

at first capable of the less profitable returns, might be the more valuable.

3. The third consideration is that of situation. The value of land depends principally on the value of its products; and the cost of bringing the latter to market is an important element in estimating this value. Land near a city or large town may be worth two hundred dollars an acre; while precisely the same quality of land, one hundred miles distant, and with no means of transportation except by common roads, may be worth no more than five or ten dollars. There are also other modifying elements. The more ready the access to the market, the more largely can all the capabilities of the soil be utilized. In the vicinity of great cities, a large amount of marketable produce can be raised at an immense profit, which it would pay nothing to cultivate at any considerable distance. Then, too, the nearer the land is to a densely populated town, the greater the facility of fertilization. We have seen how universal is the tendency to deterioration in land in a purely agricultural region. It needs to be in such relation to a large market-town, that a large proportion of what is produced on the farm can also be consumed on it, or that the equivalent of what is produced can be returned. Sometimes the capabilities of the soil are thus increased three, five, or even ten fold.

CHAPTER XI.

SOCIALISM.

1. THIS is one of the proposed remedies for what is evil in the present industrial situation. It is advocated by a considerable number of agitators and of reputable thinkers. The name "Socialism" has been associated in the minds of many in our communities with revolution, and the utter overthrow of existing institutions, and especially with the despoiling of the rich and the distribution of their accumulations. Many do not discriminate between it and Anarchism, with which it has no necessary affiliation. It has been unfortunate in the character of many of its advocates, — extreme men with extravagant and radically wrong notions of the real evils they seek to remedy. Recently, however, a different class of men have become prominent in its advocacy, and, as a consequence, more moderate views have prevailed, and the movement has been relieved of its more offensive features.

2. As may be inferred from the foregoing statements, there are several phases or forms of what goes by the general name of Socialism. For this reason it is not easy to define it. In a general way it may be described as a policy under which the government assumes the function of sole employer of labor, and manager of all industrial enterprises of every sort. To this end it must become the

owner of all capital, and private property as capital is abolished. It does not aim to destroy all personal property, only such property must not be used as capital. Every person of suitable age is to be required to contribute to the production of wealth according to his ability, and every person is guaranteed an adequate support. Under such a system there would be no paupers and no persons of great wealth.

3. The great aim of Socialism is to remedy the evils of the present capital and wages system of industrial production and distribution. These evils are very likely to be exaggerated, even by the more candid and conservative advocates of the scheme. It is unquestionable that evils of a grave character do exist, and it is the business of wise economists to ascertain a remedy for them. That enormous fortunes are acquired sometimes, it is true, where the possessors of them have rendered to the community a full, and often more than a full, equivalent for them, but often where the possessors have put forth no effort, or indicated any ability proportioned to the result, and adding nothing to the real wealth of the community; that there are large numbers who live on the income from inherited wealth invested as capital, and who in no sense contribute anything to the common weal; that thousands are poorer because these are richer; that by the system of industry largely operated by corporations the laborer for wages is often subjected to irregular and interrupted employment, and to involuntary and enforced idleness a portion of the time; and that the excessive competition now prevailing involves a vast waste of productive power, and thus a vast loss of product,—these are evils too palpable to be disputed. All this may be granted without at all accepting the declarations often made, that the wage system is one of abso-

lute slavery; or that the rich are growing richer and fewer, and the poor, poorer and more numerous; or that the laborer is receiving a constantly decreasing proportion of the greatly increasing product of industry, while the capitalist is receiving a constantly increasing share,—none of which are true, as has been abundantly proved by carefully prepared statistics.

4. Socialism aims at a fair and equitable distribution of the products of industry among the producers. But what would be a fair and equitable distribution? Socialists themselves differ on this point. Shall every person receive an equal share of the product with every other person, or shall each receive according to his productive ability? Even if the thinkers shall have decided this very important question, is it at all probable that, under the new *régime*, there will not be violent discontent? If, on the one hand, it shall be the rule that all shall receive alike, will there not be wide-spread dissatisfaction among those who produce two, three, five, ten, and twenty times as much as certain others? If there is to be discrimination, may there not be the same discontent and public protest as now against the more favored individuals? It may be claimed that the increase of production would be so great that the amount each would receive would be such as to forestall discontent, but those who say this have not made very careful calculations on the subject. Mr. Atkinson has shown that an increase of five cents' worth of material comfort each day to each inhabitant of the United States would require the annual production and equitable distribution of more than one billion dollars' worth of additional commodities. It is true that the Socialistic leaders calculate that under this system there will be a vastly increased production. Undoubtedly, under the harmonious working

of such a system, there would be a vast saving of productive forces which are now wasted ; but there are likely also to be great losses from causes already alluded to, such as the lack of stimulus to extraordinary exertion, which now plays so important a part in the productive process.

