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LETTERS

ON

MUNICIPAL TAXATION,

BY

THOMAS FYSHE.

HALIFAX, N. S.

A. & W. MACKINLAY.

1880.

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LETTER I.

THE CITY'S DIFFICULTIES MAINLY DUE TO THE ASSESSMENT LAW.

If one is to judge by the number of letters appearing in the newspapers from day to day discussing our city affairs, that subject is at last forcing itself upon the attention of the people.

On this side of the Atlantic we are apt to take but a languid interest in the conduct of our municipal business. There is no ambition on the part of men of culture and wealth to serve their fellow-citizens as aldermen or City Councillors, the natural result being that those offices are usually filled by people who have a comparatively small stake in the community, and who, to say the least of it, are more interested in the spending of the taxes than in the raising of them.

But if we are to find special fault with any class of the community, it should rather be with those who shirk their duty to the public than with those who, at any rate, make some effort to perform it—rather with the contemptuous indifference of the men who should govern, than with the shortcomings and rough and ready methods of those who do.

It may be readily granted that our present city government is grossly defective, but it should also be admitted that we are all more or less responsible for it. We have a chronic and constantly growing deficiency in the revenue, a steady growth in the rate of assessment, and great inequality in the incidence of taxation. But none of these things are to be wondered at, for our assessment law is crude enough to have been the work of either the most ignorant or the most self-interested of legislators. Justice, even in a very moderate degree, is not attainable under it, and good civic management is equally out of the question.

It is almost idle to talk of petty economies in the civic administration when the great source of our difficulties is in the law itself. What good can be expected of a cheese-paring economy on the one hand, shewing itself in petty savings from policemen's wages and the salaries of the minor city officials, when, on the other, tens of thousands of dollars of the city's revenue remain uncollected and uncollectable?

I do not mean to say that there is no room for economy—that the revenues of the city are spent to the best advantage. On the contrary, it is only too obvious that such is not the case, and that a great deal may be done towards making the whole administration of the city more effective and less costly.

But even with the best possible management and the utmost economy, the greater evils from which we are suffering would scarcely be touched. Those evils, as I propose to show, are inherent in the assessment law, and until that law is brought into consonance with reason and common sense, there can be little real progress made towards a better state of things.

Let us first clearly understand the nature of our difficulties and we shall then be better able to speak of the measures required to remove them.

With regard to the chronic deficiency in the revenue, the City Auditor, in a letter to the Mayor on this subject, of date 9th December last, after discussing the matter at length, says :—"There is no escaping from the fact that the city is going behind at the rate of \$5,000 or \$6,000 every year, and that if the downward progress be not arrested, it will be necessary in a very short time to negotiate a new loan for deficiencies."

But this \$5,000 or \$6,000 of annual deficit, of which he speaks, does not by any means represent the total loss to the city from uncollected taxes. It has been customary to set aside in the estimates a certain sum every year to provide for those losses, but that has proved altogether inadequate, as the following figures too clearly show :—

Year.	Total assessm't.	Uncoll'd as per City books— 1st May, 1879.	Reserved for losses.	T'l loss exclusive of W. Rates.
1873-4.....	\$187,274	\$ 4,465	\$3,500	\$ 7,965
1874-5.....	207,448	6,646	3,500	10,146
1875-6.....	224,587	7,133	4,000	11,123
1876-7.....	229,351	11,978	4,500	16,478
1877-8.....	233,181	25,147	4,500	
1878-9.....	233,079	54,456	5,000	

To these figures must be added the loss on water rates, which are collected separately.

Year.	Total Assessment.	Uncollected 1st Sept. 1879.
1874-5.....	\$58,757	\$ 4,697
1875-6.....	59,391	6,839
1876-7.....	62,200	9,577
1877-8.....	62,579	12,415
1878-9.....	64,121	22,944

Unfortunately I have not the figures for the water rates for the year 1873-4. But for the succeeding three years, namely, 1874, '75 and '76, the returns may be taken to be all in, and nothing more

collectable. For those three years the city and water rates combined show the following result :

Year.	Total. assessm't.	Uncollected. being total loss.	Per cent of loss to total assessm't.
1874-5.....	\$266,205	\$14,843	\$5.57
1875-6.....	283,978	17,962	6.32
1876 7.....	291,551	26,055	8.93

It is just possible that some of the rates for 1876 may still be collected, nevertheless these figures show unmistakeably that the annual loss to the city from uncollected taxes is enormous and that that loss is increasing rapidly year by year.

As to the prospects for the future the Auditor holds out no hope of improvement. He says: "I think it would be hardly possible under our present system of assessment to realize from our annual estimates more than has been realized in the past. In fact it cannot be doubted that considerable portions of the taxes annually levied are bad from the beginning—from the moment they are placed on the Assessors' books."

Surely no further proof is required to show that the assessment law is chiefly responsible for our ever growing deficit. By assessing the tenants of real estate, a great many poor people are assessed from whom it is quite impossible to collect anything. The proper remedy is to assess the owners, who are a very much smaller and wealthier body, who would give the city officials much less trouble in collecting, and who could easily reimburse themselves by adding the tax to the rent and collecting both together.

With regard to the cause of the steady and remarkable growth in the rate of assessment, I have again to refer to the Auditor, who, in his report for 1878, says:—"The truth is, the advance in the rate of late years has been caused, not so much by increased expenditure as by diminished returns from the Assessors'," and here again the figures have an unmistakeable meaning.

