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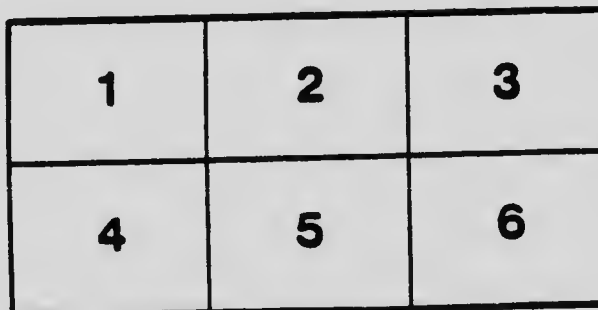
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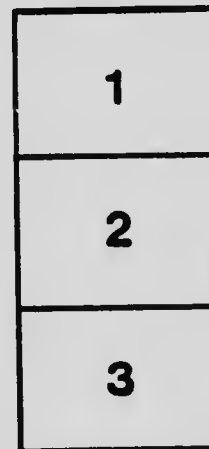
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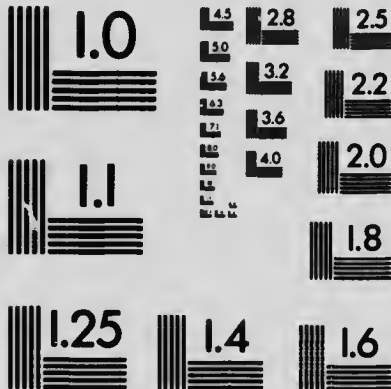
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REVIEW OF THE
REPORT OF THE
ONTARIO ASSESS-
MENT COMMISSION



BY THE SINGLE TAX
ASSOCIATION TORONTO

(2313)

3. -

REVIEW OF THE
REPORT OF THE
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MENT COMMISSION

BY THE SINGLE TAX
ASSOCIATION, TORONTO



THE REGISTER PRINT.

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Introduction



THE present system of taxation in the Province of Ontario being practically the same as when the Province was first created, has now become, in a large measure, unsuited to present conditions, and, in the last few years, various amendments have been suggested. The Retailers' Association submitted a bill to tax Departmental Stores. The Municipalities sought to have amended the section which enabled corporations to escape with a "scrap iron" valuation of their plant. Manufacturers asked for exemptions for their machinery and stock, and the Single Taxers wanted all Municipalities to have wider powers of local self-government, and the right of experimenting in taxation.

During the Session of 1900, at the request of the Premier, the various bills to amend the Assessment Act were withdrawn, and a Commission was appointed to consider the whole matter of taxation. The Commission held public sessions, extending over three weeks, and the evidence taken, and docu-

ments presented, were published verbatim in their interim report of 1901, and their final report, containing their recommendations, is now before the public.

The Single Tax Association appointed a committee to review the report, to point out to the public the failure of the Commission to find any solution of the problems they were appointed to consider, and, finally, to indicate the direction in which the ideal system of taxation must lie.

We now submit to the student of taxation, and to the public generally, our criticism of the report.

SINGLE TAX ASSOCIATION
TORONTO.

May 1st, 1902.

General Remarks.

IN reviewing the general subject of taxation, the Commissioners express themselves at a loss to find any equitable principle for its adjustment. They say on page 17 :

Excluding the single tax on land value, the principles suggested appear to be two :

- (1.) Taxation in proportion to ability to pay.
- (2) Taxation in proportion to municipal benefits received.

Ability may be the right one for religious and charitable purposes, as also for national purposes ; and it is the one generally considered applicable in local taxation. It may be, however, that for the purposes of municipal taxation, the principle of payment for benefits received from the Municipality should have some application.

Probably neither principle can be applied with more than an approximation to accuracy. Possibly, indeed, it can be demonstrated that the two apparently different principles are really one and the same thing.

Being thus undecided as to which principle is right, it was only natural to expect that they would follow neither, but would adopt a compromise. Their perplexity is shown by the following admissions :

It seems impossible in all cases to follow the same or analogous methods (page 24). The practicability of assessing all corporations upon the same basis as private individuals seems to be doubtful (page 32). It does not seem practicable to formulate a system of taxation which shall be applicable to both companies and private persons. If the tax on personal property is abolished in the case of private persons, it ought in theory also to be abolished in the case of companies (page 21).