5. The ideal society which it is claimed will be the result of the adoption of Socialism is a very delightful one. It is nothing less than the millennium in which so many Christians earnestly believe, and for which they ardently hope, — a state in which there will be no want and no poverty, no rich men lording it over the poor, no injustice nor oppression nor degradation of any portion of the community, no crime and no selfishness, but all men dwelling together in harmony, each doing as he would be done by. But this appears to me to be a condition precedent to the success of the Socialistic system, not one to be created by it. It is not a state into which we can vote ourselves. Society must cultivate towards it, and grow up to it. Here would seem to be the great fallacy of Socialism. It assumes a condition of human nature as universal, which is found as yet only in small minorities.

6. If anything is better settled than anything else respecting human character, it is that men will not work except under the stimulus of self-interest. Emerson says, "Men are as lazy as they dare to be." This holds true almost universally. Under the present system the fear of want, the desire of possession, the power that wealth gives, and some other cognate motives, constitute this stimulus. In the Socialistic state none such will exist. Every man's wants will be provided for in any case. The desire for possession and the power conferred by wealth will be reduced to a minimum. No penal sanctions in the interest of honest labor adequate to the end proposed have

been set forth in any presentation yet made to the public. It is not a reasonable reply that in the Socialistic state men will be public-spirited, and all will be disposed to work. There is obviously nothing in the scheme of Socialism that implies such a radical revolution in human nature.

7. The advocates of Socialism also seem to take no adequate account of the natural selfishness of men, of the tendency to self-indulgence and the immediate gratification of any desire, impulse, or appetite which may characterize individuals, and out of which come the larger proportion of poverty and wretchedness in our communities. These are as likely to exist under the socialistic system as under the present. Let us take an instance. As before intimated, Socialists differ as to the principle of distribution of the products of industry, some claiming that all should share alike, others that the distribution should be in proportion to the productive power of individuals. Let us suppose the former. There is also a difference as to method. Perhaps the most plausible is that each person shall receive a card entitling him to a certain aggregate amount for a given time. He carries it to the government storehouses, and takes what he wants of any kind, and the amount and value is checked off on his card. He may take this from time to time, as he may need, and in any form, — provisions, clothing, furniture, books, pictures, jewelry, silks, laces, tobacco, whiskey, etc. What is there to hinder a man who is so disposed from doing as so many do now, — take a disproportionate amount, or the whole, of his apportionment in articles of mere show and no use, or which minister to his appetites, and degrade and ruin his character, and bring distress upon his family? How are poverty and want to be prevented under such conditions?

8. Socialism, then, though not the raw-head and bloody-bones spectre that it is sometimes pictured, is, in the present condition of humanity, impracticable. It may easily be said that the evils alluded to, and many others of which no mention is made, are not certain to exist under Socialism. Still, they are possible, and to enter upon a wholly artificial system, with no guarantee against them, would, even in a limited experiment, be imprudent, and on the universal scale proposed might be a crime. It is not unlikely that in the progress of civilization we may gradually come to a system embracing some of the prominent features of Socialism. Already we have a considerable number of instances in which the government has assumed the control of great business enterprises. Our great postal system is purely Socialistic. So is our lighthouse system. Many governments operate the telegraph system. The common roads are generally the property and care of the government, general or local. Other kinds of business are carried on by government to a greater or less extent. There are still others which, though not recognized as properly Socialistic, at least partake somewhat of that nature. Such are the water-supply of cities, public education, the gas and electric lighting systems. Government might perhaps safely extend its proprietorship to other kinds of industrial undertakings, but there is a point beyond which, in the present condition of human society, it would not be safe to go. What may be the case when society is more highly developed and improved, it is yet too early to determine.

CHAPTER XII.

TAXATION.

1. ONE of the indispensable conditions of a prosperous community is the maintenance of order and justice between the members of the body politic. There must be protection against criminally disposed persons, and against all sorts of fraud and violence. The weak and poor and ignorant must not be allowed to be put at a disadvantage in contests with the strong and rich and intelligent; and there must be some way to decide questions of law and equity. Now, order cannot be maintained by each man's undertaking to execute justice for himself. It must be done by society in its corporate capacity. But in order to this, on the principle of the division of labor, as well as on other grounds, the duty is delegated to an agency or set of agents appointed for this purpose. This agency is *the Government*, and consists of a number of men acting in a variety of capacities.