The following statement shows the annual valuation for the last twelve years of city property—real and personal—for the purpose of municipal taxation, and the rate per cent. of the assessment :

Year.	Real estate.	Personal property.	Total.	Rate of ass't.
1867.....	\$ 8,061,800	\$ 7,965,000	\$16,026,800	\$0.79
1868.....	9,245,944	7,431,753	16,677,697	0.87
1869.....	9,799,330	7,134,222	16,933,552	0.92
1870.....	11,507,872	7,246,000	18,753,872	1.05
1871.....	10,432,090	6,846,306	17,278,396	1.09
1872.....	9,476,300	8,785,495	18,261,795	1.03
1873.....	11,458,791	7,958,055	19,416,846	1.01
1874.....	11,881,691	8,056,759	19,938,450	1.05
1875.....	11,921,135	7,860,105	19,781,240	1.15
1876.....	11,962,017	6,571,781	18,533,798	1.25
1877.....	11,943,832	5,751,962	17,695,794	1.33
1878.....	11,929,480	5,326,767	17,256,247	1.36
1879.....	11,222,494	3,841,084	15,063,578	1.53

From these figures, which are conclusive as to the truth of the Auditor's remarks in so far as they relate to the last five years, it would appear that the aggregate personal property of the citizens of Halifax is now very much less than at any time since 1867; that it has fallen during that time from \$7,965,000 to \$3,841,000 and that since 1875 the reduction has been at the rate of a million dollars per annum. An astonishing state of things, truly! But the astonishment is not lessened when we find that the valuation of real estate between the same dates—1867-9—has risen from \$8,061,800 to \$11,222,000, and that it has varied comparatively little during the last seven years.

After making every reasonable allowance for hard times and low prices, when stocks of merchandize may be expected to be at their lowest, both in quantity and value, the above valuations of personal property still remain inexplicable on any other hypothesis than that the law is capable of the most wholesale evasion, and is, in fact, as regards personal property, impracticable and absurd. The remedy for this state of things I propose to discuss later on.

As to the third great evil from which we are suffering, viz., the gross inequality of our city taxation, it is no less easy to find its source in the assessment law, which provides six different sets of amateur assessors for the six different wards of the city, each set no doubt with a standard of its own and with its own notions of how the law should be carried out. With a professional assessor, who should make it his first and only duty to assess all citizens according to the same standard and by one rule, the inequality in the valuations of real estate would, no doubt, disappear. But the difficulties in the way of an equitable assessment of personal property are altogether insuperable. A West India merchant may escape altogether if he should happen to have shipped off all his fish, and his inward cargoes have not arrived, or have just been sold when the assessors come round; while goods in transit which have come into the city for shipment abroad, are liable to be pounced upon by the assessors and forced to pay tribute. One dry goods merchant pays on about half the value of his stock, while his wealthier competitor in the next ward, with a larger stock and finer store, pays only on a third or a quarter of his. And there is no possibility of bringing about equality by an appeal, for both are under-taxed.

Then again there is no effort made to reach personal property other than household furniture, merchandize and ships. Indeed there is no possibility of doing so in most cases except by putting the parties under oath and making them declare what investments they hold. Yet it is well known that hundreds of our well-to-do citizens have large amounts of money in the banks on deposit receipt, or hold investments of various kinds which are subject to assessment. But even if it were possible to carry out to the letter the provisions of the law, the results would probably be more disastrous than now follow from its being to a great extent ignored. The Act affects great show of

justice by providing that the assessment "shall be rated by an equal pound rate upon the value of the real and personal estate within the city." It afterwards defines personal property to mean household furniture, monies unemployed or invested in public or private securities, goods, chattels, wares or merchandize, ships and vessels, water, gas, or insurance stocks, bank stocks, and money deposited in banks, &c., &c. A little investigation will show us how this "equal pound rate" works in practice.

We shall suppose that a merchant pays the tax on 75 per cent. of his stock of \$100,000, which he turns over three times a year, making a total profit, including interest on his capital, of 15 per cent. net. His income would be \$15,000, and he has paid say $1\frac{1}{2}$ per cent. tax on \$75,000, or \$1,125, the proportion of the tax to his income would be $7\frac{1}{2}$ per cent. The retired merchant, whose capital to the same amount is loaned out at 7 per cent. would have to pay the city out of his income $21\frac{1}{2}$ per cent. The owner of 6 per cent. bonds, other than provincial or city, would pay 25 per cent. Banks, whose profits are capitalized at 6 per cent. would also have to pay out of all profits derived from city business 25 per cent. And the still more unfortunate owners of money on deposit with the banks at 4 per cent. interest would have to pay out of their income to the city no less than $37\frac{1}{2}$ per cent.

So much for the equality aimed at by the Act. Bad as the practice is of evasion and shift, and demoralizing as it must be to the community, it can hardly fail to arrive at a greater degree of equality than the law even contemplates.

Another cause of inequality is the provision in the Act that the occupants of real estate, being yearly tenants, must be assessed on ten times their annual rental, which in the majority of cases is very nearly the market value. Whereas the rich owners of large properties occupied by themselves, are, as is well known, assessed according to the fancy or caprice of the particular set of amateurs deputed for the occasion; but almost always on a very low estimate of the value of the property. As the great body of the poorer citizens have to rent their shops or dwellings, the injustice of this distinction is very apparent. And in view of it, the conviction is forced upon one that the owners of real estate had more to do with the fashioning of this precious assessment law than was good for the rest of their fellow-citizens.

LETTER II.

PROPOSED AMENDMENTS.

Having shown, as I think, pretty conclusively that the defects and growing difficulties of our city government are mostly due to the assessment law, I now propose to consider how that law may be amended so as to secure to the city an ample and easily collected revenue, and to the citizens perfect equality of taxation and a steady rate of assessment.

I must begin by setting aside all personal property as utterly unfit to form a basis for any equitable system. If more proofs of its unfitness are required than have already been presented, they may be found in the experience of every community which has tried it. But, indeed, the objections to it are so numerous and so obviously fatal that one wonders how it ever could have been fixed upon for such a purpose.