The whole difficulty arises from the fact that the Commission have followed no settled principle of taxation. Had they followed the plan of taxation according to benefits received, there would have been no difficulty in assessing both individuals and corporations equitably alike; for the benefit anyone receives from government is measured by the value of the land used or occupied by them. When people pay for land they are actually paying for the benefit conferred by government.

He who would enjoy the benefits of a government must use land within its jurisdiction. He cannot carry land from where government is poor to where it is good ; neither can he carry it from where the benefits of good government are few or enjoyed with difficulty to where they are many and fully enjoyed. He must rent or buy land where the benefits of government are available, or else forego them. And unless he buys or rents where they are greatest and most available, he must forego them in degree. Consequently, if he would work or live where the benefits of government are available, and does not already own land there, he will be compelled to rent or buy at a valuation which, other things being equal, will depend upon the value of the government service that the site he selects enables him to enjoy. Thus does he pay for the service of government in proportion to its value to him. But he does not

pay the public which provides the service—he is required to pay the landowners.

Land is the only kind of property that is increased in value by government; and the increase of value is in proportion, other influences aside, to the public service which its possession secures to the occupant. Therefore, by taxing land in proportion to its value, and exempting all other property, kindred monopolies excepted—that is to say, by adopting the tax on land values only—we would be levying taxes according to benefits received from government.

In no just sense can this be called class legislation. Indeed, the cry of class legislation comes with very bad grace from the owners of valuable land, when it is considered that under our present system of taxation they are exempt. Even the poorest and most degraded toilers in the community, besides paying the landowners for the opportunity of occupying and using the land, are compelled in various ways to contribute to the support of government, while the owners of the valuable land go free. They enjoy all the advantages of government, the protection of the courts, the police and fire departments; they have the use of the schools and the benefit of the highways and other public improvements, and, though they go through the form of paying taxes and often pose as "*the taxpayers*," yet, in fact, they pay no taxes. From

the industrious occupants they collect, in some cases, vast revenues, and out of this collection they surrender a portion to the Municipality ; but the real taxpayer is the producer. Enjoying the same intangible benefits of government that others do, many of them as individuals and all of them as a class, receive in addition a tangible pecuniary benefit which government confers upon no other property-owners. The value of their property is enhanced in proportion to the benefits of government which its occupants enjoy. To tax them alone, therefore, is not to discriminate against them; it is to charge them for what they get.

The Two Acre Exemption

| F, however, no principle is discoverable in the report of the Commission, a *bias* in favor of the land-owning class at least is apparent. For example, the act which permits two acres of vacant land in the hands of speculators to be taxed as farm lands, quite irrespective of its use, while adjoining land is assessed at its full market value, is not condemned, but only some slight modifications are suggested. This act is a particularly objectionable piece of class legislation. It discriminates against the improver in favor of the speculator, against the small speculator in favor of the large one, against the small landowner with the solitary lot in favor of the great landowner having acres of idle land in towns or cities.

Local Option.

ONE principle which was urgently pressed on the attention of the Commission, and which has been in operation in New Zealand, British Columbia and the North-west Territories, namely local option or home rule for local taxation, does not even receive mention in their report, although wherever it has been tried it has worked satisfactorily. It is only by allowing Municipalities to experiment and test the soundness of new theories that a just system of taxation can be reached.

Recommendations.

We will now consider in their order the recommendations of the Commission as found on page 35.

(1) *Assessment of Land*—That real property be assessed at its actual value, including mineral lands and the real property of all corporations. (See Bill sec 37.)

That the right of use by any person of highways or other public places, in addition to the structures thereon, be assessed at actual value.

This first clause has the fatal defect of ignoring the distinction between the value of the land caused by the community and the value of the building and other improvements effected by the individual. If it had been worded as follows :—

Assessment of Land—That land be assessed at its actual value, including mineral lands and the lands of all corporations.

Then it would accord with justice.

The second clause, strictly interpreted, would

assess the lands of railroads at their full value for railroad purposes, which is the way they ought to be assessed. It is to be regretted, however, that the Commission did not so interpret this clause, for in section 56 of their bill it is provided that if these lands have escaped their fair share of taxation in the past, then ten years must elapse before they can be assessed at their full value. No such consideration is shown to any individual who makes an improvement on his land.

(2) *Assessment of Personal Property*—That the assessment and taxation of personal property other than income be abolished.

