2 per cent. in 1894.

In Connecticut the special tax commission appointed to deal with this very question said:—"The terms of the law taxing all descriptions of personal property are plain, and the penalties for its infringement are probably as stringent as the people will bear. Many attempts have been made from early times to create effectual ones, with but little success. * * * The truth is, no system of tax law can ever reach directly the great mass of intangible property. It is not to be seen, and its possession, if not voluntarily disclosed, can in most cases be only the subject of conjecture. Such considerations as these, coupled with the results of an investigation of now nearly three years into the practical working of our tax system, have brought us to this conclusion, that all items of intangible property ought to be struck out of the list. As the law stands it may be a burden on the conscience of many, but it is a burden on the property of the few; not because there are few who ought to pay, but because there are few who can be made to pay. * * * The result is that a few towns, a few estates, and a few persons of a high sense of honesty bear the entire weight of the tax. Such has been the universal result of similar laws elsewhere.

The West Virginia Commission in their report said:—At present all the taxes from invisible property come from a few conspicuously conscientious citizens, from widows, executors, and guardians of the insane and infants; in fact, it is a comparatively rare thing to find a shrewd trader who 'gives in' any considerable amount of notes, stocks and money; the truth is, things have come to such a condition in West Virginia, that as regards paying taxes on this class of property, it is almost as voluntary, and is considered pretty much in the same light as, donations to the neihborhood church or sunday-school."

If space permitted, such illustrations might be multiplied infinitely—to use the words of Prof. Ely—"The one uniform tax on all property as an exclusive source of revenue, or the chief source, never has worked well in any modern community or state in the entire world, though it has been tried thousands of times, and although all the mental resources of able men have been employed to make it work,"—In Prof. Seligman's words, such a tax is "beyond all peradventure the worst tax known in the civilized world—it sins against the cardinal rules of uniformity, of equality, and of universality of taxation. It puts a premium on dishonesty, and debauches the public conscience. It reduces deception to a system, and makes a science of knavery. It presses hardest on those least able to pay. It imposes double taxation on one man, and grants entire immunity to the next. In fact, it is so flagrantly inequitable, that its retention can be explained only through ignorance or inertia."

In the face of so enormous a mass of testimony, surely no one will ask the City of Halifax to add another failure to the thousands of attempts to tax all classes of personal property. The remedy of better laws for that purpose and more vigorous enforcement must be dismissed as worthless.

VI—An Income Tax.

When the tax reformer has succeeded in demonstrating that the existing tax system is grossly unfair and injurious to the best interests of the city, and that the overwhelming testimony of experience has proved that by no possibility can the present system of a uniform taxation of all kinds of property, real and personal, be madè anything else than unfair and oppressive, he is almost certain to be confronted with the suggestion of an income tax. There is something about the income tax, its superficial fairness and apparent simplicity, that seems to commend it to persons who want to do what is right in matters of taxation, but have not given much thought or study to the question. "If A has ten times as large an income as B, why should he not pay ten times as much taxes, he is ten times as well able to." Such is the rough and ready form of argument usually adopted.

The fallacy in the argument lies in what is taken for granted, viz.: that the standard by which a person's contribution to the civic treasury is to be measured is his ability to make contribution. That assumption, so common, will not stand a moment's examination. Suppose two young professional men to start in Halifax at the same time. One is clever, industrious, energetic, assiduous, and the other dull, idle, careless. At the end of five years the one is making a net income of say $3000 a year, the other $750. What right, justifiable on any ground of logic or ethics, has the city to exact from the former four times as great a contribution as from the latter. The city gives no more to the one than the other. To both she gives an opportunity to practice their profession, both have the same benefit of all the city services—streets, schools, fire, police protection, &c. Two merchants do business side by side—one is thrifty and capable and makes money, the other incompetent, rash, possibly unfortunate. Why should the incompetence, or rashness, or misfortunes of the latter be a reason for exempting him from bearing his share of the common burden. The city had no share in causing his losses. Why should it be called upon to bear a portion of them? There is no more reason in the city calling upon one of its citizens to pay a greater tax merely because he has a greater income, than there would be in a landlord demanding a higher rent for the same reason. The only ground on which such a basis of civic taxation can be defended is pure communism,—Robin Hood's doctrine, that it is right and justifiable to rob the rich and give to the poor. The contribution which the city demands from any citizen should bear some proportion to the return made by the city to the citizen. If the wealthy man receives a larger return (as he almost invariably does) he should pay a bigger tax. But if he voluntarily chooses to take no greater return from the city than the poorest citizen, there is no reason why he should be compelled to pay a larger contribution. Suppose Mr. Vanderbilt were to take up a residence among us for a couple of years, occupying a suite of rooms at one of our hotels. The theory of the income tax would require that he should contribute to our civic finances upon his three millions of income, merely for the pleasure of sojourning among us. It may be said that this is an illustration so extreme as to be absurd. But the true way to test the soundness of a theory is to put extreme cases. A sound theory will stand any case, however extreme. If a theory becomes absurd the moment it is carried to its logical extreme its unsoundness is manifest.

