

Taxation For Prosperity

SINGLE TAX VS. TRIPLE TAX

WALTER FAIRCHILD, Attorney; Secretary of the American
Association for Scientific Taxation, Inc.
and

HAROLD S. BUTTENHEIM, Editor, The American City
Magazine

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Single Tax vs. Triple Tax

"The single tax, taking the full annual value of land, is not fundamentally a tax reform measure, but is a practical mechanism by which the community collects for community use values which are socially created."

WALTER FAIRCHILD

*Attorney; Secretary of the American Association
for Scientific Taxation, Inc.*

HAROLD S. BUTTENHEIM

Editor, The American City Magazine

Introduction by Dr. Thomas H. Reed, Chairman, The Committee on Civic Education by Radio:

No discussion of taxation would be complete which did not include something about the single tax. I am personally not a single taxer. But some very intelligent people are, and they maintain their belief with all the enthusiasm which the early Christian martyrs showed for their faith. In fact the attitude of the followers of Henry George toward the single tax sometimes seems to me to be more that of believers toward an essential tenet of their religion than of scholars toward a scientific principle. In spite of their zeal they have never been able to convert the greater number of economists or legislators to their creed. As a corollary of their agitation, however, the belief has become very wide-spread that in taxing real estate the burden should be shifted as much as possible from improvements on the land to the land itself. Mr. Purdy two weeks ago in a single sentence aligned himself with this position. Of our two speakers tonight, Mr. Fairchild is an out and

out single taxer of the strictest sect of the Pharisees. My good friend, Harold Buttenheim, on the other hand is in the opinion of single taxers a sort of apostate, one of little faith, who accepts the single tax principle as far as real estate taxation is concerned, but who would supplement the land tax with progressive income and inheritance taxes. As one entirely in outer darkness, I can only say, "Go to it, gentlemen, and may you intellectually at least each annihilate the other." The discussion will be opened by Mr. Fairchild.

MR. FAIRCHILD:

In your address on July 10 at the Institute of Public Affairs of the University of Virginia, in discussing tax relief for real estate, you stated without equivocation, Mr. Buttenheim, your belief that a tax system which is both ethically just and economically sound ought to depend as largely as possible on community-created wealth and bear as lightly as may be on the products of useful individual labor. Will you not repeat, for the benefit of the radio audience, the answer you then

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gave to the question, "How do land values or ground rents arise and how are they maintained?"

MR. BUTTENHEIM:

Gladly, Mr. Fairchild. In the creation and stabilizing of ground rents and land values, at least three main factors are involved:

(1) Some land has natural advantages of site, fertility or climate, that cause it to be in greater demand than other land. This differential—for which landowners, as such, deserve no credit—is reflected in ground rents or is capitalized into land values.

(2) Where population concentrates, the demand for land is greater than for equally advantageous sites where population is sparse. This differential, too—for which landowners as such deserve no credit—is reflected in ground rents or is capitalized into land values.

(3) Where governmental services are available—police and fire protection, adequate facilities for public education, recreation, sanitation, and the rest—the demand for land is greater than where such services are not furnished. These community expenditures are likewise reflected in ground rents or capitalized into land values.

Here we have—in the bounties of nature, the presence of population, and the expenditures of government—the major factors in economic rent and land values. Other factors might be mentioned: the enterprise of business men, the inventions of scientists and the gifts of public-spirited citizens, for example. But those, like our three major factors, are

not services for which land-owners are ethically justified in levying tribute.

MR. FAIRCHILD:

With that statement I am in hearty accord. In fact, any follower of Henry George reading or hearing only these excerpts, and not familiar with your other utterances, would hail you as a single taxer. But I know that you have repeatedly refused to enroll under the single tax banner. Just where do you stand, and why?

MR. BUTTENHEIM:

It is not the *single* tax that I advocate, for my creed is that of a triple-taxer—not a single-taxer. I favor properly graded income and inheritance taxes for national and state revenues, and am emphatically opposed to general sales taxes and other regressive levies. I do not believe that *all* community expenditures are reflected in increased land values; nor do I believe that *all* privilege and exploitation would be abolished by community collection of ground rents. But I do believe that privilege for the few and prosperity for the many are mutually exclusive terms; and I want to see a demonstration in the United States of our ability to build a depression-proof civilization free from the evils both of fascism and of communism. To such a civilization I know of no greater present handicap than that major form of privilege which will disappear when we have the good sense to depend on our community-created ground rents as our major source of municipal and county revenues.

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MR. FAIRCHILD:

It amazes me that one who can state so logically the case for land-value taxation as the main source of local governmental revenues, cannot also see the even greater social and economic values that would result from a whole-hearted acceptance of the single tax. By the single tax I mean, of course, dependence on land value taxation or ground rents as the sole source of all public revenues — national, state and local.

MR. BUTTENHEIM:

What basis have you for believing that the total annual ground rent, if collected, would be enough to pay all of the tax budgets of the country?

MR. FAIRCHILD:

All expenditures of public money, when wisely made, create or maintain land values. In addition to the public spending of money for the common benefit, the cooperative services that people privately render to each other contribute to land values. So that, theoretically, the total annual value of land necessarily must exceed the amount of money directly spent by government in public works, service and maintenance.