This is a step in the right direction. The objections to a personalty tax are so strong, and the experience of its operation such a dismal failure, that its abolition was a foregone conclusion, and the Commission are entitled to our thanks for this decision. But it is when they recommend a substitute for it that we find that custom and precedent have been stronger than their sense of justice or their knowledge of scientific taxation. The following is their proposal:

(3.) *Taxation in lieu of Tax on Personal Property*.—That in lieu of the tax on personal property the following method of taxation be adopted:

(a) Tax all persons (with some exceptions in the case of certain corporations) with reference to their income (subject to a suitable exemption), in most cases indirectly, but in some cases directly upon income.

(b) Where a person's income is derived from trade, manufacture, or financial or commercial business (private bankers and brokers excepted) in cities, towns and villages, tax the person by reference to the rental value of the premises occupied for the purpose of his business, instead of directly upon income. (See Bill sec. 7.)

(c) In the case of persons following other callings (including private bankers and brokers), exempt income up to \$1,000; where income is more than \$1,000, but not more than \$4,000, tax the person by reference to the rental value of the premises occupied for the purpose of his business or occupation, instead of directly upon income.

(d) Where the income of such a person is more than \$4,000, tax him by reference to the rental value of the premises occupied for the purpose of his business or occupation in lieu of assessing his income up to \$4,000, and tax him directly upon any additional income above \$4,000. (See Bill secs. 8 and 11.)

(c) In the case of persons having income derived from investments and the like, and not from their business or calling, tax them directly upon such income (subject to exemptions).

Now, we are not so much concerned with the details of these taxes as we are with the principles or absence of principles, shown in their recommendation, and instead of giving our criticism we will content ourselves by giving their own, as taken from their general remarks on taxation when speaking of these very taxes:—

The objections urged against an income tax are thus summed up by Professor Cooley:

"Any income tax is objectionable because it is inquisitorial, and because it teaches the people evasion and fraud."

"No means at the command of the Government has ever enabled it to arrive with anything like correctness at the incomes of its citizens, and they resist its imposition in all practicable modes, not only because they desire to avoid as far as possible the public burdens which they are certain are not equally imposed, but also because they are not willing that their private affairs and the measure of their prosperity should be exposed to the public."

It is plain that under any Income Tax Act which can be enacted for the purposes of local municipal taxation, the difficulties attending the collection of the tax differ only in degree, if at all, from those attending the collection of the general tax on personal property. Salaries of officeholders and employees, that is, the smaller incomes, can be ascertained with some accuracy, but the larger incomes can only be ascertained, as in the case of personal property generally, by

inquiry from the taxpayer himself. An income tax has, therefore, to a certain degree, the inquisitorial element, and dependence upon the truthfulness of the taxpayer's return, which are the objectionable features of a tax on personal property generally.

While the Imperial Income Tax Acts can be pointed to as containing provisions which minimize the inquisitorial features of the tax, it is to be remembered that those are precisely the provisions which are least capable of adoption in local taxation. (Page 21.)

Upon any principle by which industry is to be exempt, wholly or partially, from taxation, a tax on rental values would seem to be preferable to an income tax. (Page 21.)

The list of Toronto incomes as published by the City Assessment Department in 1900, shows how ineffectual the present attempt to reach income is. (Page 19.)

Even in England it has been much spoken against and its abolition is always being contemplated. (See Wells' Theory and Practice of Taxation.) (Page 18.)

On pages 18 and 19 they also call special attention to the fact that the British income tax, being an Imperial tax, can be much more easily assessed and collected than a municipal one. On page 13 the Commission speaks of the enforcement of the present income tax as follows:—

A slightly better attempt made to assess incomes. In cities, towns and villages, the persons assessable for income have, as a rule, some figures against their names in the income column of the assessment roll, but the true amount of income is rarely set down, except in the case of persons having salaries, the amount of which is ascertainable from public records, or by inquiry from employers. By such failure to reach all in the class of income taxpayers there also results the double injustice referred to above; the tax falls with great inequality upon the members of the class, and by the failure to realize the amount which should properly come from the whole class the proportion of taxes payable by other classes, notably the real estate owners, who are always reached, is unduly increased.