2. Now, if these functionaries are a condition of any considerable production, then, clearly, a share of the wealth created belongs to them under the law of distribution. This is to be contributed by all who share in the benefit of the agency. The aggregate constitutes what is called *the revenue of the Government*. Its apportionment among the members of the community is known under the general name of *taxation*.

The most equable method of levying the taxes is a subject upon which a vast variety of opinions exists; and, though great improvements have been made in the devices employed, they are still very imperfect, and public men are far from agreement in regard to them.

3. It is a question of some importance, whether a man should be taxed according to the amount of his accumulations, or of his revenues. A man may have a large estate in land or other property, which, owing to various circumstances, is bringing him in very little or even no revenue. Another has no property at all, but he has a large income from his profession or occupation. If these both pay according to property, the latter will contribute nothing, while the former will be heavily taxed. If they pay according to revenue, the latter will pay largely, and the former contribute nothing. Again, there are some so situated that they will have a *perpetual* moderate income; while others have a much larger income, which, however, depends upon the continuance of health, business prosperity, or some other contingency which is wholly uncertain. If the tax is simply according to revenue, and not property, here would be an instance of great inequality.

4. Another question arises here, which is not always squarely met by writers on this subject. Does genuine economy require a *uniform system* of taxation, according to either property or income? The *theory* of taxation, generally accepted, implies the affirmative of the above question. But it is doubtful if any civilized government ever really attempts to apply it. The economical instincts of men lead them to repudiate it in practice. Unquestionably, what men desire in respect to taxation is a system which will give the needed public revenue, at the least possible expense on the whole, and with a just distribution of the burden. But it

is clearly possible, that, by attempting a literal and arithmetical apportionment, many persons may be reduced to poverty, and others to pauperism; so that some who would otherwise help to bear the burden are prevented from doing so, and others are made to add to it. It is on this account that nearly all civilized nations make certain exemptions of the property of the poor from taxation,—certain articles of prime necessity about the house, certain tools used on the farm or in the trades, certain domestic animals, and other property of a similar kind. This is not done from mere benevolence, but simply as a measure of economy. It is true that these items are exempt in the case of the rich as well as of the poor man; but, obviously, the substantial advantage accrues to the latter, as it was intended to do. They comprise but a small fraction of the wealth of the former; but they are sometimes the whole, and often the chief part, of the poor man's goods. By such exemption, thousands are encouraged, and prevented from losing hope and self-respect and independence, who otherwise might become a burden to society, thus involving an expense far greater than the amount of the small tax they would pay if there were no exemption.

There is another custom, nearly universal, which is not in harmony with the principle of uniform taxation. It is that which prevails in most modern nations, of taxing such kinds of business and such products as are admitted to be pernicious in their effects on society, at a higher rate than other kinds of business and products: spirituous liquors and tobacco come into this category. The reasonableness of this policy is obvious. If the tax is so heavy as to discourage or diminish the use of these articles, no person really suffers: on the contrary, it is scarcely disputed by any candid man, that great benefits would ensue. If diminished productive-

ness, if pauperism and crime, come from the use of these articles, then is the community richer from any cause tending to lessen the consumption. If a larger proportional tax will do this, it will both increase the revenue and diminish the burden.

A similar discrimination is frequently made in respect to what are called luxuries. If a heavy tax should be put upon the rich man's costly clothes, jewellery, carriages, and expensive furniture, he would not greatly suffer if he should buy somewhat less of them. But if the poor man's bread and meat and the implements of his daily toil are taxed, he cannot forego the expense of them without serious damage.

There is still another discrimination which civilized nations usually make. All property devoted to the public good, and which is used for purposes tending to diminish the evils which occasion a large proportion of the expenses of the government, is exempted. Such especially are churches and schools, and charitable and benevolent institutions. This exemption, also, is prompted by a wise economy. It renders the burdens of taxation lighter instead of heavier, and ministers largely to an increase, instead of a decrease, of public wealth.

5. Taxes are divided into *direct* and *indirect*. Direct taxation is when the tax is paid by the person upon whom it is levied. In indirect taxation the tax is levied on one person, but really paid by another. Taxes upon real estate, tools, machinery, domestic animals, etc., are direct taxes. They are supposed to be paid by the owner of the property taxed. Yet even here the tax is sometimes really paid by another party than the real owner.

Indirect taxes are levied on commodities; and the amount of the tax is added to the price of the commodity, and thus paid by the consumer. For instance, under the internal rev-

enue system adopted during the civil war, there was a stamp-tax of one cent on every bunch of matches. The consumers paid a cent more for each bunch of matches than they otherwise would. The same is true of duties under a revenue tariff. If there be a duty of ten cents a pound on coffee, though nominally paid by the importer, it is added to the price of the article, and thus finally comes from the consumer.