Have the people who recommend an income tax considered the difficulty of working it as a part of a system which endeavours to tax all kinds of property? Income is derivable from property. To tax the property and the income also is an imposition so gross that no one proposes it. A practical scheme of exemption is beyond the wit of man to contrive. To say, tax all income not derivable from property already taxed sounds plausible, but what does it mean? In theory all property within the city is taxable already. If the assessor can discover any property it is taxed and the income from it is not. If it cannot be discovered, then how is the income from it to be got at? The tax would reach (supposing it to be capable of practical operation) the incomes of professional men and men on salaries; but it would be wholly inadequate to reach the propertied classes whom so many wish to "get at," and (what is more important) wholly inadequate to redress the grievances under which the mercantile and manufacturing classes are suffering, and which is the occasion of the agitation for reform.

An income tax in the City of Halifax at the present time would be an absolute "leap in the dark." No one could predict with the slightest certainty what revenue it would produce. If coupled, as it would have to be, with a considerable measure of exemption of property now taxed, it might easily happen that the revenue would fall considerably short of the requirements of the city. This is a risk that the city cannot afford to take. By far the greater part of the city's revenue is pledged in advance to meet fixed charges—interest, salaries, and the like. Out of the $355,000 spent yearly, not much more than $25,000 is really "controllable" expenditure. It should be a sine qua non of any plan of reform that the amount of revenue to be raised under it can be foretold with accuracy. An income tax would be the most uncertain of all forms of taxation.

The income tax derives most of its support from the supposed efficiency of the British income tax. But persons who point to that as an analogy, should bear in mind: (1) That that tax is national, not municipal; (2) That is is not accompanied by the taxation of property in any form, and (3) That the income tax is by no means an object of unqualified admiration even among British political economists. The English Commissioners of Inland Revenue, in their report of 1870, said of it:

"We therefore think we may venture to generalize upon the facts which the most recent occasion of compensation has furnished. Those facts are that 40 per cent. of the persons assessed had underated their incomes to such an extent that a true return would give an addition of 130 per cent."

And Professor Thorold Rogers, an eminent economist, characterized the tax as "the worst which has ever been invented or imposed, and which has done more to degrade the historical integrity of Englishmen than any other fiscal expedient whatever, not excepting lotteries."

Finally the testimony of experience on the American Continent is decidedly against an income tax for municipal purposes. Prof. Ely, while advocating the tax for State purposes, expresses his conviction as the result of studying the question throughout the Union, that "it is not suitable for a city." The Tax Commission for the State of Maine in 1889, referred to it as follows:—

"In practice it is almost universally a failure. In theory, it seems "just that a person should be taxed on the net yield of his occupation or "investments, the best guage of his taxable ability, but in the levying of such "a tax it has always been found that art, subterfuge, evasion, and downright "perjury have rendered the system inefficient and futile. To tax capital, "property, lands, and also the income arising from their employment, is "intolerable as double taxation; to exempt such property, and rely on the "income from them alone, leaves open a hundred ways for evasion, and is "open to grave objections as being in conflict with the constitutional pro- "vision requiring that all property shall be taxed according to its just "value. It has been tried in several States but has proved unsatisfactory "in all, and it is a potent argument against this form of taxation, that in "the efforts that have been made in most States of the Union, during the "past ten years, to find new sources of revenue, there has been so little "disposition to resort to income taxes."

The experience of this Province, as to the working of the income tax as part of a scheme of municipal assessment in this Province, is entirely unfavorable.

As an expedient for redressing the grievance of the mercantile and manufacturing community, shewn to exist at the outset of this series, and the existence of which is hardly disputed, the income tax must be dismissed as being as impractical as the notion of making the present law effective to reach all the millions of personal property that now escape.

VII.—The Distribution of Taxation.

It may be useful to recapitulate the points which we hope we have thus far succeeded in establishing. They are:—

(a)—That the existing taxation in the City of Halifax is unfair because while assuming to assess all personal property it only in practice assesses about one-third.

(b)—That the third which is assessed is the very portion of all others least able to bear taxation and the taxation of which is most calculated to injure the community—namely, the stock in trade and manufacturing plants of our wholesale merchants and manufacturers.

(c)—That an enormous accumulation of experience proves that any effort to remedy this by attempting to tax all personal property, either by a rigid enforcement of the existing law or amendments to it, is predestined to utter failure.

(d)—And finally, that the remedy of an income tax is not adapted to purposes of civic taxation, has been a complete failure elsewhere, and would do nothing whatever to remedy the grievance with the statement of which we set out.

It is in order then for us to answer the question. How do we propose to remedy the grievance?

To do this it will be necessary to discuss briefly the principles on which any rational scheme of civic taxation must be based. No plan of reform will be satisfactory that is not based upon principles that commend themselves to reason. Of course any extended discussion of the principles of taxation would be out of place in such a series as this; but some such discussion is inevitable.