In spite, however, of the foregoing, and much more of the same character, they determine to continue it in a modified form. In order to assess

the incomes of those they wish to reach, they demand that employers shall disclose the salaries of their employees ; inquisitorial powers are given to assessors, oaths are demanded, and in order still further to ferret out the delinquent, who, scorning ostentation, may modestly seek to conceal his princely income, penalties ranging from \$100 and upwards are threatened. Some people will not learn, even from the experience of 2000 years, and what the Roman assessor, backed up by the authority of the Empire, supplemented by torture and mutilation, could not do, they propose to accomplish by means of an oath. In this connection the following paragraph from page 11 of their report is interesting :—

“The extent to which the existing system of taxation in the United States has obliterated the sense of honesty in its people in their individual dealings with the Government, removed all repugnance to the act of perjury, and caused each one to justify himself to his conscience for making a false return in the matter of taxes by the supposition that everyone is doing the same, is also strikingly illustrated by the circumstance that a High Court in one of the States of the Federal Union has recently decided that ‘perjury in connection with a man’s tax lists does not affect his general credibility under oath.’ ”

The truth is, that an income tax ignores alike the sources of a man’s income, his opportunity for earning, and the obligations which, aside from taxation, he has to meet, and therefore cannot, in the nature of the case, be other than unjust and therefore inexpedient.

Business Tax.

WE now come to the Business Tax, and with it we will consider the analogous House Tax set forth as follows :—

(4) *House Tax*—Impose in cities, towns and villages, as a supplementary tax, a tax on all owners and occupiers of houses (meaning by that term buildings used as dwelling places) by assessing them for the rental value of the house, subject to a deduction by way of exemption graded according to the population of the Municipality. (See Bill sec. 15.)

Stated shortly, the result of the above recommendations would be that (a) in cities, towns and villages, every person in commercial or financial business (private bankers and brokers excepted) and (b) every other person whose income is not more than \$4,000, would be taxed on the rental value of his business premises and of his residence; (c) that persons having no calling would be taxed on their income (subject to exemptions) and on the rental value of their residence, and that (d) persons (including private bankers and brokers) following callings not commercial or financial, and having income not exempt, of more than \$4,000, would be taxed on the rental value of their dwelling place and places of business and directly upon their income above \$4,000.

It being apparent to the Commissioners that a general income tax would be impracticable, large exemptions were suggested, and, to reach those exempt from income tax, they recommend the above new taxes, but, realizing that their principles are unsound, they proceed to hedge these taxes about with exceptions and exemptions.

If the rental tax was based on the principle of the heading they give to its discussion (page 20) viz:—"Tax on rental value of land occupied" there would be no objection to it, for, as has been shewn again and again, a tax on land values does not increase *the price of anything man makes.*

It does not decrease the demand for labor. It does not increase the capital required to build a house or to carry on a business, and it does not decrease the comfort of living to the workers. But when the tax is partly levied on the building, it is open to all the objections to a tax on labor products. It increases the rent of houses, discourages the building of houses, and to that extent decreases the demand for labor. It decreases wages and tends to lower the standard of comfort for all workers, and encourages the pernicious system of land speculation.

The immediate effects of the house or business tax will be to decrease the rental received by the owner by nearly the whole amount of the tax paid by the occupant to the Municipality, until a relative reduction in the supply of houses will enable the house owners to raise the rent sufficiently to recoup themselves, and until such time it virtually amounts to the confiscation of so much house value. So we find that though the Commissioners are strongly opposed to levying an increased burden on land values, although admittedly these values are produced by the community, they do not scruple to recommend a *confiscation*, as they term it, of a portion of a man's capital invested in improvements. As a result of this new *confiscation* of labor products, they say:—

We think also that the returns from the new tax proposed by us should, by exceeding the returns now received from the tax on personal property, result in substantial relief of the owners of land.

A Franchise Tax.

(5) *Provincial Board of Tax Commissioners*—That a Provincial Board be appointed for the assessment of the land of railway companies, the income of express companies, and the "special franchises" of other persons, together with the land used in connection with the "special franchises," the tax on the amounts assessed to be paid to the Provincial Treasurer, and to be distributed, after deducting the expenses of the Board, amongst the various Municipalities concerned. An appeal from the Board to the Court of Appeal in a proper case to be provided for.

Here the Commission takes the ground that as all these franchises involve the use of land, they should be taxed, and while this suggestion is commendable, the same lack of any fixed principle that elsewhere characterises their report is noticeable here.

They desire to tax Express Companies, not because they have a franchise, but because they are wealthy, and so, they say :

A tax on rental values would, therefore, seem not to exclude a special and separate system of taxation in regard to companies, based upon their general wealth. (Page 21.)

