

Taxation of Land Values in
American Cities

The Next Step in Exterminating
Poverty

BY

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DEDICATION.

To the uncounted millions of workers in the only unpaid occupation in American cities,—those who toil from birth till death at their profitless task of creating land values for landowners,—in the sincere confidence that those who have votes will use the ballot and those who have influence will exert it, in terminating the existing land slavery in every American city.

The overthrow of the present system of subjecting women and children who have no vote, and the sick and the helpless to the cupidity of landowners involves a bitter struggle. The only other struggles in our nation's history comparable with this one to restore to "freemen" the right to values they produce, were the Revolutionary War, and the War of the Rebellion. Those two wars involved bloodshed and loss of life, this battle for economic freedom involves political,—not party,—action, bringing to the attention of all legislators the rights of all the people, and not only of the propertied classes who have hitherto largely controlled legislation for their own selfish interests. While other measures in the warfare to exterminate poverty are necessary, that fight cannot be won, till the unpaid creators of land values secure through taxation of land values that which they create.

INTRODUCTION.

The excuse for another book on the taxation of land values is the failure adequately to tax land values, and the increasing budgets of cities, counties, states and the Federal government, while simultaneously, these political units are piling up millions of bonded indebtedness. The discussion in the present book, is limited to the taxation of land values in cities for municipal purposes since here the necessity of heavy taxation of land values is of most immediate importance. That similar taxation of land values is necessary for rural and agricultural lands, and especially to reach the unearned gains and values of mineral and oil lands the writer thoroughly believes. The increase in value of agricultural land from 1900 to 1910 amounting to \$15,000,000,000 or 118 per cent was not wholly earned by the owners.

The heavy taxation of land values in cities so as to reduce the ground rent to a minimum is a complex question and has manifold bearings. For this reason, even at the risk of apparent repetitions, the subject is treated from several points of view, the relation to the housing problem,—of fundamental importance in every city,—fiscal advantages, economic advantages, and social advantages, while the evil results of present exemption of land values from adequate taxation are shown in a separate chapter. A brief statement of sources of municipal revenue in foreign cities is incorporated because land-owners in American cities are trying to discover or invent any kind of tax which can be shifted to those least able to bear it, to enable them to continue their ill-gotten, because unearned, gains through increases of land values. In the chapter on possible methods of taxing land values in American cities the most important methods are considered. The conclusion that a higher annual tax-rate on land values and a small land increment tax are the most feasible methods of reducing ground rents and securing an adequate revenue for municipal purposes,—including the cost of many current and recurring improvements now met by postponed payments with the large tribute of interest incident thereto,—will probably be generally accepted.

The small number of cities separating land and improvement values has made statistical demonstration of the adequacy of the taxation of land values for municipal purposes impossible for many

cities. A few important cities only have been selected, and the data from others not incorporated in the chapter on "Fiscal Reasons for Heavier Taxation of Land Values," and general information, will convince every one that this is an adequate source of revenue, nor is this contention denied by landowners. Their sole contention is that they don't wish to have their own profits reduced. The justice and necessity of reducing their profits is thoroughly demonstrated throughout this book.

FOREWORD

The following editorial by Dr. E. T. Devine on the bills gradually to reduce the tax-rate on buildings and personal property in New York, until it is one-half the tax-rate on land and to restrict the heights of tenements in the city, was printed under EDITORIAL Grist in the SURVEY for the week of June 10th, 1911. It is reproduced with Dr. Devine's permission, but does not commit him to endorsement of the thesis of this book.

THE CONGESTION BILLS

EDWARD T. DEVINE

Senator Sullivan has introduced into the New York Legislature the bills recommended by the New York City Congestion Commission, the effect of which would be to reduce relatively the rate of taxation on improvements as compared with land.

The change is one which would have far reaching beneficent results. It would force unoccupied land into use, increase the supply of new tenements, and so reduce rents. Yet it would do this by favoring builders and owners of tenements rather than by putting new and additional burdens upon them. Of course so far as it encouraged new buildings it would diminish the monopoly advantage of present owners and builders, and from the point of view of the public interest this is exceedingly desirable. With the pressure of population in New York there is no difficulty about filling any tenements or apartments of any class if the rents are reasonable, and by reducing the relative taxation on buildings both old and new we increase the chances of reasonable rents.