Lest it may be thought, however, that I am overstating the case, take the following from the experience of the State of New York. I quote from the New York "Nation" of 27th March last:—

"The annual report of the New York State Assessors, submitted to the Senate last month, contains a great mass of facts bearing on the system of taxation in this State, which show that the glaring inequalities and injustices, so frequently exposed before, continue unchanged. The valuations of each county are determined by the local authorities, some of them (particularly in the large towns) putting them at their market value, or nearly that, others putting them at any figure that may strike their fancy. Personal property, nominally always taxed at its full value, in a large majority of cases escapes altogether. Some of the results of the system are quite amusing. In Rochester and in Utica with a population of 100,000 the assessment of personal property to individuals was, in 1872, not equal to the assessment of two widows in Batavia, and the whole assessment was \$521,000 less than the bank capital. In Utica again, in 1877, while the increase in assessed value of real estate from 1872 to 1877 was over \$15,000,000, the personal property had increased only \$1,473,550—a state of facts which would go far to show that those investigators of economic phenomena, who hold that real estate goes on steadily holding its own amid the general wreck and shrinkage of all other forms of wealth are right after all. Another peculiar thing, however, about Utica in 1877 was the fact that there were only 67 persons assessed for personal property in the entire town. Some towns show the most surprising and gratifying growth in wealth in times of profound depression, for instance New Hartford (population 4,307). In 1872 this little town had only \$32,800 personal property. In 1876 it could boast \$700,000 notwithstanding that Verona with a larger population, in 1877 had only \$12,850.

"The State Assessors recommend, as everybody who has investigated the subject for the last ten years has agreed in recommending, a total change of system—the abandonment of the personal property tax."

The same inequalities are complained of wherever personal property is assessed, and nothing would be easier than to pile up evidence on this point. It is clear, therefore, that the first step towards a rational system must be to abolish the assessment of personal property.

Some people will immediately say, let us substitute income for personal property. This proposal has, I believe, many influential

supporters, chiefly on the ground, as the City Auditor puts it, that "taxation should be in proportion to the ability to pay." But the history of the income tax wherever it has been imposed has not been such as to render its introduction among us desirable. Like the tax on personal property it would be productive of the most glaring injustice. Those only would be fully taxed whose incomes were fixed and known. Those whose incomes were at all uncertain would make large allowances in their own favor; many would not stop short of false returns, and so the honest trader would be handicapped and a premium put upon fraud. As a means of demoralizing a community blunting the moral perceptions, and in fact training men to be dishonest, there is probably none more potent than such a tax. For the gross inequalities which it could not fail to produce would lend an air of justice to attempts to evade the law on the part of those who might think themselves overtaxed.

In a report of the English Commissioners of Inland Revenue (year 1870) they say with regard to the income tax:—

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

And in this connection they speak of the "demoralizing influence, so destructive to the character of a people, of the habitual and successful evasion of law, whether fiscal or otherwise."

An English writer of eminence, Professor J. E. Thorold Rogers, in a recent article in the "Contemporary Review," describes the income tax as the worst tax which has ever been invented or imposed. It is unjust, immoral, delusive, and has done more to degrade the historical integrity of Englishmen than any other fiscal expedient whatever, not excepting lotteries."

But in truth even the *principle* of such a tax for municipal purposes is inadmissible. If it were possible to assess such a tax equally, it would have the effect of driving away from the city all the wealthy people not directly engaged in business. A person, for instance, in receipt of \$20,000 a year from investments, who carries on no business in the city, owns no real estate, but simply rents the house he lives in, would under such a mode of assessment, have a most exorbitant tax to pay. If the rate were equal to 1 per cent. on his capitalized income (our present rate is 1.53) his tax would be \$3,333 per annum; and he would be very differently constituted from the rest of mankind, if such an imposition did not cause him to look elsewhere for a residence. The present law operates strongly enough in this direction, but indeed the present law is only an income tax in another shape, graduated so as to fall most heavily on capital not engaged in trade or invested in real estate.

I cannot do better than quote here the words of ex-Mayor Richey in an address to the City Council in May, 1877,—an address con-

taining many valuable suggestions which no one seems to have heeded. He said :—

“ We aim so definitely at the rich man because he is rich, without regard to the qualifying circumstance of proportionately redounding benefit to him of his residence here, that we are apt to compel men of affluence and leisure to remove from among us, when otherwise their associations might induce them to remain. I will make no comment here upon the score of principle, but would simply ask on the ground of expediency, whether it is altogether well that we should, more than other cities, treat the presence and expenditure of moneyed men rather as burdens than as benefits, or that in endeavouring to seize the shadow we should let go the substance ?”

Adam Smith has observed in regard to the evil effects of a bad national tax :—

“ The capitalist is properly a citizen of the world, and is not necessarily attached to any particular country. He would be apt to abandon the country in which he was exposed to a vexatious inquisition in order to be assessed to a burdensome tax, and would remove his capital to some other country, where he could either carry on his business or enjoy his fortune more at his ease. By removing his capital he would put an end to all the industry which it had maintained in the country which he left.”

The argument is much stronger against a burdensome or unequal municipal tax ; in that it is usually so much more easy for the capitalist to remove from one town to another in the same country than to give up one country for another.

The imposition of an income tax for local purposes has been tried in England but is now completely abandoned ; so also has the personal property tax, which has shared the same fate.

Both taxes work disastrously in practice, because they are wholly unjust in principle. The one infers that it is just and equitable that the citizen should contribute in proportion to his income, and the other that it is equally so in proportion to possessions. In both, the claims of the city on the taxpayer are carefully considered, but in neither is any account taken of the proportionate benefit which each taxpayer is supposed to derive from his citizenship, and for which alone he is willing to pay taxes. Now this is an all important factor in the problem. People are not willing to pay a certain sum in taxes for particular services or advantages if they do not get value for their money, or if they know, or have reason to suspect that others receive the same or greater advantages for a much smaller sum.

The standard of perfection in municipal taxation I take to be this, namely, that every citizen should be taxed in proportion to the value of the advantages which are derivable by him from living or doing business or owning property within the city. By advantages I mean all the benefits accruing to the citizen from the city government from the maintenance of order, the making, repairing and cleaning of streets and sewers, the supply of water, etc., and above all that chief advantage which comes from the mere presence of a large population, giving variety of industry, easy intercourse, a large market and facilities of co-operation for personal profit or public benefit, in a word, the total advantages of what kind soever derivable from city life.

If this principle were carried out no one could have any reason to complain on the score of inequality of taxation, for each would pay at the same rate just for what he received and for nothing more. No one probably will deny the abstract justice of such a principle. But the question immediately arises—is it practicable? I say it is eminently practicable; that no principle can be more easily put in practice; that in short its superiority over every other principle of municipal taxation is shown, not more in its theoretical equity than in the facility with which practical justice can be attained by it. This I shall endeavour to show in my next letter.