The one principle to bear in mind and which will carry one clearly through any discussion of civic taxation, is that the taxation should be in proportion to benefit, and as a corollary to this, that the fairest system of taxation is that which will distribute itself most readily and easily among the people who have to bear it, in proportion to the benefit they respectively derive from the city. That system is also to be preferred under which the taxes will be collected most easily and certainly, with the smallest opportunities for evasion, and the smallest temptation to fraud and purjury; and finally, such a system should be preferred as will be fair, not only among the citizens themselves, but will not handicap the city as a whole in competition with other cities with which it is compelled to compete.

It will, perhaps, be as well to deal first wth the question as to the distribution of taxation, because nothing in connection with the subject is so constantly overlooked, and the want of apprehension on this point is in reality the source of nearly all the erroneous reasoning one encounters.

Nothing is more common, for instance, than to meet the landowner who arrogates to himself the right to speak authoritatively on the subject of taxation because of the amount of taxes he pays. "I have twenty houses, and I have to pay $1,000 a year to the city. There is Mr. So and So. He is a great deal richer man than I am, doing a big business. He has only a rented house and an office, and he doesn't pay a hundred dollars a year. I'd like to know what fairness there is in that?" Such is a fair specimen of the reasoning one so often encounters. And yet a moment's consideration ought to be enough to show anyone the absurdity of it. The landowner's houses are all let. His rents are calculated to give him not only a fair interest on the money invested, but a sufficient margin to cover repairs, insurance and taxes. His may be the hand that pays the money into the City Treasury, but it is the tenants who really pay it and on whom its burden falls. This is obvious, and would scarcely be questioned but for the unfortunate fact that a good deal of real estate in Halifax is to-day worth a good deal less than it was some years ago, and that consequently the rentals obtainable do not yield a fair return on the capital invested. That, however, is simply the misfortune of the man who has put his money into a property which has depreciated. That it is, even in the case of these properties, the tenant and not the landlord who pays the greater part at least of the taxes, is obvious from the consideration that if the city taxes were by some miracle wholly wiped out of existence the competition of other owners of land, more favorably situated or bought at lower prices, would at once drive the rents of the unproductive properties lower than they are to-day by the amount of the taxes remitted. Turn now to the case of the other man who, according to the land-owner, pays so little. It is true that the tax he actually pays to the City Treasury is small, but does that represent his real contribution to the city's revenue? He lives in a good rented house; he pays the tax on that to his landlord. The same is true of his office. But this is only the beginning. He is, we will suppose, engaged in the business of dealing in fish, largely on commission. In the course of a year he handles say half-a-million dollars worth. As he owns no wharf or stores of his own, he is compelled to store it for longer or shorter periods on the property of other persons. He pays, in the run of a year, thousands of dollars wharfage and storage to the owners of wharves and stores. These owners pay the taxes on their properties, but from whom does the money come but from the persons whose goods fill them?

This perhaps also is obvious. But take another illustration—the favorite one of the "young man who pays no taxes." Suppose the case of a man on salary—say $1200 a year—unmarried, living in a boarding house. His direct contribution to the city's revenue is perhaps nothing, perhaps a poll tax, at most on an assessment of $300 personalty, for the sake of a vote. Such a person is the favorite object of attack when tax reform is discussed. But let us consider his case. To begin with, his salary is paid by some firm or corporation engaged in business in the city. The salary paid him is what that firm can afford to pay after deducting the charges on the business, among which the taxes are of course included. Consequently as a part of the business of that firm he bears a share of its taxes. Then he probably lives in a good boarding house, paying seven or eight dollars a week in board. His landlady pays her taxes; but from whom does she get the money but from her boarders? He spends $150 yearly in clothes, and his tailor can be depended upon to make his prices high enough to get from his customers all the charges upon his business, taxes of course included. He belongs to a club, from the subscriptions to which the club's taxes are of course paid. Possibly he leaves fifty or a hundred dollars a year with the saloons and billiard halls of the city. Does any one suppose the proprietors of these places run them as charitable institutions, paying the taxes out of their own pockets? And so at every turn, in almost every payment that he makes, some portion, it may be infinitesimally small—of the money that he pays ultimately finds its way—it may be through many hands—into the treasury of the city. The larger a man's expenditures the greater is the contribution he in substance makes to the sum total of the city's revenue. We cannot escape taxes if we live in the city and spend any money in it. We pay them at every turn, and the man who ultimately hands them into the city collector no more pays them in reality than the merchant pays the custom duties when he hands them to the collector of customs. Everybody could see the absurdity of a claim that the importer was the man who really paid the customs duties, and not the ultimate consumer. But that is merely because the facts are simple. The claim that the city's taxes really come out of the pockets of the men who hand them into the treasury instead of being distributed over the whole of the city's population is just as untenable, only the facts are a good deal more complicated, and the absurdity consequently not so apparent.