6. There is some difference of opinion as to the comparative merits of direct and indirect taxation. It has been claimed in favor of the latter, (1) that it is imperceptible, and thus avoids exciting dissatisfaction in the payers; (2) that it is paid by each according to consumption, and that therefore those who consume less of the taxed article pay less of the tax; and (3) that it is divided into such minute portions as to make the payment easier.

It is true that the payment of the tax on commodities is not generally realized with much distinctness. It is regarded as a part of the price of the article, and is set down in the account of expenses as such. It is also true that the payment of the tax in minute portions prevents the conception of its real amount. Still the aggregate of all the items is none the less a burden because it is distributed over much time, and it is just as actually a subtraction from the wealth of the individual.

But these very facts are among the real and grave objections to the method. Indirect taxation is easier for the government, and less obnoxious to the people. On this account the government is less likely to be frugal and economical than if the revenues disbursed came more reluctantly from more conscious contributors. Where the people are taxed directly, they know the full amount of the cost of the government to *them*. Under such circumstances, they are far more likely to scrutinize the acts of their agents, and hold

them to a strict account. It would make a great difference in the conduct of public affairs if every man knew just how much of the aggregate cost he had to pay.

It is also to be said concerning this method, that it is far more likely to be unequal than direct taxation. The duties imposed, whether excises or customs, will be paid by the consumer in proportion to the amount consumed. But if they be levied upon the necessaries of life, or even its common conveniences, the poor man must pay nearly as much as the rich. It is very easily said, that each pays in proportion to his consumption, and that he may diminish his tax by diminishing his consumption. But is it fair to compel one to the alternative of abstinence from the ordinary comforts of life, or the payment of several times his proportion towards the support of the government? Is it the part of a wise economy?

Any system of taxation is vicious in which a large proportion of the revenue is raised by taxes on the necessaries and common conveniences of life which are consumed by the poor to the same extent as by the rich. It is not only unjust, but every way reprehensible, that the former should bear the larger part of the burden of the support of the government while the latter are permitted to go comparatively free. It is true that there are apparent taxes which are not so in reality, as where there are duties levied on foreign commodities the importation of which is insufficient to come appreciably in conflict with the large domestic product. But there are instances enough where the tax is not only apparent but real, and where it falls with undue and unjust weight upon the consumer of moderate ability. Such a system of taxation is open to a demand for reform.

7. There are several forms of direct taxation. The fol-

lowing are the principal: 1. The *income-tax*. Abstractly this is the fairest and most equable of all the forms of raising a revenue. Under this method, equality of taxation, so far as that is desirable, would be more closely approximated than under any other. Still, it is not popular, and in recent times governments rarely resort to it. That a method so fair and just should be so unpopular and so little used, is singular. Probably it is partly for the same reason that indirect is preferred to direct taxation. People would rather pay their taxes without knowing it. It is also objectionable by reason of its inquisitorial character. Business-men do not like to have their affairs examined by public officers. There is much opportunity for fraud; and thus, while dishonest men escape the payment of a large proportion of what is justly due from them, men of integrity have to pay more than their share. The situation of two persons having the same income is often so different, that the tax may be far more burdensome to one than to the other. These and some other reasons render the method unpopular.

2. The second method of direct taxation is that of assessing the whole property, real and personal, according to its estimated value. This, with some exceptions soon to be noted, is, if fairly carried out, the most equable of any save that of the *income-tax*. It is generally according to one's ability; and, though one's revenues are not always proportional to one's property, there are often some partial compensations for this. Still, evidently there can be no absolute equality.

The exceptions referred to are as follows: First, there are the exemptions mentioned in section 4: these are recognized by all really enlightened states, and do not need to be further discussed. Secondly, all property devoted to the public use, and from which the holders receive no revenue: this principle, too, has been examined, and the reasons in

its favor set forth; it appears to be a principle of sound economy on the whole, and one diminishing, instead of increasing, the burden of taxation.

There is, however, much difficulty in adjusting this method, mainly because a considerable portion of the wealth of a community exists in invisible and intangible forms, and can thus be easily concealed. Property is also liable to double taxation, as in the case of mortgages. In some of the States, the mortgagor is required to pay the tax on the whole property; while at the same time the mortgagee is taxed for the portion mortgaged. This is manifestly unjust.

But, aside from this, there are great difficulties in ascertaining all the personal property; and, unless some method can be devised for doing this, every attempt to tax all property will be nugatory. According to the best information available, it appears, that, in the State of New York, only about fifteen per cent of the actual value of the personal property is returned by the assessors, and taxed. The same is probably true in some other States.