Another good effect of the change would be to encourage the building of factories on land now unoccupied. While I am not in favor of allowing more factories to be built in the congested quarters of Manhattan Island, there are abundant suitable factory sites within the limits of Greater New York which it would be advantageous to have used in this way. If our population and factories were properly distributed there would be no ground for complaint as to congestion. Increasing the relative taxation on unoccupied land, and diminishing the tax upon buildings and improvements tend to bring about this distribution.

If so great a change as halving the rate of taxation on buildings were made suddenly it would involve an element of injustice,

but to distribute this change over a period of five years reduces that element to the minimum consistent with making any desirable change whatever. If, again, there were no restrictions on heights of buildings, fireproofing, etc., the proposed change might increase congestion on Manhattan Island by encouraging owners of low buildings to build higher, and the owners of unoccupied lots to invest all the money they can raise in building skyscrapers and six-story tenements; but there are already many restrictions, and it is proposed by another pending bill to introduce still others limiting future tenements north of 181st street to four stories. It is better that any unoccupied lots on Manhattan Island should be built upon than that the large unoccupied tracts in other boroughs should remain unoccupied while the pressure of population is as great as it now is. If we are not satisfied with the conditions under which office-buildings and tenements are now being erected in the built-up portions of the city, let us by all means make them more stringent.

These two policies—encouraging the use of unoccupied land, and determining in the most drastic way the conditions under which buildings, especially tenement buildings, shall be erected—are consistent and complementary. These are the particular measures recommended by the congestion commission which bear directly upon the subject of congestion, and they represent a policy which sooner or later we shall have to adopt. It will be better for the present generation and that of the immediate future if it is adopted now.

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Most housing reformers in American cities have failed to see the relation between the land question and housing reform. A sample attitude is that of the Tenement House Committee of the New York Charity Organization Society, which stated recently with regard to bills before the Legislature making the rate of taxation on all buildings one-half the rate of taxation on all land, they "are not considered as bearing directly on the improvement of housing conditions or the relief of congestion." Cheap land is, however, essential to good housing for wage-earners at reasonable rents. Heavy taxation of land values will minimize land speculation, make and keep land available cheap, encourage the substitution of healthy tenements for dark disease breeding ones, reduce rents, and encourage home-ownership by wage-earners. Foreign housing experts agree to the necessity of heavier taxation of land values. This has been emphasized by speakers at International Housing Congresses. The English Royal Commissioners on Housing recommended in 1885 taxing "land available for building outside of towns at 4% on its selling value." The minority report of the English Royal Commissioners on Local Taxation in 1901 recommended that the site bear heavier taxation than the structure, and that there should be also a special site value rate to be charged also on unoccupied property and on uncovered land.

CHAPTER II.

THE MORAL SANCTIONS FOR HEAVIER TAXATION OF LAND VALUES.

Summary of Chapter.

Unless any measure is morally just no plea of economic or fiscal expediency will justify its adoption. The heavy taxation of land values in cities is moral because land values are created chiefly by the labor and industry of the entire population, and by the improvements made by government at the expense of the community. Land-

owners in cities do not usually take, but make risks through desire for speculative gains. Land values are essentially different from any other values such as those of agricultural products, manufactured goods, etc., because land values are the creation of social effort not paid for by the owner, who taxes others as a condition of their using values they themselves create. It is immoral to secure the fruits of others' toil without giving them something in return, but this the landowner by securing ground rent does, since he taxes the users of land "all that the traffic will bear" on values they collectively create. The owner of land has no more moral right to demand permanently as large a net return upon the price he has paid for land or its full value in the market than a man has to demand damages from the Federal government when a protective tariff upon articles which he manufactures is reduced for the public good. Like the beneficiary of the protective tariff, the landowner has never been morally entitled to the special privilege he enjoys of taxing others. To undo a wrong is moral and not immoral. The owners of land adequately improved will usually benefit, however, by a lower tax-rate on buildings and a higher tax-rate on land, but this change should be brought about gradually. Endorsement of halving the tax-rate on buildings by the Federation of Churches in New York City.