LETTER III.

LAND THE PROPER BASIS OF ASSESSMENT.

Requies in gratia

There is one kind of property which may be said to reflect in its value the exact sum total of all the different advantages to which I have already referred as pertaining to city life. That property, it is, perhaps, needless to say, is not goods, wares or merchandize, household furniture, ships or vessels, debentures or deposit receipts; it is not stock of joint stock companies, banks or insurance companies, all of which our assessment law so greedily seize upon; it is not even shops, warehouses or dwellings, but it is the *land* which is necessary to all of these. The area of land within the city limits reflects in its value all the advantages which are usually derived from living or doing business within those limits. Not only so, but each particular lot of ground or water front reflects in its value—in its selling price—the average net advantage derivable by the individual who occupies or owns it.

The advantages usually derivable from city life arise from two different sources. The greater portion of them come, as I have already said, from the mere presence of a large population, brought together, no doubt, by the natural resources of the locality. Others are the result of city government—in the preservation of order, and in the other services it renders to the community. The latter class of advantages are obtained at considerable cost. The former are what may be called necessary advantages, that is to say, they arise from the necessity of the case, and by no one's forethought or provision, and are supposed to cost nothing. What we really do pay, however, for this class of advantages, is partly shown in the increased value of real estate over its value for agricultural purposes. It will be found that this increased value amounts to a tax on the general community quite commensurate to the benefits received, although it is a tax paid, not to the city, but to the owners or former owners of the real estate.

The direct effect of city government and city improvement is to still further enhance the value of real estate, for the beneficial effects which flow from these, like the city's advantages of whatever kind, can be enjoyed only through real estate.

Every citizen, by the mere fact of his being one, must occupy a portion or fraction of a portion of the city's area. The price he is willing to pay, in public competition, for that area is the correct measure of the average advantages or benefits derivable from its occupation; and therefore it is also the correct measure of the tax he should pay to the city for its contribution to those advantages. The same thing cannot be said of any other city property, for the simple reason that there is no other property limited in amount and yet necessary to all, as being the only means by which city life with its advantages are attainable. Its price, therefore, always represents the equation of supply and demand, and nothing else. The price of all other property depends in the long run, which is generally a very short run, on the cost of production, and in most cases is cheaper in a large town than in a country village. For the purposes of taxation, therefore, such property is no criterion of anything.

It follows then that if real estate, apart from buildings, were made the basis of assessment, perfect equality of taxation could be arrived at with ease. All that would be required would be one good "professional" assessor, (not half a dozen sets of ill-informed amateurs, as at present,) whose sole business it should be to arrive at the market value of every lot in the city—not as determined by the annual rent alone, but by whatever trustworthy evidence could be had.

As we have seen, the advantages derivable by any citizen from living or doing business within the city are only to be measured by the extent and value of the city's area which he may own or occupy. That is all, or the measure of all, he takes from the city, and therefore it is all he should pay for. It is true that one person may own a house and five acres of ground attached to it right in the centre of the city. He may live in the house and leave the five acres of ground unused; and the advantage to him in any way will not be greater than if he only owned and occupied the house. But the fault is his own. If he has not capital or knowledge or enterprise enough to utilize his waste ground, he should sell it to some one who has.

And this leads me to the consideration of one of the greatest evils connected with the present mode of assessment, which has not yet been touched upon, namely, the large extent of land scattered throughout the city, used only as pasturage for cattle, or left entirely waste, and from which the city derives little or no revenue. Most of it is owned by well-to-do citizens, who are holding it until they can get a price for it which they deem satisfactory.

Much of it, no doubt, was bought at greatly higher prices than it would now bring, but the city has nothing to do with that. What it

has to consider is this; that those waste lots cause the city's expenditure to be much higher than it needs be, its revenue to be lower, and consequently the taxes of the citizens in general to be heavier, all to facilitate the real estate speculations of a few. Streets have to be made, lighted, cleaned and kept in repair alongside of those waste lots just as if they were lined with warehouses and dwellings; water pipes and sewers have to be taken past them, and the policeman's beat has to be lengthened on their account. The whole area of the city is by this means extended beyond what would otherwise be ample. Citizens living at the outskirts of the town are further removed from their places of business than they need be; many items of their expenditure are larger on that account, while the taxes of the whole body of the citizens are greater by the amount necessary to extend the city's advantages to land held on speculation. It is surely high time that such a palpable abuse as this should be removed. It can be no injustice to the owners of such waste ground to be taxed on its market value, and this would be a simple and effective remedy.

The city is really in the position of being joint owner of its own area, to the extent of having the power of taxation over it. Every individual who occupies any part of that area must pay, as it were, two rents for it—one to the registered owner for its use, and the other to the corporation for necessary work done, in order to make it more convenient and habitable. If any part of the city's area is left vacant by the registered owner, the joint owner—the corporation—should not suffer for it. If the registered owner, in the exercise of what he conceives to be his absolute right, chooses to demolish half the city, which happens to be built on his land, and turn it into a pasture, under the present assessment law the corporation would at once lose half its revenue and be virtually ruined. But the registered owner ought to have no such absolute right. His land derives almost its entire value from the mere fact of a large population living on or near it, and not from any effort of his own, in addition to which large sums have been directly expended on its account by the corporation, who have no means of reimbursing themselves, and at the same time doing justice to the rest of the citizens, but by taxing the property to its full market value whether it is covered with warehouses or left waste.

Having discussed to some extent the principles which should govern municipal taxation, I would now suggest that the following should be the main provisions of any new assessment law:—

1. Real estate, apart from buildings, should be the sole basis of assessment, and it should be assessed as near as possible to its market value.
2. Owners and not occupiers should be assessed, and taxes should be a first lien on the property.
3. There should be no exemptions whatever, except of property occupied by the Imperial authorities, but the cost of that exemption

to the city should be refunded by the Dominion Government, inasmuch as the services of the Imperial troops are for the benefit of the whole Dominion—not for Halifax alone.

4. There should be but one assessor, and he a "professional." A better man could not probably be had than the present Inspector of Assessments, and he should be allowed what subordinate assistance he would consider necessary.