Therefore they decide to tax their income. The truth is that Express Companies have a franchise in the exclusive right to the express business over certain lines of railway, and the value of this privilege ought to be included in the value of the Railway franchise, and taxed against the Railway, which should be left to collect its portion from the Express Company, as they do in fact when they charge the latter the full annual value of their monopoly.

We will now consider the position taken by the Commission in regard to the Single Tax.

Among the quotations they make from our speakers, we take the following from pages 16 and 17:—

When a man's income earned and received is shaved down by the taxing power, it remains shaved down; no question of cost of production is involved. And so of taxes upon ground rents or site values. Such taxes, instead of shifting to tenant or purchaser any higher rents or prices, rest upon the payer, the owner of the site. Ground rent or site value, which is simply a premium for advantageous location, cannot be increased by regularly taking part of it away, any more than it could be by regularly giving part of it away.

The fundamental basis of this theory is the hypothesis that land naturally belongs to all, and is not, or should not, be the subject of private ownership, and that the increase in its value accrued by reason of its position, and not attributable to improvements, belongs to all, whether the land nominally remains in the hands of a private owner or not. At the same time it is not the site that all lands should be governmental property. So that not even in new territories, where the land has not yet been sold, and private owners created, would it seem that the Single Taxer would advocate the retention of ownership by the Crown. He would apparently think it best to have the land nominally in the hands of private owners, to prevent embarrassment in its distribution and to afford facility in the collection of taxes.

The Commissioners then explain themselves as follows:—

No instance can be pointed to as a precedent in which a community comprising a great variety of interests has made experiment of the system. The effect of its immediate adoption would obviously and admittedly be to confiscate either wholly or in great part the property of one class of the community. It cannot be said in Ontario that landowners have acquired their property by force or fraud. They have purchased it. The policy of the country ever since it became a civilized one has been to confer and recognize ownership in land as well as in other property. To alter that policy, and without compensation to deprive owners of their property lawfully acquired, involves

a radical change in policy, and in the social community, which is not practicable.

The issue is fairly stated and we are prepared to meet it as fairly.

It is not specifically denied by them "that land naturally belongs to all," nor that "the increase in its value accrued by reason of its position, and not attributable to improvements belongs to all." Much less is any attempt made to disprove this position, and upon which is based the equity and morality of the Single Tax, which would fall only on this *value not attributable to improvements*.

It would *not* "confiscate, either wholly or in part," the property of anyone. On the contrary it would leave them in full enjoyment of all that their title deeds call for, viz:—quiet enjoyment subject to the payment of taxes. It would do more, for it would relieve them from the fine which is now levied on every attempt to use land for the purpose of production, and would make it no longer profitable to use it for the purpose of extortion or speculation.

We have already shown (page 6) that it would be levied strictly in accordance with the benefits derived from government. Strange to say, the Commissioners have not accepted this as the true principle of apportionment. On the contrary they acknowledge that they know of no principle of taxation, and therefore base their objections to the Single Tax, not on the fact that the principle

is unsound, but on two propositions which, stripped of verbiage, are—no precedent and confiscation.

No Precedent

THE first of these statements *is incorrect*. New Zealand is a "community comprising a great variety of interests," and has had a measure of single tax for years, with very beneficial results, and over 60 municipalities derive all their local taxes from land values only. In Canada the City of Nanaimo, B.C., does the same. In the rest of British Columbia improvements are exempt by law to the extent of 50%, and may, at the option of each municipality, be exempt entirely. In the rural districts of Manitoba the taxes are levied upon *the unimproved* value of the land only, and has given such satisfaction that no one even suggests going back to the old system. All of these facts were brought to the attention of the Commission, but they have not only ignored them but virtually denied hearing of them.

What Was the Commission to Do ?

Now, quite apart from the question of what has been done by other people, the Commission was appointed to enquire into and report upon the whole matter of taxation, and to suggest such changes and improvements as might seem advisable. How they could construe this to limit their

scope only to the consideration of systems in vogue elsewhere does not seem apparent. If the present system is bad, and if the systems existing elsewhere are bad also, it seems clear that common sense would suggest that careful consideration should be made of the true principles of taxation, and, if necessary, an entirely new system should be formulated—based upon these principles. This they have not attempted to do, but instead have suggested taxes which they themselves admit are thoroughly discredited, and take refuge in the statement that they never heard of any other system in actual operation.