CHAPTER III.

RESULTS OF TAXING BUILDINGS AT THE SAME RATE AS LAND.

Summary of Chapter.

Taxing buildings at the same rate as land values results in the reverse of good government; it makes it as hard as possible for a man to do right and as easy as possible for him to do wrong. It puts a premium upon sloth and the gambling spirit, discourages industry and fetters enterprise. The present exemption of land values from adequate taxation puts the burden of government upon those least able to bear it, and levies upon widows, consumptives and children for the support and protection government affords to the wealthy. It discourages home ownership and militates against family life in tenements. It encourages extravagance in municipal government, because the landlords can shift a large part of the taxes levied on their property on to their tenants. Taxation on industry and buildings instead of land values has thus stimulated also the policy of "postponed payments" because owners of improved property do not want their total taxes raised, as they are under a uniform tax-rate on buildings, personalty and land values.

CHAPTER IV.

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Summary of Chapter.

In addition to the general objection that heavier taxation of land values is "confiscation of property rights and immoral" it is claimed that it "will create a panic in real estate," and "result in the calling in of loans," that "adequate transit lines alone will prevent speculation in land without heavier taxation of land values" that "a higher tax-rate on land than on buildings and personalty is unconstitutional," that "other sources of wealth are as much 'unearned' as increments of land values," and that "if the city secure part of the increment of land values by a super tax on the increases it should recoup the owners for any decrease."

The experience of Vancouver, British Columbia, where all buildings are exempt from taxation, shows that no panic will result from a gradual reduction in the tax-rate on buildings and final exemption thereof, and that money can be secured for construction of buildings although a low tax-rate on land values does not prevent land speculation because it does not secure for municipal purposes enough of the ground rent. The judgment of many financiers, and heads of organizations for constructing houses for wage-earners is that halving the tax-rate on buildings will encourage the construction of buildings and not involve a panic as claimed. Reliance upon transit lines alone to prevent speculation in land must mean either so many, as to be a great and unnecessary cost to the city or as experience shows, chiefly a means of making fortunes through increased land values for landowners along the routes. The United States Supreme Court has given an opinion that "The Fourteenth Amendment was not intended to cripple the taxing power of the states or to impose upon them any iron rule of taxation." The power of taxation is largely legislative, state courts have held, and "all the incidents are within the control of the legislature," so that the constitutionality of heavier taxation of land than other property seems pretty definitely determined. It is true that many other incomes are as "unearned" as land increments, and it is proposed to tax land values including increments, in cities for municipal purposes leaving other "unearned" sources to the state and federal governments, for the present at least.

Since the increase in land values is due only in small measure to efforts of the owner while government secures only a small part of the increment by a land increment tax it is perfectly proper that a city should secure a share of bona fide increases in land values,

above the cost of improvements—such as sewers, streets, etc.—without incurring any obligation to recoup the owner for any decrease in land values except those for which the city is directly responsible.

CHAPTER V.

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Summary of Chapter.

1st. A tax on industry is shifted to the consumer or laborer whenever possible.

2nd. Industry has not yet begun to bear its own burden.

3rd. Industry taxed will remove from the jurisdiction of the taxing power because industry takes risks and landowning does not in the same sense nor to a similar extent.

4th. Industry must provide safer conditions for workers than it has hitherto.

5th. Government already exercises through State Departments of Labor, the Interstate Commerce Commission, Public Utilities Commissions, etc., much closer supervision and control even now over the business interests of the country than over the landed interests.

6th. Adequate taxation of land values will release large sums of money for other purposes, such as constructing buildings, and tend to reduce interest rates.

CHAPTER VI.

SOME FISCAL REASONS FOR TAXING LAND VALUES HEAVILY.

Summary of Chapter.

1st. "The patrimony of the state must not be impaired," while too "taxation must be equal" and these conditions heavy taxation of land values meets.