Nothing could be more simple than such an assessment law, and nothing more equitable. If it were put in force I venture to say that the evils from which we are now suffering would almost immediately disappear. Instead of losing from \$15,000 to \$20,000 a year from uncollected taxes, we should not lose a dollar. This item alone would represent a saving to each tax-payer of from 5 to 7 per cent. of his taxes.

The cost of collection to the city, both in labor and expense, would be greatly lightened, because the number of tax-payers to collect from would be reduced probably three-fourths or more, and the bulk of them would pay on demand. The variations in the rate of assessment would be reduced to a minimum, and would depend more on changes in the city's estimates than on fluctuations in the value of assessable property.

By means of such a law absolute equality of taxation, in so far as such a thing is possible, would be secured. Any inequality that could possibly exist would arise from the unequal assessment of property visible to every one, and no glaring errors could be made without attracting attention and calling for instant correction. Moreover, the assessor's character and position would depend on the soundness of his judgment and his strict impartiality. There would not be one standard for the owner and another for the tenant, as at present, which practically means one law for the rich and another for the poor.

It will, doubtless, be objected by the owners of unproductive real estate that it would not be fair to them to levy the whole city taxes on ground lots, because their property was acquired under a different system which, they had reason to believe, would continue. On the other hand it is obviously unjust to levy the taxes on buildings according to their market value, for, as already explained, the value of buildings, like all other property not a monopoly, depends on the cost of producing them; and, apart from the land, that value is no criterion of the city's advantages for which alone we should be taxed. A minor objection to taxing buildings as at present is this, that the public-spirited citizen who erects a cut stone warehouse of tasteful design and beautiful finish is taxed more heavily than his competitor in business who cares nothing for the credit or appearance of the city, nothing for public taste or for anything but his own dollars, and who does his business in the meanest-looking warehouse of wood or brick, while perhaps using more ground and enjoying more of the city's advantages than his more cultivated and public-spirited neighbor.

The cry of "vested rights" is always raised on the slightest provocation, and is often very difficult to satisfy. In this case I believe there would be no good ground for it. The owners of unproductive real estate have so long evaded their fair share of the city's taxes that they would have no reason to complain if they were now called upon to contribute according to a scale which can be so conclusively shown to be equitable, even if they had to pay a little more than they had calculated on when purchasing the property.

For any other class of citizens there would be, literally, no grievance left, connected with the levying of the city taxes. And, if the Assessor did his duty, it would not be in the power of any individual citizen to say, with reason, that he was unjustly taxed.

LETTER IV.

THE THEORY OF EQUAL TAXATION OF ALL VISIBLE PROPERTY WITHIN THE CITY.

In previous letters I took occasion to show that in common experience a tax on personal property was found to be unworkable with any regard to equity. Such a tax was at one time in partial use in England, as may be seen from some of the precedents cited in the case of *Kenny versus the City of Halifax*, decided by the Supreme Court of the Province some months ago. English experience showed that in those districts where personal property was taxed whole trades died out or rather removed to other parts of the country where the tax was not in force. And this notwithstanding that, apart from the tax, greater facilities for the growth of the trades in question existed in the localities they had left than in those to which they were driven.

In a recent work on the local taxation of Great Britain and Ireland, a prize essay of the Statistical Society of London, by R. H. Inglis Palgrave, the author says:—

"The original intention of the Statute 43rd of Elizabeth, the basis of English legislature on the subject, has been construed to include stock in trade (personal property). The impolicy of the practice, the anomalies which it would involve, the difficulties which were experienced in carrying it into effect, have caused the plan to fall into desuetude. The report on local taxation of 1843 put the matter in the clearest light. But, as it may be held that, were the custom universal in the United Kingdom, such migration of an industry from one district to another (as appears to have been the result of the partial infliction of the impost therein described) would be impossible, it is sufficient to reply that the migration of an industry and its attendant capital from Great Britain to a colony or to some foreign country, is scarcely attended with more difficulties now, than a migration from one district of England to another a hundred years ago."

In a former letter I gave evidence to show that the working of this tax in the State of New York was looked upon as hopelessly bad, and that the State assessors had recommended its abandonment.

In our own city no man will be bold enough to say that even any approach to accuracy or equity is made in the assessment of personal property. The fact that its aggregate valuation has fallen four million dollars during the same time that real estate has risen upwards of three millions, is sufficiently convincing on this point.

All this proves with sufficient certainty that it is a virtual impossibility to make a personal property tax work equitably, or to prevent it doing very great mischief.

It would seem, however, that there are still some who think that we can afford to ignore the general experience of other communities, and that it is of no account to us whether a personal property tax ever worked satisfactorily in any other part of the world. They say that such a tax is just in principle, on the ground that all property within the limits of the city is equally benefitted by city government, and should therefore contribute equally towards the expense of that government, and that whatever failures may have occurred in the past, we must still keep on trying to devise some means of carrying into successful practice a thing which is so obviously unassailable in theory. I therefore propose to consider whether, after all, a tax which has invariably worked so badly, and even disastrously, is as sound in theory as its advocates usually take for granted.

The various services attended to by our city government, and the cost of each to the citizens may be taken as follows. The figures are compiled from the estimates for the year 1877-8 :

I.	Police, Prisons—less City Court, City Marshal's & Judgment Fees, &c.	\$29,860
II.	Public Works, city property, streets, lighting, cleaning, sewerage &c.	94,897
III.	Water	62,609
IV.	Fire Department.....	9,388
V.	Education	71,234
VI.	Poors' Asylum, Hospital, &c.....	18,174
VII.	Park and Gardens.....	5,125
		\$291,287

The cost of administration has been proportionately divided among the different services.