The things therefore to be studied in any tax system are (1) that it shall be such that the total tax burden will distribute itself most easily among all the people of the city, and

(2)—That the distribution will be in accordance with some fair and equitable principle, that principle being, as we shall show in our next article, that the contribution of each person shall be in accordance with the benefit he derives from the city.

VIII.—Real Estate Values.

In our last article, after endeavoring to show the manner in which taxation inevitably distributes itself over the whole community, and that the aim of every tax reformer should be to seek such a principle of taxation as will ensure an easy and equitable distribution of the burden, we ventured to lay down the proposition that this principle would be found to be, that the contribution of every person should be in accordance with the benefit he derived from the city.

In discussing this principle, the first thing is to understand what we mean by it. When people talk of the benefit derived from the city, they are apt to think too exclusively of the benefits conferred by the expenditure of money by the city, schools for instance, police protection, protection from fire, and the like. We do not mean these, or rather these things are but a part of what we mean. What we mean is the benefit which every human being in a city derives from the mere fact that he is in the city, that he is to any extent a part of its life, business, and social environment, a partaker of the benefits and advantages which the aggregation of human beings called a city create and mutually confer one upon another. The man of business finds it to his advantage to be in the city; but for the city with its thousand advantages, he would find it almost impossible to do business. The professional man finds the opportunity of practising his profession in the city. The man of wealth and leisure find in the city the means of gratifying his tastes and of social enjoyment. The "young man who pays no taxes" finds in the city, both the business that gives him his income and the means of spending it according to his inclinations. We all find in the city, in the gathering of human beings on this one spot of earth, some benefit or some advantage which makes it worth our while to be here rather than elsewhere. And yet we, each of us, do something more or less to make up the aggregate on which we are all dependent. This is human society. Now our civic expenditure is simply the price that this aggregation of humanity (created a corporation for legal convenience), finds it necessary or desirable to pay for certain things, without which it would be more or less difficult to get along, and obviously all that justice requires is that each unit of the aggregation should pay in proportion as he derives benefit.

Now fortunately there is one thing which absolutely measures and defines this benefit, and that is the value of the real estate occupied by the people of the city, and there is the most obvious reason why it should be so, because that value is produced wholly by the people of the city, and is wholly dependent for its continued existence upon the maintenance of human society at this particular spot of the earth's surface. Other descriptions of property have a value in themselves—they can be eaten or worn or minister to our comforts or pleasures. Their value is not dependent on locality, their value in one place as compared with another being determined mainly by cost of transport; their quantity can be increased or lessened according to demand. But the land of the city is a thing that has no value apart from the presence of human beings to occupy it. The land on which Halifax stands lay for millions of years without a value. It began to have a value on the day on which Lord Cornwallis landed. That value has gone on increasing ever since, but it would diminish to nothing with the departure of human beings from this spot. The value of real estate is only the price which men are willing to pay for the privillege of occupying it, and therefore it is, represented in dollars and cents, (the only way in which such a thing can be measured), the exact measure of the sum total of the benefits and advantages which the people of any place derive from their own presence there. The sixteen millions of dollars at which the real estate of Halifax is assessed exactly represents (allowing for human infirmity in making the assessment) the sum of the benefits and advantages which the 40,000 people of the city find they derive from living and doing business on that real estate, and forming the community which occupies it. And therefore it is that we may feel absolutely certain that if we take that value as our guide, we shall have a standard by which to measure exactly the benefits (in the fullest sense of that word), derived from forming a part of the community. Any tax based on real estate value is simply the city, as a sort of landlord, appropriating to itself a part of the value which its citizens have created.

It is obvious also that any tax based upon real estate values must distribute itself not only rapidly and easily, but exactly in proportion to the benefit each person derives from the city. No one can live or do business in the city without either occupying some portion of its surface or doing business with someone else who does. Ultimately in the way described in our last article, the tax paid in the first instance by the occupier of the land within the city will diffuse itself over the population, and each person will bear his share of it in proportion to the extent to which he avails himself of the privileges and advantages which the community offers to its members. The man who spends freely will pay a heavy share of the taxation, even though his nominal contributions may be the merest pittance. On the other hand, if the man of wealth chooses to live in the style of a beggar, that is, to deliberately refuse to avail himself of any of the benefits of city life or business opportunity, there is no reason or justice in calling upon him to bear more than a beggar's contribution.

The tax is based upon real estate values, but upon what does it really fall? Certainly not on real estate. As a matter of fact, real estate does not and cannot pay one cent of taxes. There is only one source available for purposes of taxation, and that is the incomes of the people of the place on which the tax is laid. Out of those incomes the taxes must come, no matter on what principle they are assessed. There is no danger of income escaping taxation, it must pay the whole of it. It is upon the incomes of the people of any place in the last analysis that the values of its real estate must rest. If the incomes of all the people of Halifax were suddenly abolished to-morrow and no new citizens with new incomes came forward to supply their places, how much value would there be left to its real estate? The fallacy lies in confusing the standard by which taxation is to be regulated, and the sources from which it is pad. All taxation is to be regulated, and the sources from which it is paid. All taxation must ultimately come out of income, but income is no standard by which to regulate the amount of the individual's taxes, because it has no necessary relation to the amount of benefit derived by the individual from the city.