2nd. The tax upon land cannot ordinarily be shifted, and a tax which can be shifted is always bad from a fiscal point of view.

3rd. Land cannot be hidden as can other sources of revenue, and as its value is always increasing automatically, it is a certain and definite source of income—which can be most readily and cheaply collected.

4th. Taxation of land values is an adequate source of revenue for every city in America.

5th. Heavy taxation of land values would reduce the annual municipal expenditures for the acquisition of land for municipal purposes.

6th. Heavy taxation of land will facilitate the reduction of the city debt.

7th. Higher taxation of land would encourage the logical and economic development of cities.

CHAPTER VII.

SOME SOCIAL REASONS FOR TAXING LAND VALUES HEAVILY.

Summary of Chapter.

From a social point of view the relation of adequate taxation of land values has the broadest significance. Taxation which will secure most of the ground rents is the most important measure in the extermination of poverty. It is not a substitute for the elimination of the middlemen who increase the cost of commodities that every family must have, nor (as a municipal tax) for tariff reduction. It does not take the place of the enforcement of sanitary laws, nor the prevention of accidents and industrial diseases any more than of consumption. The "single tax" even for municipal revenue will not either, stop the waste of inefficient methods of industry. The attainment of these desired ends, however, is prone to inure to the benefit of landowners instead of the workers. From a social point of view the elimination of all wastes with the consequent reduction of the minimum living wage for any city, by the cost of such eliminated waste, is the next step in efficient democracy. Adequate taxation of land values will reduce the cost of living by \$20.00 per family up, for different classes in cities.

From the social point of view, too, the demoralization and loss of self respect of those who are obliged to appeal to charity when they would not be obliged to do so except for continuing injustice and exploitation and inefficiency is worthy of consideration, and this will be greatly reduced by adequate taxation of land values.

Conservation of self-respect is essential. Many of the tasks of organized charity would be lightened by such taxation of land values as would break up the existing organized land monopoly.

CHAPTER VIII.

SOURCES OF MUNICIPAL REVENUE IN SOME FOREIGN CITIES.

Summary of Chapter.

Landowners in their desire to postpone heavier taxation of their land values, will suggest many other sources of municipal revenue. The taxes of some foreign cities show how successful landowners have been there in providing substitutes for taxation of land values. Berlin has industrial taxes, taxes on incomes, restaurants, dogs, department stores, automobiles, brewing malt, temporary vendors, exchange of property and trade taxes. Paris still persists in putting a premium on darkness by taxing doors and windows and secures about \$21,000,000 a year by the octroi tax on goods entering the city gates. London raises nearly two-thirds of its revenue by public rates on real estate, which is largely paid by the occupiers. Berlin, London and other cities rely upon "municipal trading" such as gas works, tramways, etc., and taxes upon the gross or net receipts of private companies conducting such business for revenues, but these as well as most of the municipal taxes are shifted ultimately to the consumer. Dearer gas, dearer food, and more carfare injure wage-earners and revenue from such sources is a bad substitute for taxing land values. Most of these taxes are also costly to collect.

The taxation of land values hitherto has been largely confined in Germany to land increment taxes, the plan adopted in England for national revenue. Vancouver, B. C., has abolished all taxes on buildings, and some cities in the Australian Commonwealth have adopted a higher rate of taxation on land than on buildings, especially on unimproved land.

CHAPTER IX.

POSSIBLE METHODS OF TAXING LAND VALUES IN AMERICAN CITIES.

Summary of Chapter.

Several methods and degrees of taxing land values are possible:

1st. Lower assessment of buildings than of land, and reduction in assessment for depreciation of buildings through age.

2nd. A lower rate of taxation on all buildings and personalty than on land.

3rd. Exempting all buildings entirely from taxation.

4th. Exempting from taxation certain buildings which conform to a high standard of excellence, either for a term of years, or permanently.

5th. Assessing all public improvements upon property benefited.

6th. Excess condemnation of land.

7th. Taxation of increment of land value.

8th. Municipal ownership of land.