Now, the expenditure of this large sum of money on such a diversity of objects—ranging as they do from police and prisons to education, charity, and the beautifying of public places, is supposed to benefit equally all property within the municipality. But the question is, how is it done? How does the dry goods merchant and the grocer, the jeweller or the banker, reap the benefit of this expenditure? Does it raise the price of dry goods, or groceries, or jewellery, or money; or does it increase the profits arising from the traffic in these commodities? It could hardly be considered a public benefit if it raised the price of these articles, the immediate effect of which would be to drive customers to better markets, and so lessen the business and importance of the place. No community would care to become incorporated with such an end in view. But in truth

such a result is impossible unless city government becomes wretched mis-government. On the contrary, as is well known, all inventions or improvements of what kind soever connected with the production or distribution of a commodity, tend directly to reduce its price. If city government is an improvement on what went before it—if it is the means of establishing better order, greater security to life and property, and greater convenience and comfort to the people, at a not disproportionate expense, the direct effect of all these will be a general, though no doubt unequal, reduction in the price of commodities sold within the city. That is to say the risk and inconvenience of holding valuable stocks having been largely reduced or removed, the item of expense, which these entail, ceases to have to be provided for, and the merchant can sell his goods at a corresponding reduction without diminishing his profits. But, if efficient city government could not possibly increase the price of commodities, neither could it raise the rate of profits to the dealer in them. That individual, finding his expenses reduced, might be disposed for a time to maintain the old prices with the view of adding to his profits. But even if his neighbors were of the same opinion, outside capital would speedily be attracted and the rate of profits reduced to the general level. This is the evidence of universal experience. Inventions and improvements are multiplied without end, but profits instead of rising tend lower and lower as capital increases. In so far, therefore, as the improvements or advantages, which are the product of city government, affect personal property—goods, wares, and merchandize, and floating capital generally, as well as houses—they cause a reduction in the price of such property.

The gain to the community lies in this very fact. It is a gain to the consumers who are the whole body of the people—not to one class at the expense of another. Every member of the community, and every outside consumer of its goods, gains just in proportion to the extent to which he is a consumer, and nothing more. The merchant and banker, equally with the laborer and mechanic, benefit only as consumers.

But the movement does not end here. With the reduction in the price of commodities in general, a residence in the city is rendered more attractive, and additional population is drawn towards it. This last tendency is quickened by the fact that a large proportion of the city's expenditure is laid out, not on behalf of the security of personal property, or the convenience of handling it, and not, therefore, likely to lessen, to any appreciable extent, the cost to the consumer; but yet is nevertheless calculated to make the city more attractive, and, therefore, more populous. I refer to the expenditure for Education, for the Poors' Asylum and Hospital, and for Parks and Gardens, which amounts to about one-third of the whole. But in addition to the money spent directly on those objects, a large proportion of the other expenditure of the city ministers directly to the comfort and health of the citizens, and affects only very slightly and remotely the prices of

commodities. Such, for instance, is the expense incurred in building sewers and maintaining them, and part of the expenditure on water works.

By those two causes combined, which include all the benefits of city government—namely, cheaper living and greater attractions and comforts—the demand for additional space within the city will probably be such that the direct gain to consumers, already spoken of, will be more than counterbalanced by the increased price which the whole population will thenceforward have to pay for city lots, or the rent of them. The results of good city government will thus appear as follows :—

I. The profits of merchants, traders, &c., and the wages of employees will remain as before.

II. The cost of living to the citizens will be lessened by a reduction in the price of commodities, but that gain will be more than counterbalanced by the higher rents which will then have to be paid—not caused by greater cost of buildings which are subject to the same conditions as what is called personal property, but by greater demand for ground space.

III. The owners of land within the city will share with other consumers the benefits arising from the reduced price of commodities while at the same time their incomes, being derived from rents, will have greatly increased ; so that while other citizens have to submit to their share of the benefits of city government being fully offset by higher rents, the owners of land will have gained all round.

On the other hand, suppose that our city government were so inefficient, extravagant, or corrupt, that the benefits it conferred upon the citizens were of little value as compared with their cost, the tax would be a heavy item to be provided for by the merchant or capitalist. He would not pay them out of profits unless he was forced to do so ; and he would not be forced to do so unless he found that outside capitalists could get no better return than he, after he had paid the excessive tax. He would reimburse himself, therefore, by adding to the price of his commodities. The consumers would suffer, business would leave the city, and population and capital with it. The price of real estate would fall, and the owners of land would lose doubly—first, in the increased cost of living, and, secondly, in reduced incomes arising from the fall in rents.

We thus see that personal property is not enhanced in value to the owner thereof by the improvements of city government, whereas real estate is. Personal property is reduced in cost by those improvements, and the benefit is reaped by the purchasers of it ; and those purchasers may be citizens, or they may not. But although the general effect on the two different classes of property will be as has been stated, yet all the property of each class will not be equally affected. Pig iron or coals, for instance, are hardly likely to be affected to the same extent as

jewellery or diamonds, silks or laces. Moreover, there is no possibility of ascertaining or measuring directly the benefit to consumers arising from the effect of city improvements on the various kinds of personal property. We can only reason that the general tendency must be towards a reduction of their price.

Real estate also will be unequally affected by city improvements. The erection of fine public buildings, the laying out of parks and gardens, the building of a new sewer, the opening of a new street, will all benefit lots in the immediate neighborhood of such improvements to a very much greater extent than lots at a greater distance from them, although the general tendency will be towards an increase in the value of all city lots. In the case of real estate, however, the benefit which it derives from the improvements of city government, together with the advantage due to location—in being enriched by the labors of others than its owners—are accurately measured by its market price.

Seeing that the improvements produced by city government can thus be shown to have such widely different effects on the various kinds of visible property, it is obvious that the theory that all property should be equally taxed because it is equally benefitted, is quite untenable.

LETTER V.

WHY IT IS FOR THE INTEREST OF THE CITY AND OF REAL ESTATE OWNERS NOT TO TAX PERSONAL PROPERTY.

I have shown that all property is not equally benefited by city government ; that personal property cannot be said to be benefited at all. The owners of it are benefited in common with the rest of the population, not because they are owners, but because they are consumers of commodities. The benefit to them, however, is fully paid for in the increased rent of real estate. On the other hand the owners of real estate gain all round without having to pay for it. All the beneficial or prejudicial effects of city government are speedily reflected in the enhanced or diminished value of land subject to the city's influence. It matters not whether the direct object of the city's solicitude be the health and comfort of the people, the maintenance of order or the development of natural resources.