One point more requires a word of explanation. On what principle are we to regulate the taxation of the great civic monopolies—gas, water, light, transport, etc., which play so large and increasing a part of our modern civic life? The principle is the same, only the mode of application varies slightly. These monopolies derive their business opportunities solely from the existence of the city, so much so that the tendency in all municipalities is to take them to themselves and to give the citizens the full benefit of the service, the opportunity for which they have themselves created. Halifax made an excellent beginning in so doing in taking over, years ago, the business of supplying itself with water. Why it has not gone on, in imitation of the great English municipalities, and taken to itself the benefit of the other civic monopolies is somewhat hard to understand. But if they are to continue in private hands, then by all means let them be taxed, and in proportion to the business opportunity afforded them by the city. It is in the ascertainment of this benefit that the application of our principle has to be somewhat varied. The value of the real estate occupied by them is no longer a safe guide, because they necessarily avail themselves of portions of the area of the city not included in the assessment roll, namely the streets. Consequently an estimate of their fair return for the benefit received must be made in some other way, such, for instance, as a proportion of their gross receipts, or by the city allowing them to retain only so much as will yield a fair return on the capital invested, with a fair allowance for the risk of investment. But this is a matter of detail. The important thing to grasp is that the true principle of civic taxation is that it should be in proportion to benefit derived, that the infallible measure of this is real estate value, and that any tax based upon that value must inevitably diffuse itself among the people of the community in proportion to the extent to which they chose to avail themselves of the benefits of civic life.

If we have succeeded in making good this principle, it only remains as briefly as possible to deal with its practical application to Halifax, and with a few of the leading stock-in-trade objections to any reform based upon it.

IX.—How the Reform Would Work in Practice.

If we have succeeded in making good thus far the propositions, (a) that civic taxation should be in proportion to benefit derived from the city, and (b) that the true measure of that benefit is the value of the real estate occupied within the city, it only means to apply these principles to the City of Halifax, and to see first, how our existing tax system squares with them; and second, if the application of them will remedy the grievance of the merchants and manufacturers, with the statement of which this series was begun.

The amount raised yearly in the City of Halifax by taxation exclusive of water rates, may be stated in round figures at $355,000. The rate of taxation fluctuates about $15 on the thousand, and that rate may be assumed as constant for the purpose of this discussion. At that rate the sixteen million dollars of real estate pays (again in round numbers) about $240,000. At the same rate the five million dollars of personal property which the assessors succeed in discovering (out of at least three times that amount liable to assessment if it could be got at) contributes some $75,000, of which mercantile stocks, manufacturing plants, and ships pay about $50,000, and other personal property, consisting almost entirely of household furniture, about $25,000. The remaining $40,000 is made up from a number of miscellaneous sources, including $16,000 from the banks on a special tax, the result of an agreement arrived at several years ago, $12,000 from liquor licenses, rents of city property, fines in police court, special taxes paid by gas and light companies, etc.

The tax problem presented by this set of facts is really a very simple one, and one to which the application of the principles which we have endeavored to lay down is comparatively easy. We are free from most of the troubles which stand in the way of reform in many of the cities of the United States, such as systematic fraudulent under-valuation of real estate. The $240,000 now raised from real estate, two-thirds of the total assessment, requires no alteration. The tax is paid in the first instance by the owners, and then by degrees distributed over the whole community in a proportion that is bound to be just, because it is necessarily in proporton to the extent to which the individuals ultimately paying it choose to avail themselves of the advantages of civic life. The $40,000 likewise raised from miscellaneous sources can all with little exception be justified upon the principles discussed in this series. The tax on liquor licenses, for instance, is one the legitimacy of which no one disputes. The city has a perfect right to make the right of dealing in stimulants an exceptional privilege, to be paid for accordingly, and any tax so imposed is bound to distribute itself among the patrons of the liquor dealers precisely in proportion to the extent to which they avail themselves of the facility afforded for obtaining liquor. The taxation of civic monopolies—gas, street railway, telephone companies, electric light companies and the like, has already been dealt with. The only anomaly under this head is the taxation of the banks. There is no reason for taxing a bank upon a basis different from the taxation of any other business. The magnitude of a bank's capital confuses the mind and imagination of persons who have not thought the question out on principle. But the sole connection between the bank and the city is that the latter affords the former a certain amount of local business, and a place in which to locate the head office from which to direct its business. In respect of these two things the city has a right to tax, but in respect of anything else the bank derives no benefit from the city and should pay nothing to it.