The most immediate, practical, economic, and just method of taxing land values in American cities—in which land and improvements are separately assessed—is a heavier rate of taxation on land values through a lower rate of taxation on all buildings and personalty.

Halving the tax-rate on buildings and personalty within the next few years is the next step towards securing freedom from existing land slavery. The total exemption of buildings and personalty from taxation will properly and naturally follow gradually. The land increment tax despite its great administrative difficulties is a practical and universal method of recovering for the community its fair share of the community created and earned, land values. The other methods enumerated are limited in their application, or cumbersome at best, and do not conform to the American standard and ideal of equality and justice, although temporarily feasible. Just taxation of land values and a land increment tax will furnish adequate revenue for every American city and be the most effective step that cities as governmental entities, can take to exterminate poverty and to regain their cities for the people.

CHAPTER I.

The Land Question and Housing Reform in American Cities

A series of articles which has been running in *The Survey* on "The Housing Awakening in America" records the strivings of several American cities to secure, not only the abolition of the slums, but as well the provision of good homes for their workers. The recent organization of the National Housing Association with a Board of Directors who have been prominent in housing reform in cities throughout the country is another indication of the recognition of the prevalence of the housing problem. A careful study of the series of articles on "The Housing Awakening" referred to and of the publications of the National Housing Association shows adequate emphasis upon the necessity for more restrictive housing legislation, such as limits upon the heights of tenements, the proportion of the lot area that may be occupied, provisions as to cubic air space to prevent room overcrowding, and the determination to eradicate slums and vaults. The movers for housing reform have appreciated the necessity for cheapening the cost of housing material, and of thereby reducing the cost of constructing tenements, so encouraging home ownership and helping to lower rents.

Housing Reform Legislation in America chiefly restrictive to date.

Not only the omission, however, of any reference to the relation between the taxation of land values and the housing question, but as well, the actual denial by many housing experts on the directorate of this Association of any vital relation between the taxation of land values and the housing problem indicates the failure to appreciate a fundamental feature of their program.

The New York City Commission on Congestion of Population after nearly a year's study of causes of congestion of population and room overcrowding and methods of preventing these twin evils, prepared bills providing for making the rate of taxation on all buildings in New York City one-half the rate of taxation on all land.

Some housing experts deny direct relation between taxation of land values and good housing.

In a printed memorandum on these two bills, the Tenement House Committee of the New York Charity Organization Society, of which Mr. Lawrence Veiller is Secretary, actually reported that they "are not considered as bearing directly on the improvement of

housing conditions or the relief of congestion."* The fact that Mr. Veiller is an alleged expert on housing and also Secretary of the National Housing Association necessitates an analysis of his conception of the housing reform which presumptively he would inculcate in cities throughout the country. Unfortunately his point of view is altogether too currently accepted. In an article in *The Survey* of November 19th, 1910, Mr. Veiller states, "New York distinguished for having the worst housing conditions in the world, but long the leader of housing reform in America, continues that leadership. Her 7,000 privies are now a thing of the past, and her 100,000 windowless bedrooms are fast disappearing." In his book, "Housing Reform," published in the same year, Mr. Veiller states, "The conditions in New York are without parallel in the civilized world. In no city of Europe, not in Naples nor in Rome, neither in London nor in Paris, neither in Berlin, Vienna, nor Buda-Pesth, not in Constantinople nor in St. Petersburg, not in ancient Edinburgh nor modern Glasgow, not in heathen Canton nor Bombay are to be found such conditions as prevail in modern, enlightened, twentieth-century, Christian New York. In no other city are there the same appalling conditions with regard to lack of light and air in the homes of the poor. In no other city is there so great congestion and overcrowding. In no other city do the poor so suffer from excessive rents; in no city are the conditions of city life so complex. Nowhere are the evils of modern life so varied, nowhere are the problems so difficult of solution."

New York City, with worst housing conditions in the world, has taxed buildings heavily, lands lightly.

The pride of participation in the leadership of housing reform under which such uncivilized and unchristian conditions exist and continue, evidenced in the above statements, is a matter of passing interest.