Land not only gains by what is specially done for it, but by what is specially done for everything else, and whether it is done by the city authorities, or, in the prosecution of their own interests, by pri-

vate individuals. It is subject to influences from all quarters, and there are hardly any limits to its possible fluctuations. Every citizen added to the community or taken from it, every improvement inaugurated or abuse tolerated, every dollar made or lost, causes a vibration in the value of real estate. The grand fact in this problem is that everything must be done *on* the land. The citizens must live and work on it; die and be buried on it; and all that the city government's labors amount to is to make the location—the land—more comfortable and attractive for people to live and work thereon. The city may be imagined to say to each citizen: "Here is a piece of land equipped in every way requisite to enable you to live comfortably and work effectively. It is well drained, well lighted, with a good street running past it; a plentiful supply of pure water; a policeman to guard you; a school in the neighbourhood to educate your children, and a public garden near by for your pleasure and recreation, come and occupy it." Having done this it leaves the rest to the individual exertions of the citizen, who forthwith builds himself a house and takes advantage of all the good things held out to him. If he is able and enterprising he will accumulate wealth; if he is weak and idle he will remain poor. The question of taxation lies just here. Is he to be taxed in proportion to what the city has given him, or on what he has done for himself?

Let us suppose the case of two individuals accepting the above invitation extended to them by the city. They settle on lots of equal value alongside of each other, and each builds himself a house and store. One of them, by thrift, industry and ability, succeeds in the course of years in amassing a fortune which is principally invested in joint stock companies in the city, banks, insurance companies, shoe factories, iron works, sugar refineries, or is loaned out in promissory notes, but none of it is in real estate except his original lot. His neighbour, by inattention to business, extravagance or weakness, never succeeds in doing more than earning a bare livelihood, and perhaps only that by compromising with his creditors every few years. Each took the same amount and value of land from the city, and by doing so obtained the means of enjoying the advantages of the city to an equal extent. The unsuccessful man, as well as the successful one, occupies a certain portion of the city's taxable area, to the exclusion of any other tenant, and it is through that area alone that the city derives its revenue. It is precisely as if they had rented from the city houses of equal value. The fact that one tenant grew rich while occupying a certain house or store, while his neighbor remained poor in an exactly similar one, would be held to be a very poor reason why their rents should be different. The conclusion is therefore irresistible that they should be taxed alike. Each should be taxed in proportion to what the city has given him, not on what he has done for himself.

By the system of taxing real and personal property equally the successful man would find his taxes increasing yearly while his neigh-

bour's remained the same. But what does this mean? It means that although the city does the same for (or supplies the means of obtaining the same advantages to) each, it demands more taxes—more rent—from the one than from the other. But it means much more than that. The successful citizen, as we have seen, has his wealth invested in joint stock companies in the city or loaned out to other citizens, who are presumably making good use of it to their own and the city's advantage. In adding from year to year to his savings, and investing them as he has done, he has been adding to the business and prosperity of the city, and greatly enhancing the value of all the city's real estate. For all this benefit, conferred by him directly on the city and its real estate owners, he is forced to pay additional taxes, while his neighbour, who is little benefit to any one, and to get rid of whom, in exchange for a more thrifty citizen, would be an advantage to the community, gets off for comparatively nothing. But in the long run capital will take care of itself. There is nothing in this world more sensitive; and if it is harshly treated in one place it speedily takes itself off to another, where more consideration is shown to it, and where it is recognized to be the benefactor that it is.

We have recently seen how much capital and enterprise are valued, in relation to the city's prosperity, in the agitation and public discussion which preceded the organization of the Halifax Sugar Refinery. The benefits we are to derive from this one company have been pictured by sober citizens in the most glowing colors; and the most sanguine hopes are almost universally entertained of it. It is expected that this work alone will materially increase the value of large blocks of real estate in the city, if it does not appreciably do so over its whole area. In other words, the creation of such an enterprise is expected to add to the incomes of many, if not all, of the real estate owners in the city, and also to add considerably to the city's revenue. Yet we all know what efforts were required to get the necessary capital subscribed, notwithstanding the enormous duty on foreign refined sugars and the great local inducements held out to it. The city has shown, by its efforts to induce the formation of such companies within its borders, that it can afford to relieve them from taxes for twenty years, and offer other inducements besides—such as giving the sugar refinery free water for ten years—and still be largely benefited by them. And this belief is not confined to Halifax, for nothing is more common than to hear of ambitious towns and cities not only foregoing taxes for a longer or shorter period, but in many cases offering a cash bonus for the establishment of industries among them.

If the prosperity of any particular locality were alone to be considered this might be a very wise policy, provided that all industries were placed on the same footing. But one fails to see what sense there is in subsidizing one set of capitalists to build up the city, while ruinously taxing another set so that they are driven away. It must be a funny notion of justice which actuates our city fathers when they

offer such bonuses to sugar refiners and others, while at the same time they claim to tax ships which never saw the port ; to take $37\frac{1}{2}$ per cent. of all the interest earned on money deposited in the city banks ; 25 per cent. of the earnings of those banks, and $1\frac{1}{2}$ per cent. of every article of commerce in the city, including unused capital. But, leaving the justice of the matter aside—for, as I have said before, capital soon takes care of itself—what must we think of the wisdom of our legislators in believing that such a policy as this is likely to have any but a most prejudicial effect on the growth and prosperity of the city ? If one sugar refinery is going to do so much good to the city, would not twenty other companies do much more ? And would not the benefit to the city be much greater if, instead of strangling existing industries while bidding for new ones, the old ones could be extended as well as new ones brought in ? If that end is desired let all capitalists be put on the same footing. They are all equally instrumental, to the extent of their capital, if it is carefully employed, in building up and maintaining the city's prosperity. If it be a wise thing to attract capital, as it undoubtedly is, do not tax it for imaginary benefits. All that it wants, and all it receives is convenient standing room ; tax it for that only. It is willing to pay for what it gets, while at the same time it cannot be employed without adding to the value of real estate gratuitously. By taxing personal property, or capital, which is the same thing, the city is doing its best to kill the goose that lays the golden egg. For the grand-engine by which business is carried on, population employed, and the city built up and rendered prosperous is capital invested in what is called personal property, in which I include houses. Real estate owes nine-tenths of its value to it, and yet seems anxious to quarrel with it about the taxes and drive it away.