The single tax, taking the full annual value of land, is not fundamentally a tax reform measure, but is a practical mechanism by which the community collects for community use values which are socially created. If this produces an excess over present tax requirements, I hold, nevertheless, that it is the duty of the community to collect it.

Otherwise individuals will appropriate for private use values which the community as a whole has produced. This excess community value, whatever it may be, when collected by the community, may then be expended for such additional mutual social advantages as society may decide to be wise: old age pensions, shortening of labor hours, recreational facilities, broader educational and cultural development—things we now desire but which as a people we get only to a restricted degree.

By the term land we mean, of course, more than mere soil. Land value is the value of all natural resources and advantages — everything outside of man. In this would be included coal, iron, oil, natural gas, water power, public utility franchises for railroads, telephones, telegraph, power and light, and the rest, as well as the site value of land as commonly understood.

MR. BUTTENHEIM:

You say, Mr. Fairchild, that theoretically, the total annual land value must exceed the total of all public budgets; but as a practical matter is it not true that public bodies often spend money wastefully and sometimes dishonestly. Such expenditures do not add to land values, and to that extent the public budget will run short, if dependent wholly on land-value taxation.

MR. FAIRCHILD:

It is true that wasteful or dishonest spending does not add to value, either public or private, but the remedy for that lies in the direc-

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tion of the elimination of waste and graft in government. One of the greatest single causes of waste and corruption is the maintenance of multitudinous offices for the collection of all kinds of taxes—tariffs, sales taxes, gasoline taxes, milk taxes, liquor taxes, tobacco taxes, processing taxes, income taxes, inheritance taxes—with their hordes of assessors, collectors, investigators and prosecutors in the public offices, and tax accountants, attorneys, adjusters and fixers in private ranks. All of this would be saved by a single tax levied upon the value of land, which is the simplest of all taxes to levy and the least easy to evade.

Taking conditions as they are, available figures indicate that the annual value or ground rent of land, excluding improvements, exceeds the total amount of public budgets. Figures for the nation are inaccurate and not satisfactory because many localities under-assess, and in most of the states only part, if any, of the land values are assessed separately from improvement values. It has been estimated, however, that the total annual value of land in private hands in the United States amounts, in excess of taxes thereon, to about eight billion dollars. About one-third of this value is now taken in land taxes, so that the eight billions remaining represents two-thirds, making the total value of land in the United States approximately twelve billions annually.

This is substantially in excess of the total of all public tax collections, national, state and local, which are

commonly placed at about ten billions annually.

MR. BUTTENHEIM:

Your twelve-billion dollar estimate of annual land value, Mr. Fairchild, is admittedly little more than a guess. If you are now using the term "land" in its narrower, or "real estate" sense, my belief is that your estimate, in the present condition of the real estate market at any rate, is quite high. If you are using your own broader definition, including among other elements the annual value of public utility franchises, let us assume that you are a fairly good guesser. But in either case you have, of course, included in your estimate of annual values the potential earnings of millions of vacant city lots and of idle rural acres, to say nothing of the blighted districts and slums which disgrace our cities and whose earning power ought not—and probably will not—ever again equal that of the bad old days when indecent congestion was respectable. These speculative prices would dwindle or disappear—as they ought—under a scientific system of taxation—but for that very reason ground rents alone would, I believe, be inadequate for the socially-useful expenditures which government ought to incur. I say "ought to incur" because of my conviction that, if we are to attain and maintain prosperity and welfare for all, governmental spending for constructive and cultural purposes and for old age and disability pensions ought to be vastly more, rather than less, than at present.

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MR. FAIRCHILD:

All of these finer things of life the single taxers desire just as much as you do, Mr. Buttenheim. We believe they can all be had, as you want them to be had, under our capitalistic system. This can come about, as Henry George showed, by the simple device of abolishing private exploitation—but not private use—of land and natural resources, by taxing away all the economic rent and by freeing from taxation all improvements and other labor products. Suppose, Mr. Buttenheim, that experience should prove Henry George's theory to be correct. Suppose that the high standard of uninterrupted prosperity resulting from your proposed combination of income, inheritance and land-value taxes should actually so increase and stabilize land values as to make the resulting economic rent an ample source of revenue for all units of government: would you then be willing to advocate the gradual abolishing of income and inheritance taxes — which would mean your ultimately becoming a "single taxer"?

MR. BUTTENHEIM:

That is a hypothetical question which perhaps I shall live long enough to answer with a catagorical

affirmative. But meanwhile I am sure the followers of Henry George can best advance the fundamental principles of their great leader, not by working for an unattainable—and I think undesirable—over-night adoption of the simon-pure single tax doctrine, but by urging a step-by-step approach to their ideal. This can come about by the gradual removal of taxation from buildings and other products of human labor, accompanied by an equally gradual increase in the collection by local governments of the community-created ground rents. If local budget needs were met from this source, as would easily be possible, and if our national and state governments depended mainly on properly graded income and inheritance taxes for their revenues, we should have the most equitable and prosperity-producing system of taxation in the United States of any nation in the world — whether your single tax millennium ever arrives or not.

MR. FAIRCHILD:

Henry George himself favored a gradual transition, and I am willing to stand on that platform with you, Mr. Buttenheim, as a practical approach to the catagorical affirmative on the single tax which I hope to live long enough to hear you utter.

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