The important point for those interested in securing good housing conditions in the cities, and towns as well, of this country, is the inevitable result admitted, and due in large measure to the failure to set into operation or rather to release for natural operation those economic forces which would tend to abolish many of the housing conditions, noted by Mr. Veiller, in New York City, and which exist to lesser or greater degree in nearly every large city in the country. The New York Tenement House Law, enacted in 1901, and adopted unfortunately as the precise model by many other cities in the country, is a wonderful example of restrictive legisla-

* In justice to some members of this committee, it should be stated that they disclaimed knowledge that this statement was included and do not agree with it.

tion, in most respects carefully drawn. The size of bolts to a fraction of an inch is laid down. Certain provisions are made as to fireproofing, although four story tenements are not so safe as higher ones, tending to excuse if not actually to encourage the construction of higher ones.

Most of the restrictive legislation of this New Tenement House Law is valuable, and in certain respects further restriction should be enacted. The height of tenements in outlying districts should be restricted to four and three stories, or even less; and the proportion of the lot area they may occupy should be decreased. The cubic air space to be provided for each occupant of an apartment should be increased and some provision made for the prevention of the overcrowding which on grounds of health such a regulation attempts to prevent.

But the existing restrictive provisions, admirable though they may be, have not served to reduce room overcrowding nor congestion per acre. Most of them have actually increased rents and hence room and apartment overcrowding and congestion per acre. When a family has to choose between having enough rooms to comply with the impulses of decency and privacy or even with the inadequate requirements of the New Tenement House Law, and having food, they default on the housing, health, and moral safeguards, and take in lodgers so they may buy food. Doubtless their logic seems vicious to the owner of land, but it is general and they cannot be too seriously blamed, at least as long as in New York City public relief in their homes is not permitted to the victims of restrictive legislation, on the one hand, and a policy of *laissez faire* on economic causes of poverty on the other hand. An apparent dilemma faces every housing reformer of the result upon the wage-earners of the community of additional restrictive measures. Is it really worth while to secure stricter housing regulations, if the inevitable result will be higher rents, and a lower standard of living for the wage-earner, including the taking in of lodgers with the consequent disruption of family life? The dilemma is only apparent, however, since while restrictive legislation alone will increase rents, its influence can be largely counteracted by such heavier taxation of land values as will terminate the ability of the landlord to shift on to the tenant, in higher rents, the loss entailed upon the landlord by legitimate restrictive measures.

This will be seen by taking up separate objects of the housing reformer to see what he wants to accomplish. It is admitted by practically every economist, as shown later, that the proportion of

Restrictive housing legislation essential, but must be safeguarded by lower tax rate on buildings.

What housing reformers want to accomplish.

Intelligent housing reformers must reason from cause to effect.

the tax which is levied on the land is paid by the landowner or landlord, and that that part which is levied on the building is shifted on to the tenant. In other words, if all taxes were taken off buildings and put on land, the landowner would pay the taxes, and the tenant would escape any payment of taxes whatsoever, thereby practically reducing his rent to this extent. The heavier tax-rate on land will also compel the adequate improvement of land in order to meet the carrying charges. Mr. William E. Harmon, a well-known real estate operator, with realty interests in many cities throughout the country, testified on this matter before the New York City Commission on Congestion of Population: "Probably the best way to solve the problem of congestion would be to double the tax on vacant land, thus reducing the tax on improvements. If you increase the tax on land you force construction to offset the carrying charges." The housing reformer is naturally first concerned,—since in no large American city can the factory population be immediately shifted from the unsanitary tenements they are occupying to better ones in the suburbs,—with improving the conditions of old tenements.

Abolition of unsanitary conditions.

Among the evils existing in old tenements are vaults, dark rooms, and general unsanitary conditions. Admittedly, taxing land values alone will not abolish vaults nor dark rooms. These twin pests should be remedied by sumptuary legislation, vacating houses in which the former, and rooms or apartments in which the latter are found.

Nothing can excuse the cowardice with which American cities have permitted the continuance of such conditions, because landlords have had almost complete control of legislative bodies, and in many cities have been able even to thwart the administration of remedial laws.

