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UNEARNED INCREMENTS—SHIFTING TAXES.

By H. J. Chase.

I am inclined to think that these two questions are the most difficult ones a Single Tax advocate is called upon to answer :

(1) Are there not unearned increments in other things besides land ?

(2) Can not a tax upon land values be shifted ?

When I say these questions are difficult, I mean that it is not always an easy matter to convince, even intelligent people, that buildings, e. g., do not increase in value as population increases ; or that a tax on land values is unlike most other taxes, i. e., cannot be recovered from some person other than the one upon whom it is levied. However plainly Single Tax men may see these truths, it must be borne in mind that the ultimate adoption of the Single Tax proposition depends upon the conversion of our opponents, or at least those of them who are thoughtful, to our views. I offer the following suggestions, not as containing anything original, but as possibly helpful in certain emergencies :

In the first place, it ought to be understood that when we assert that there is no unearned increment in anything except land, we are stating a general truth. We are not denying that there are fluctuations in the values of labor products or of land. But while increase of population is accompanied by no increase in number of natural opportunities, it is accompanied by a more than proportional increase of labor products. Consequently, while the price of land tends to rise, that of labor products tends to fall. If a person starts from, say, Portsmouth, N. H., and proceeds to the summit of Mount Washington, he will frequently find himself going down hill before he reaches his destination ; but, upon the whole, his ascents will amount to more than

his descents by several thousand feet. It seems to me that his progress inland is a fair illustration of the course of land values in most, if not all, civilized countries; and his return to the seashore likewise illustrates the mode of the decline of the values of labor products.

The writer had the following instance brought to his notice as an example of unearned increment in a house:

A man leased a lot of land for a period of ten years at the rate of \$100 per year. On this lot he erected a house costing \$3,000, from the tenants of which house he received during the first year \$150. But population began to increase in that vicinity, and the second year he received \$300 from his tenants, and the year after \$400. Had not that house greatly increased in value, and was not the increased value due to increase of population? Now, the average assessor and the average real estate dealer know that the house was not worth any more, in fact not quite so much, at the end of the third year as it was when first erected. They know that if the house had been destroyed during the third year, that it could have been replaced for \$3,000, unless building materials and the wages of labor had meantime varied appreciably. They know that no insurance company would insure the house for any more than it would cost to replace it, or if a company did do so it would not keep its contract. But there are many intelligent people who have to have these things distinctly pointed out to them. Clearness of statement and frequency of repetition are essential to the removal of doubt upon such points as this. *Sarcasm*, spoken or printed, does not do one bit of good.

Professor Seligman, I think it was, cited the improvement of wine in quality as it grows older as a case of unearned increment, and I have heard the same citation made more than once since the meeting at Saratoga last September. It does not seem to have occurred to the man of letters, and possibly it has not occurred to others, that he might as well have called attention to a hill of growing corn as a case of unearned increment. The farmer brings certain elements into juxtaposition, and leaves nature to do the rest. It is generally considered that he earns about all he gets out of a cornfield.

The producers of wine do precisely the same thing that the farmer does—bring grapes in contact with a press of some sort, the juice in contact with a vessel, and the vessel in contact with a cellar or other storehouse. Labor makes the press, the vessel and the storehouse, the ultimate object of all which appliances is to retain the wine in a position where it may be affected by natural forces or processes. Probably wine producers are of the opinion that their product in the end “costs about all it comes to.”

Congressman R. G. Horr recently cited the case of a colt's developing a 2.13 gait as an example of unearned increment. But horsemen know that colts of uncertain pedigree do not often develop that rate of speed, and that the training of a trotter is a task to which few men are equal.

But it is not my purpose to attempt to meet all the instances of alleged unearned increment to which my attention has been called. I merely wish to remark, as in the beginning, that while it may be plain enough to us Single Tax men that there is no unearned increment except in land, nevertheless, it is not so plain to other people, and it behooves us to deal with every alleged instance of such increment in other things in a careful and thorough manner, above all, avoiding even such faint suspicions of sarcasm as the writer may have already laid himself open to in the course of this article.

As to shifting the tax on land values, it ought to be understood that the proposition that such tax cannot be shifted is a general one, as is likewise the proposition that a tax imposed upon an article in the course of production can be shifted. Nobody, so far as I am aware, asserts that under no circumstances whatever can a tax upon land values be shifted, or that under all circumstances a tax upon, say, houses can be shifted. The *tendency* of taxes upon land values is to remain with the person upon whom they first fall, and the *tendency* of a tax upon houses is to rest finally upon the user of the house.

If a tenant rents a piece of land subject to taxes, he will have to pay those taxes, and if the valuation of even the bare land is raised before his lease expires, he

will usually have to bear the consequent increase in taxes. But by taking a lease subject to taxes, the tenant is for the time being the virtual owner of the land. On the other hand a tax upon an empty house cannot very easily be shifted, and other exceptions to both propositions might be adduced. But generally speaking, if there is an increase in taxes upon houses, capital employed in building must do one of two things—either itself shoulder the increase, or charge it over to occupants, i. e., consumers of houses. If capital accepts the former alternative it must content itself with smaller returns. But it was receiving, presumably, no more than the average return before, and rather than receive less it will look for investment in some other direction. But, if the increased taxation is to be charged over to the consumer of houses, practically the consumption of houses will decrease, i. e., people will try to content themselves with less expensive or narrower quarters.

The first effect of the increased taxation might be, consequently, a rise in the rental value of inferior houses, and a decline in the rental value of superior houses; but, upon the whole, there is a decreased demand for houses, and, consequently, capital lacks encouragement to invest in that sort of production. After awhile, the increase of population will have so far outstripped the production of houses, or existing houses will have so far worn out, that house rents will rise, and the owners of houses will begin to collect the increase of taxation from tenants in the shape of increased house rents. Capital will then begin to be invested more freely in the production of houses, because it can now count upon receiving the average return. This same explanation will apply to all other products of labor besides houses. Taxation of labor products discourages production, and decrease in production ultimately causes rise in prices.

Taxation upon land values cannot discourage the production of land. On the contrary, it, so to speak, increases such production. It causes some land, at least, which was being held for an advance, to be offered at a lower price, and if the tax were so adjusted as to amount to all, or nearly all, of the annual rental value of bare land, all land now held for a rise would either be improved by present owners or offered for sale.