The one glaring anomaly in our tax system is the $75,000 raised in respect of personal property. The $50,000 paid by the merchants and manufacturers in respect of their merchandize, plant and ships, is a tax levied absolutely without reference to any proportionate benefit derived by them from the city. The amount of stock which a man requires to carry to do business is no criterion of the business privilelge he enjoys. Some businesses require a large stock to be carried, others equally extensive are able to dispense with it entirely. The mere chance of the time of year when the assessment is made, the accident that one man's stock is full and another's comparatively low, the impossibility of making an assessment upon mercantile stocks that will be more than the roughest guess—these and similar chances cause the grossest inequalities in the tax paid by people in business enjoying precisely the same business privileges. Such inequalities will not rectify themselves by distribution. If one man in trade pays double the tax in respect of his business that another man engaged in the same business and doing about an equal volume, pays, he cannot distribute it in the shape of an addition to the price of his goods. Similarly, if all the merchants of Halifax are liable to a tax in respect of the go[illegible] in which they deal, from which their competitors in other cities are free, our merchants must bear the whole of it; they can distribute no part of it on their customers. This is no mere supposition, as is well known. There is not a foot of territory in which our Halifax merchants have not to contend against the keenest competition from Montreal, whose merchnats are free from any taxation on personal property, paying only a "business tax" based solely on the value of the real estate occupied by them for business purposes. The only criterion of business privilege is the value of the real estate required to do business on. That is a matter entirely within the control of the business man, and his own self-interest can be depended on to take what his business requires and no more. The city has nothing to do with the use he may make of the privilege, whether he carries a stock or does wthout it, whether he makes money or loses it. All the city has a right to say is: "You have a business privilege worth so much, that value being exactly measured by the value of the premises you require to do your business on; pay us for that privilege and make the most you can out of it." Such a tax would be in every way fair and just. It would put an end to all inequalities between people engaged in the same line of business, it would be impossible of evasion, it could be assessed with ease and accuracy, it would put our own merchants on an equlaity with their competitors in Montreal, it would relieve the wholesale merchants and the manufacturers of the gross over-assessment of which they now complain, and would bring up to a fair proportion of taxation a number of other businesses which now enjoy most valuable business privileges without paying anything like a fair equivalent for them, and it would at once and forever do away with the absurdity of a law which, while pretending to assess all personal property in practice assesses only one-third of it, and that third the very portion of all others that ought not to be taxed.

There is fortunately no difficulty in making the tax of business propertionate to the value of the privilege. The business men of Halifax now pay to the city $50,000 yearly on the assessors' estimate of the value of their personal property, a business tax to all intents and purposes, but grossly unfair and uneven in its distribution, because of the absurdity of its basis. They occupy in order to do business real estate assessed at (in round numbers) $5,500,000. A tax of one per cent on the assessed value, paid by the occupiers, would give the city $55,000, and would be absolutely fair and just in its incidence and distribution.

The same simple and effective method of reform can be applied to the remaining $25,000 now collected in respect of household furniture. It is in effect nothing but a household tax, paid by householders in return for the benefit and privilege of occupying a house in the city. But the assessors' guess as to the value of the furniture in the house is an absurd thing by which to measure the value of that benefit. The assessed value of the dwelling houses in the city is (in round figures) $10,000,000. A tax of one-fourth of one per cent paid by the occupier gives the sum required to be raised.

This is the whole reform in a nutshell. Repeal the tax which professes to tax personal property, but which in reality does nothing of the sort, but simply furnishes an utterly absurd and inadequate basis for business and household taxes, and in its place substitute the only true basis for such taxes, namely, the assessed values of the real estate occupied. The change will give the city all the money raised by the present system and will completely reform the admited grievances of the mercantile community with the statement of which this series sets out. It would give us a perfect law—perfect, that is, in the sense of being based throughout upon an intelligible, defensible principle, needing only honesty and ordinary intelligence in its administration to ensure as near an approach to perfection as can be hoped for.

In our next and concluding article we shall deal briefly with a few of the commonest objections to the plan of reform here presented.

X.—Some Objections Considered.

We propose in this concluding article to consider briefly some of the objections most commonly urged against the proposal to substitute a "business tax" and "household tax," both based on real estate values, for the taxation now levied in respect of merchandise and domestic furniture.

1.—The abolition of the taxation of personal property is denounced as a sweeping change. But personal property is not taxed now, except in name, seeing that over two-thirds of what is supposed to be taxed escapes, and will escape, do what we will. We are paying a "business tax" and a "household tax" now in reality, though not in name, but being based upon a wrong principle they are grossly unfair. The change would simply recognize things as they really are, and redress an admitted wrong by placing these taxes upon a correct basis.

2.—That the change would enable a number of wealthy firms to "unload" their taxes on to the shoulders of other poeple. The argument is simply a begging of the question—an assumption that the business firms, now so grossly over-taxed, are rightly taxed. The only rational mode of discussing this question is to ascertain what should be the correct principle and regulate taxation accordingly. If we have succeeded in demonstrating what that principle should be, then the amount of relief afforded to any business by its application is simply the measure of the injustice of the present system. Moreover, the assumption that the firms so grossly over-taxed at present are all wealthy is purely gratuitous. How little foundation there may be for it has been more than once unpleasantly demonstrated by the unsparing revelations of bankruptcy. Firms that have been assessed on the supposition that they were the owners of many thousands of dollars worth of merchandize, have been shown to have been for years worth many thousands less than nothing, and consequently the hypothesis upon which their business tax was based shewn to have been an absolute falsehood.