Is the Land Tax Confiscation?

WE now come to the second objection, namely, confiscation. It is a principle accepted by all legislators, and acted on by this Commission, that government cannot grant to anyone, either the assurance that there shall be no change in the system of taxation, or that, in the event of such a change, those adversely affected shall receive compensation.

This principle has been freely acted upon by our Government, in times past, and not always with even handed justice. Every change in the **Tariff** affects some one adversely, and the change is usually made for the purpose of taxing money out of the pockets of one class of citizens in the

interests of another, and generally much smaller, class. Yet no one talks of compensation. Every reduction in a tariff reduces the value of goods imported at the higher rate, but there is no thought of compensation. Not only is this so, but a tax on houses such as recommended by the Commission, will reduce the value of house property, yet they give no hint of compensation. It is suggested by them that the business tax and house tax, with the franchise tax, will relieve land of some taxes that mean adding to its selling value, yet there is no talk of compensation in the shape of a payment to the Government by the landowners benefited. It is only when the land interest is adversely affected by the change of taxation that the compensation bugaboo is raised. No question of what land values are, how they arise, or the justice of one class in the community appropriating to themselves all the benefits which come through increase in population, improved methods of production of wealth, or increased facilities of transportation and communication, disturb them. Their chief care seems to be to see that the ground owner shall remain in undisturbed possession of his privilege of living on the industry of others, and so they give as their final reason for the adoption of these crooked taxes, that if taxation is not to be borne by land alone, some substitute for the discredited personalty tax must be found. (page 24)

In contrast to the report we have just reviewed, we point to the following minority report of the Royal Commission on Taxation, appointed by the Imperial Parliament in 1899, drawn by Judge O'Connor of the English Bar.

Report of a Royal Commission on Taxation.

THE following is an abstract of a report by the Honorable Judge O'Connor, K. C., (formerly Arthur O'Connor, M.P.), a member of a commission appointed by the British Parliament to enquire into the method of Local Taxation.

Property in Goods versus Property in Land

Now, between land and every other form of other property there is an obvious, abiding, and essential difference. Every other form of property is transitory, wasting and destructible, the temporary production of human industry obtained by labor out of the material which the land supplies ; but the land is not of human production ; and as no man made it, so no man can destroy it ; " no man, however feloniously inclined, can run away with an acre of it." Man's very body is built up of its substance ; he is taken from it, and will return to it ; while he lives, he must live and labor upon its surface. Equity and right reason would appear to suggest that the product of human industry should be the absolute property of the person or persons that created it, whether

the creation be of food, or habitation, or instrument, or any other thing. But with the land it is different. Equity and right reason here suggest that, as access to the face of the globe is for mankind a necessary condition of existence, and yet land is incapable of creation by human industry, the same rule of absolute and exclusive ownership cannot apply.

England Belongs to the English ; But—

It is, then, in accordance at once with reason, equity, and the law, to say that England belongs to the English ; that the land of England, with all that is beneath its surface, and all that it produces by the *unassisted* force of nature, belongs to the people of England.

The facts of the existing situation, however, furnish an extraordinary contrast with this natural and equitable view. The 32,000,000 acres of country which stretch from Berwick-on-Tweed to Land's End, and which bear upon their bosom a population of 30,000,000 of human beings, are divided between a comparatively small number of freeholders, collectively forming only a tiny fraction of the inhabitants. These freeholders part with the occupation right of the different portions of the land only on terms which, from generation to generation, and from decade to decade, are continuously advancing, whilst the overwhelming mass of the community, who are born, and live,

and labor, and are buried in it, can exist on it only on condition of payment to the freeholders.

Thus the population of England is divided into two classes, one comparatively small, and the other immense, the one composed of the owners of the land, and the other composed of the non-owners of land. The first, qua owners simply, "toil not, neither do they spin," but they receive from the majority of their fellow citizens a quit-tance amounting to more than a hundred millions sterling in the year; while the second or industrial class, have to labor not only for their bread, but also to pay for their foothold in the country.

Population Makes Land Value.