8. For these reasons, it has been advised by eminent writers, that a system of taxation, based wholly on *expenditure*, should be substituted for all those based on *property*. This need not be calculated by any detailed or itemized estimate, but as indicated by a single item; namely, that of *rent*. It is averred, that there is no surer index of a man's pecuniary ability than that found in this item of his expenditures. In the case of those who live in houses of their own, the rent of the house is to be estimated by that of other similar residences. This would leave untaxed all personal property, except that of certain corporations whose property-value it is easy to determine.

Probably this plan, like many others, would be found greatly faulty; and it is doubtful if any system can be devised which will commend itself as very nearly equitable.

9. THE SINGLE TAX THEORY. — Within a few years our communities have had their attention called to the speculations of Henry George. He is a writer of very attractive, popular style, and has many just and valuable notions. His great leading doctrine is that private property in land should be abolished, and that all real estate should be owned by society, and disposed of by the government as would be for the best interest of the community. He would bring this about by a very simple process, — the government should impose a tax upon all land-owners equal to the proper rental of the land. This, of course, would render all land commercially valueless, as no one would think of paying anything for land the annual income from which is taken by the government. This is to be in the place of all other taxes, local, state, and national, direct taxes on property, internal revenue taxes, and taxes on imports. Hence it is called the "single tax."

It is not simply as an improved system of taxation that Mr. George advocates his theory. He claims that there are great and crying abuses which grow out of the private ownership of land, and the system of rent. Indeed, he traces substantially all the evils of the present industrial situation to this source. But among many exaggerated conceptions and pessimistic notions, he has some views that are, at least, entitled to consideration. One of these is that which has been discussed by previous writers under the title of "the unearned increment," or the increased value of land which comes from no outlay of the owner. For instance, in a young and growing city a man buys an acre of land for two hundred dollars. He does not cultivate it, nor build on it, nor put upon it any kind of labor. He simply holds it for five or ten years, and at the end of that time sells it for forty thousand dollars. That is, its

value has increased two hundred fold,—an increase of wealth no part of which has been created by the owner. But this increase has not come without some labor applied in some relation to the land. This outlay has been made by the community as a whole. They have built warehouses, stores, churches, schoolhouses, and other public buildings and factories, laid out streets; and it is these which have given value to the land. As it is the work, not of the owner, but of the whole community, it is very plausibly claimed that this increment should go to the community, and not to the private owner. But this, even if a correct doctrine, should be brought about by some other method than that of abolishing private property in land.

We have space for only two or three objections to this theory. In the first place, it implies a confiscation of all the property now invested in land. When the government assumes the right to lay on all land a tax equivalent to its proper rental, property in land virtually ceases, and the man who has, by the savings of years, come into possession of a parcel of ground, finds himself compelled to pay rent to its full value, as if the land belonged to another person. Whatever might be right or wrong, wise or unwise, respecting the public ownership of land before it had been privately appropriated, the people of our communities generally are not likely to consent to so wide-sweeping a confiscation.

In the second place, it is to be noted that this assumption of ownership by the state is only of the land in its original estate. All buildings and structures of every kind, and all improvements, are to be regarded as the private property of the person who has produced or purchased them. Now, there are two things to be considered here. First, how to discriminate between the land and

the improvements; second, the value of the land aside from the improvements, and consequently the value of its rental.

We are to have in view that improvements comprise not only all movable structures, like buildings and fences, but also all systems of drainage, all removals of stones, trees, stumps, and other obstructions; moreover, of all additions of fertilizing power to the soil, which a good husbandman knows how to make. For instance, here are two parcels of land whose natural capability of production is precisely the same. Two men enter into possession respectively. One is sagacious, shrewd, and enterprising, and knows how to use his land to the best advantage; the other is an inefficient and thriftless cultivator. At the end of ten years the one farm will yield twenty-five bushels of wheat to the acre, and the other ten, and other products in proportion. Shall the government apply the Ricardian theory of rent to these two parcels of land, and tax the former two and a half times as much as the latter? If so, great injustice is obviously done. The simple fact is, land by itself, or apart from what is done on it or in some relation to it, has very little value — possibly none at all — and the rental by itself would be a very minute sum.

If this be the case, the question arises, How is the government to secure sufficient revenue for its purposes? Mr. George is clearly of the opinion that an abundant revenue will be secured in this way, not only for the present needs of the government, but beyond this, for what may be called public luxuries, such as libraries, art galleries, baths, and means of diversion and recreation. But if the idea of simple land value is alluded to, it would seem that the single tax would fall far short of meeting the ordinary public expenditure.