3.—That the proposed change is inimical to the interest of real estate, and would throw a large proportion of taxation upon the holders of that species of property.

To this charge, so constantly made, there are a number of answers, each of which ought to be conclusive. It is not proposed to place one dollar additional on real estate, or to alter in the least its assessment, nor to lessen the amount now contributed by business and households, but simply to provide a rational mode of assessing these last. If the chnage has any effect at all on real estate it will, by promoting the prosperity of the community, tend to enhance the value of real estate. But furthermore, it can easily be demonstrated that the present system inevitably tends constantly to throw a greater and greater proportion of the taxation on the owners of real estate. As we have already shown the proportion of personalty to realty grows constantly less. Ten years ago in Halifax it was 5 to 15, to-day it is 5 to 16. In communities of more rapid growth the tendency is far more marked. In New York State in 1869 real estate contributed 78 per cent. of the public revenue, personal 22 per cent.; in 1879 real estate was made to pay 87 8-10 per cent., personal only 12 2-10. In California, a State which has made the most strenuous efforts at the assessment of personal property, the only result of those efforts has been that the proportion of personalty to the total value of assessed property has fallen steadily from 50 per cent. in 1861 to 34 per cent. in 1874, 26 per cent. in 1880 and 13 1-2 per cent. in 1894. In the city of Providence, R. I., the assessed value of realty rose between 1867 and 1886 from 45 millions to 98 millions. In the same time the assessed personalty of the place dwindled from 40 millions to 32 millions. In the former year the proportions of the total assessment borne respectively by realty and personalty were 53 and 47 per cent.; in the latter they had become 80 and 20. In Boston in 1867 real estate contributed 56 per cent. and personalty 44. Last year the proportions had become 71 and 29. Taking the United States as a whole, while assessed estate real estate increased 87 per cent, between 1860 and 1880, assessed personal estate diminished by 24 per cent. in the same time. From these figures the following deductions appear to be inevitable. If the total taxation of the city continues to grow, and the assessed value of real estate also continues to grow, but the assessed value of personality stands still or diminishes, the proportion of taxation borne by the owners of real estate must continue to become larger year by year. So long as we persist in our present system of basing the taxation of business upon the amount of stock carried by a business man this condition of things will inevitably continue.

4.—That if the rate of business tax is fixed while that on real estate is left open then any increase in taxation will fall upon the latter and not on the former. This difficulty can be easily met by providing that the rate of business tax shall always bear a fixed proportion to the rate on real estate. Thus, assume that the rate on real estate at present is $1.50 p. c., and that the rate of business tax requisite to give us the amount now realized from merchandise and shipping would be 1 per cent., on the value of the premises occupied. Provide that the proportion between those rates should be maintained in all increases or decreases. Then supposing the rate on realty to raise to $165, the rate of business tax would rise to $1.10, and similarly a fall to $1.35 would involve a reduction in the latter to .90.

5.—That the proposed reform is something new and radical. It may be new in Halifax and startling to people who have not read anything on the subject of municipal taxation elsewhere, but it is very old and well tried in other places. For more than half a century municipal rates in all the cities of Great Britain have been based entirely on the assessed values of real estate, and such a thing as the taxation of personal property in any manner is, in the language of a distinguished economist, "only mentioned to be laughed at."

More than a century ago, in 1775, Lord Mansfield, Chief Justice of England, pointed out as clearly as has ever been done since, the anomalies and absurdities of the attempt to take personal property into account in assessing to the poor rate The case (Cowper's Reports, 326) came before the Queen's Bench on a motion to compel the justices of Ringwood to take into account on the assessment the stock on hand of certain brewers, valued at £4,000. Lord Mansfield said:—

"In general I believe neither here nor in any other part of the kingdom is personal property taxed to the poor..........I think the justices would not have done very wrong if they had acquiesced in the practice which has obtained ever since the stat. 43 Eliz., of not rating this species of property.........The justices at sessions should have amended the rate if they thought this property ratable; and then on attempting to do it they would have discovered the wisdom of conforming to the practice which they expressly state in the case, of not rating it. If they had tried to have amended it, how would they have rated this stock? Are the hops and the malt and the boiler to be rated at so much for each? Or is the trader to be rated for the gross sum which his whole stock would sell for? If the justices had considered, they would have found out the sense of not rating it at all, especially when it appears that mankind has, as it were, with one universal consent refrained from rating it; the difficulties attending it are too great, and so the justices would have found them. As to the authorities which have been cited, they are very loose indeed; and even if they were less so, one would not pay them very much deference, especially as they differ; and the rules they lay down have not been carried into execution for upwards of a hundred years. They talk of visible property. What is visible property? I confess I do not know what is meant by visible property. If every visible thing should be determined to come under that description, in that case a lease for years, a watch in a man's pocket, would be rateable. Visible property is something local in the place where a man inhabits. But that does not decide what a man's personal property is. Consider how many tradesmen depend upon ostensible property only." The decision of the judges in 1706, that a tradesman was liable for his stock, was, Lord Mansfield added, extra-judicial. "But supposing it were not, what do they mean by the visible stock of an artificer? Some artificers have a considerable stock-in-trade; some have only a little; others none at all. Shall the tools of a carpenter be called his stock-in-trade, and as such be rated? A tailor has no stock-in-trade; a butcher has none; a shoemaker has a great deal. Shall the tailor, whose profit is considerably greater than that of the shoemaker, be untaxed, and the shoemaker taxed?"