The amount which the industrial portion of the community have in this way to pay out of the produce of their labor increases with the increase of their own number. It is only the presence of man that gives value to land. Land at the North Pole has no value, because men are not there; it is of comparatively small value where people are few, as on Salisbury Plain; it is of very high value in the City of London, by reason of the concourse of people who desire to use it. Value is only the measure or token of the amount of human effort which anything of service can command at any given time or place. It does not signify how that effort may be induced, or what may be the motive

of it. The association of beautiful scenery, the proximity of a harbor or market, the accessibility of minerals, agricultural fertility, commercial convenience, or any other attraction, may furnish a special inducement to compete for a particular spot, but the bare requirement for ground to stand or sleep on will, with an increasing population of non-owners of land, secure for the owner an increased tribute.

Land Values and Improvement Values.

These considerations will be enough to show how essential a difference there is between the two kinds of property now liable to be rated, viz., land and buildings, and how reasonable and equitable it is that land or interest in land should be made the subject from which the services in the public interest should be supplied. A little further consideration will show in how different a position any other form of property stands. The increase in valuation, which has been so noticeable during the last fifty years, is due to the increased value of houses as well as to increase in the value of land. But a marked distinction must here be made. It is true that there has been a very much larger amount of money laid out in houses than was the case before; but this is a matter of expense, of sinking capital in the employment of labor, and in paying for materials. A structure

once erected remains a perishable commodity, maintained in condition only by the constant expenditure of more material and more labor, but on these conditions houses can be multiplied according to the multiplication of the people, as coats and books and other created commodities all can. But the land is constant in quantity and limited, and has to do for all, however many. Again, if each of two men resolve to build a house of a certain size and style, but one of them builds his house in an out-of-the-way part of Salisbury Plain, and the other of them builds his house in Cornhill, it is probable that the former, having to transport labor and material, will have to pay more for the erection of his Salisbury Plain structure than the other would spend in London where the conveniences are greater. But the Cornhill house would readily let at a rent many times as great as the other house would command. The difference in rent would represent the difference in site value, and not the difference in structural value. The distinction between site value and structural value represents a difference not of degree only, but of kind. The structural value is due to individual action; the site value depends on the action of the community. If it is suggested that an individual may do much to develop a site value, the obvious reply is that whatever he so does is included in his individual property as being of his own creation. If he should also

be the freeholder this will in no way affect the matter. The improvement which he creates, he creates not in his capacity of mere landowner, but in his capacity as an industrial member of the community, and equity requires that he should have the full benefit of it. But the land which he owns is no more of his creation than it is of his neighbor's, though his ownership marks him off from the majority of his fellow citizens as one of the class endowed with the land of the country. If an owner of agricultural lands builds a farm house with its necessary accessories, having, perhaps, reclaimed or drained the land, made or paid for the roads, erected the fences and constructed the ditches, etc., he is, in respect of his having created a farm as a going concern, as much an industrial member of society as the ship-builder, the tailor, the doctor, or the ploughman, and as such is a benefactor of society. Society may well be satisfied with the service which he thus renders, and leave his buildings and improvements unburdened by taxation. But with regard to the land on which his intelligence and resources have been exercised, he is debtor to the community at large, as being in privileged and protected ownership and occupation of a portion of that common patrimony which belongs to the community first, and to him only in a secondary and conditional manner.

Land Values Should be Rated.

Again, if upon the banks of the Tyne landowners have for generations allowed to lie useless a low and swampy stretch, until some energetic, enterprising and intelligent industrial, taking it at a rent, digs out a dock and starts the business of a shipbuilder, organizing labor, creating employment, gathering a vast army of workers, and develops a town, and if with every increase of service which he thus renders to his fellows he is constrained to pay to the landowners, who have all the while done nothing, a constantly increasing rent, until land, originally worth a pound a year is now worth a thousand, is it not in accordance with reason and justice that the thousand a year should be rated in the hands of the landlords rather than that the shipbuilder should be further charged? The structural value of the created property is maintained or increased only by constant expenditure by the individual on construction and repair of buildings and machinery. The whole value added by reason of the increase of men upon it attaches to the land, and inures to the advantage of those between whom the interests in the land are divided.

Debate on the Land Tax in the Commons

The Reports of the British Commission on local taxation, of which Judge O'Connor's report is printed above, came up for discussion in the Imperial Parliament on February 19th. The specific issue was a motion by Mr. Trevelyan, a Liberal, for the second reading of a bill for enabling cities to levy site value taxes for local purposes. It was expected, as Mr. Trevelyan explained, that the first benefit to flow from this measure would be the forcing into the market of "vacant land which was ripe for building." Some further idea of the nature of the bill may be had from the following extracts from the speeches :—

Mr. Holden (Liberal) for the bill.—The site value is something which is due not to the exertion of the owner of the land, but to the movement of the population, and is therefore a proper subject for just and equitable treatment in the way of adjusting the burdens it ought to bear.