If it be considered a good thing, therefore, that the city should grow and flourish, and, to that end, that thrift and enterprise should be encouraged to the utmost, then it must be a bad law which would tax personal property.

LETTER VI.

For the sake of clearness, I shall now briefly recapitulate the propositions endeavoured to be established in the foregoing letters and the reasons given in support of them.

I. Personal Property should not be taxed :

- 1st. Because it cannot be reached.
- 2nd. Because it could not be equitably assessed if it were reached.
- 3rd. Because it is not increased in value by the city's expenditure, and is no criterion of the benefits or advantages derivable by its owner from living or doing business within the city.
- 4th. To tax personal property tends to drive capital away from the city, and so to retard, if not to stop, its growth.
- 5th. We have unlimited evidence to show that the experience of many communities has proved the folly of such a tax, and none to show that it has ever worked well anywhere:

II. Income should not be taxed :

- 1st. Because it cannot in most cases, be ascertained.
- 2nd. Because such a tax tends to develop fraud and to demoralize the community—a result for which no money value can be an equivalent.
- 3rd. Because income is not increased in amount by the city's expenditure, and is no criterion of the benefits or advantages derivable by its recipient from living or doing business or owning property within the city, unless it is wholly derived from the rent of land.
- 4th. Because such a tax would tend to drive away from the city all wealthy people not directly engaged in business, and all capitalists who could carry their means and industry to as good a market elsewhere and escape the tax.
- 5th. The income tax, both in the United States and England, is a national tax, adopted in state emergencies and never meant to be permanent ; and is strongly condemned in both countries.

III. Houses should not be taxed :

- 1st. Because they are not increased in value by the city's expenditure, and, apart from the value of the land on which they stand, are no criterion of the benefits or advantages which are derivable by their owners from living or doing business or owning property within the city.

2nd. Because to tax houses in proportion to their value would tend to discourage the building of any but the plainest and cheapest structures, which would be to discourage architectural taste and public spirit.

3rd. A tax on houses will frequently discourage the owners of unoccupied lots from building thereon. The holding of such lots on speculation will be thus stimulated, while the city will suffer by being built up in a straggling and irregular manner, covering far more space than is necessary, to the inconvenience and increased expense of the corporation and the citizens alike.

IV. The only species of property which should be assessed for municipal purposes is land :

1st. Because the net result of all the advantages and disadvantages connected with the city and the city's expenditure is exactly reflected in the price of land.

2nd. Because its market value is an exact criterion of the average benefits or advantages derivable by its owner from living, or doing business, or owning property, within the city.

3rd. Because, although the whole tax would be paid to the city by the owners of land, it would be distributed by means of rent among the citizens, with the most perfect equality—each paying only for what he received, but for that fully.

4th. Such a tax could not possibly be evaded by any landowner or by any citizen ; for the land is visible to every one, and every citizen must own or rent part of it.

5th. The cost of collection of this would be less than of any other tax, if it were made, as it should be, a first lien on the property.

6th. Such a mode of taxation could not fail to keep and attract capital and enterprise, without great regard for which civic prosperity or growth is not apt to be great.

7th. It would check, if it did not entirely stop, all speculation in unoccupied lots or waste ground, and so cause the city to be built up in a compact and regular manner—probably to its architectural improvement, and certainly to the general economy and convenience.

If there were only one land-owner in the city, instead of, perhaps, a thousand, it would probably be much easier than it now appears to convince people of the truth of the above propositions.

Let us suppose that Acts of Incorporation were unknown, and that the whole area of the city were owned by one individual, who rented it in lots for building and other purposes, in leases of say 20 years, as is the custom with agricultural lands in some countries. If he were a wise landlord he would see it to be in his own pecuniary interest to make the site and belongings of the town as attractive as possible to

capitalists of all kinds, so that varied industries and a large population might be induced to settle on his land. He would keep the roads and streets in good order; would have perfect drainage and ample water supply. He would be careful of the public health, and would provide means of healthful recreation for the people. In short, the greater part of the services secured to the community by incorporation would be voluntarily rendered by the land-owner, acting in his own pecuniary interest. Under such circumstances it would hardly occur to any one that the landlord was paying out of his own pocket what should be contributed by his tenants. It would be too obvious that the increase of his rent roll would more than compensate him for his outlay.

The case appears very different where the area of the city is owned by an army of small proprietors, in lots of all degrees of size and value. Each proprietor cannot do for his little patch what one would voluntarily undertake if he owned the whole. Hence the necessity for incorporation, by which also some things can be obtained—such as a liberal provision for education and other matters, which, though they undoubtedly add to the value of real estate, would not probably be attended to even by the one great landlord. There is no *real* difference, however, between the two cases. The army of small proprietors united can have only the same rights possessed by the one great landlord, and public improvements and public services which add to the value of the land should be paid for by the owners thereof, whether they are many or one. There is no injustice in this to those individuals, for the tax is made up to them in their rents.

The correctness of the principle is already recognised in the case of what are called “special” or “local” improvements—improvements which are carried out by the corporation, but which appear to be more for the benefit of the owners of the property to be improved than for that of the general public. Such improvements, however, tend to raise the value of all city real estate, and the general expenditure of the city has the same effect. It is right that the owners of specially improved property should pay the greater part of the cost thereof. If the improvement is real, the cost will be returned to them in rent. In like manner the cost of city government, which may be called a “general improvement,” should be borne by the land-owners in general, and to them also it will be returned in the shape of rent.

As we have seen, land is benefitted or injured by what is done for everything else as well as by what is done for itself. And however a tax may be laid on, the tendency is to shift it from shoulder to shoulder until at last it rests on the land and remains there. The great gain which would be secured by a municipal land tax would be simply this: that it would place the public burdens at once in the most equitable and economical manner, whither they are always inevitably gravitating, attended as they are at present by so much mischief, injustice and general demoralization. And the greatest gainers by the substitution of such a tax for the present system would be the owners of land.