By the Act of 1840 personal property of every description is absolutely exempted from being rated.

Montreal has for years had a business tax based on rental values, to the complete satisfaction (so far as the mode of assessment goes) of the entire community. Speaking of the Montreal system, Mr. David A. Wells, perhaps the most eminent living authority on this subject, says in a private letter:—"I think the Montreal system the best in existence. It consists mainly of a tax on the market value of land, and then a tax on rentals for business occupancy, with something additional in the way of licenses. The fault of the system is, that it does not tax rentals or rental values other than for business. I would tax all, as a substitute for all taxes on personal property," or in other words the addition of a "household tax" to the "business tax." In Philadelphia these is practically no tax on personalty.

Singularly enough, we have in operation in Halifax one part of our tax system based upon the principles here contended for, to the perfect satisfaction of everybody. We refer to our water rates. These are levied under a separate Act, but they are just as much a tax as the money paid for schools or police or the fire brigade or and other of our civil services. They are directed by the Act to be "levied on the assessed value of all real estate property in the City of Halifax." When the works of the old water company were taken over by the city, the Water Commissioners adopted as the plan of their rates those in use in Glasgow. They have proved perfectly satisfactory, but there was nothing to prevent the Commission basing them, as well as the rest of our tax system, on real and personal property within the city, and if they had been, every argument now urged against a reform of the rest of the tax system could have been urged with equal force against a reform of the water rates.

F. H. BELL.

The Assessment Committee of the St. John Board of Trade, under whose auspices (with the kind consent of Mr. F. H. Bell) the **foregoing** pamphlet has been re-published, feel that a few figures may be useful to show citizens of St. John the manner in which the principles, so ably stated by Mr. Bell, have been applied in the City of Montreal and in the proposed Halifax bill now before the Legislature of Nova Scotia. The system of taxation here recommended for favorable consideration briefly stated is as follows, viz:

1. A tax on real estate.

2. A business tax, in the form of an assessment, based on the annual rental of the business premises—to be paid by the occupier.

3. A household tax, in the form of an assessment based on the annual rental of the dwelling—to be paid by the occupier. (The annual rental referred to in No. 2 and 3. above, shall be deemed to be ten per cent. of the assessed value of the premises—smaller rentals exempt).

4. License fees—to be paid by Incorporated Companies (such as Railways, Gas Company, Banks, Insurance Companies, &c.), professions, horses, carriages, bicycles, telephones, &c., &c.

5. A special tax on every person having a yearly income of $...... or over, and who is not assessed in respect of Business tax, Household tax or License fees.

N. B. It will be observed that no rate of taxation is named under any of the forgoing heads. It is not possible to name rates at this stage, a careful study of the local conditions being requisite before rates for St. John can be fixed. Attention is directed to the fact that in the proposed Halifax bill business rentals of $50 and under and household rentals of $120 and under, are exempt. Water assessment is not included in any of the foregoing or either of the following statements.

In Montreal the taxes fixed are:

1. Real estate 1 1-4 per cent. on assessed value.

2 Business tax 7 1-2 per cent. on the annual rental.

3, Household tax........None at present.

4. License fee .... Fixed sums, as scheduled.

5. Special tax..........None at present.

A bill is at present before the Quebec Legislature containing clauses amending the present Assessment law in the City of Montreal; in this bill incomes over $500—on all persons doing business or earning their livelihood in the City of Montreal paying thereto no tax."

In Halifax the proposed rates are:

1. Real estate 1 1-2 per cent. on assessed value.

2. Business tax 10 per cent. on the annual rental—rentals under $50 exempt.

3. Household tax 3 per cent on the annual rental—rentals under $120 exempt.

4. License fees, fixed sums, as scheduled.

5. Special tax—$10 on all persons whose yearly income is $700, or over, and who is not assessed in respect of Business tax, Household tax, or License fees.

The Committee of the St. John Board of Trade have urged that such legislation may at once be obtained as may enable the Board of Assessors to secure all necessary information in order that the local conditions of the city and the varying interests affected by civic assessment may be fully and intelligently considered.

St. John Board of Trade, 8 March, 1899.