Mr. Cripps (Conservative) opposed.—The site value is taxed at present as part of the real estate. If that is so, what justification is there for putting any exceptional tax upon it. It can be justified only on this unearned increment doctrine ; and if that doctrine is to prevail, a special burden might as well be put on railway stock in the case of a line deriving its prosperity from the growth of two towns which it connects, or on the interest on debentures as compared with ordinary stock.

Mr. McCrae (Liberal) for the bill.—In Scotland at the last general election there was hardly a Unionist candidate who did not commit himself to the taxing of site values. . . . It is fair and sound that a tax should be levied on land which improves in value, and that a building, which depreciates in value should be to that extent relieved. At present, land in this country does not bear its fair share of taxation. The great advantage of the bill comes in not only as a tax

reform, but as a solution of the housing question. . . . One of the main reasons that can be adduced for the proposal that land, and unused land, ought to be taxed, is that this would force more land into the market and therefore cheapen its price.

One of the principal speakers in support of the bill was Sir William Vernon Harcourt, who was Chancellor of the Exchequer in 1894, and retired from the leadership of the Liberal party in 1898. The bill had been introduced by Liberals, the Tory ministry having refused to act, and consequently its defeat was a foregone conclusion. For in England the landed interests bear much the same relation to the party in power that trust interests bear in the United States. But, defeated though the bill was, the vote was significant. Though the usual ministerial majority is from 150 to 200, the majority against the bill was only 71, the vote being 158 for second reading and 229 opposed. To the principle of the measure, however, the Liberal party is now pretty thoroughly committed, and so strong was the showing in its favor in the Commons that a belief is spreading that even the Tory ministry will soon have to put forward some kind of proposal for site value taxation.

How wide the swath which this theory of taxation has cut in the Liberal party is indicated by the attitude towards it of so notable a man in politics and commerce as Sir Christopher Furniss, member of Parliament for Hartlepool, and head of several business concerns. He has recently made

another pronounced declaration on the subject. It appears in the Pall Mall Magazine, in an article over his signature, on the American commercial "invasion" of the old world. Referring to the heavy burden imposed on British industry by mining rents and royalties, he warns the parasitical landlord class in no ambiguous terms. We quote :

I am not the man to support any wild and revolutionary theories of confiscation, but the mineral rents and royalties of this country are undoubtedly excessive, and I would warn the "gentlemen of England" that property has duties as well as rights, and that if, while shirking those duties, as in the manner of local rates, they impose on trade and industry burdens grievous to be borne, which they themselves touch not with one of their little fingers, they will only have themselves to thank should such theories become more and more popular. The miners work for wages they receive ; the colliery owners also earn their profits, when they get them, and those profits over a term of years will not average over five per cent. on the capital worked. If, therefore, special taxation is to be imposed upon those connected with the mining industry, it should surely be levied upon the royalty owners rather than upon the coal owners and the miners.

That this is no idle threat, but the expression of a conviction regarding the question of public revenue, is made clearer farther on in the same article. Having opposed taxes on imports and exports, the distinguished writer asks :—

" If, then, no tax is to be levied on our exports in the interest of the nation at large, how is the country to pay for the exceptional increased national expenditure ? "

And here is his blunt answer to the question :—

" I see nothing for it but to take up the question of taxation of land values "

Professor Seligman and Single Tax.

PROFESSOR SELIGMAN was an authority much quoted before the Commission, and accepted by them as an authority, so the following statement made by him, over his own signature, in a paper written for the Massachusetts Single Tax League, and read January 10th, 1902, will be of interest :—

"To the extent that the single taxers are showing the iniquity of the personal property tax and the essential practical injustice of our present methods, there is substantial harmony between them and the economists. To the extent that they emphasize the element of privilege as over against individual labor, there is again substantial agreement between them and the economist. But whereas the single taxers desire to have all imposts assessed on the land, the ordinary economist will supplement this land tax, or the real estate tax, with a tax on corporations and with a tax on inheritances, in the hope of reaching in that way some of the other forms of privilege, and most economists will not even object to a well considered system of indirect taxes, which, like the internal revenue system of the United States, on a peace footing, combines a maximum of productivity with a minimum of injury to legitimate industrial interests."