Automatic effect of heavier taxation of land values in encouraging sanitary conditions.

Two American cities, Washington and Chicago, have secured legislation empowering the demolition of unsanitary buildings unfit for human occupancy. New York and several other cities have authority to vacate tenements that are not adequately ventilated or are defective in sanitary arrangements. Such demolition or vacating, however, is always difficult to secure, because courts are unalterably opposed to interfering with property rights if they can avoid it. On the other hand, the heavy taxation of land values would be an automatic incentive to the demolition of unsanitary tenements for two reasons. First, old buildings are—if the assessment is even fair—assessed for a relatively small amount, while the land is assessed in the built-up sections of every city, rather high. A heavier rate of

taxation on land than on buildings would mean that the property as a whole would pay more taxes than under a uniform tax-rate on both land and buildings, and by far the larger part, in many cases practically all of the tax, would be upon land values, which the owner must, in large measure, pay himself, since he cannot shift it upon the tenants.

Second, the higher tax-rate on land values will, as testified by Mr. Harmon, force construction to meet carrying charges. This is true, not only of vacant land, but of land which is underimproved, that is, whose improvements are not adequate to the district. In most cities, a normal improvement is assessed for at least twice as much as the site. There are, however, in nearly every city, conditions similar to those in the lower part of Manhattan, generally known as the East Side. Although the majority of the buildings in the district bounded by Grand Street, the East River, Manhattan Bridge and Fourth Avenue are five and six stories high, there are, in 1911, fifty-seven parcels of land entirely vacant, seventy-two with only a one-story building, one hundred and eighty with only a two or two and a half-story building, and four hundred and ninety with only a three-story or a three and a half-story building. A heavy tax on land would compel better improvements than a three-story building in this section of the city, not necessarily implying that more people should live in these sections, but a larger supply of tenements, and incomplete as is the New Tenement House Law as to lighting of rooms, its sanitary requirements are far superior to those preceding it. The tendency of a surplus of good tenements is just the reverse of the tendency enunciated in Gresham's law of currency; good tenements tend to drive out bad tenements by reducing the demand for them. An alternative to demolishing houses unfit for human occupancy at the owner's cost, or keeping them permanently vacated, is the English method of demolishing unsanitary tenements and paying the landowner richly for his property while the city proceeds to construct healthy tenements for those displaced. This method of clearing unsanitary areas, as it is designated, has been advocated for American cities; but recourse to this atrocious method of paying the landlord for permitting the deterioration of buildings can be entirely obviated by vacating such buildings and taxing the land at such a high rate that the owner will be obliged to improve it adequately with suitable buildings. Since such property is not producing any revenue, it is obvious that the higher the rate of taxation on the land the greater the inducement to the owner of such unsanitary buildings to substitute therefor healthy

Payment for unsanitary dwellings a premium on slum landlordism.

revenue producers. The converse is also true, that the present uniform rate of taxation on land and buildings discourages the substitution of a new healthy tenement for an old, cheap and unsanitary one by penalizing the owner with heavy taxes. The incentive a higher rate of taxation on land than on buildings gives to the wiping out of slums at the expense of the beneficiaries of slum property, instead of at public expense, is apparent.

The relation of the taxation of land values to housing in new communities and undeveloped sections of cities is equally patent.

Cheap land essential to proper housing of wage-earning population in American cities.

Cheap land is essential to proper housing of the wage-earners in American cities. Taxation of land values as well as adequate restriction upon the height or volume of buildings, and the proportion of the lot area that may be occupied is essential to keep land so cheap that wage-earners may afford homes, in the true sense of the term. Partly because the New York City Tenement House Law has been copied in so many American cities, we are prone to think of housing in terms of multiple family tenements three to five stories high. In point of fact, however, three stories should be the maximum height for tenements in every American city except in the centers where existing land values make this impracticable. Such centers will in most cities gradually be given over to business and commercial purposes. The standard for housing enunciated for the British worker by Alden & Hayward in their book, "The Housing Problem," should be adopted in American cities:

"The minimum for the average working man's family is a cheap but well-built house with four or five suitable rooms, together with a quarter-acre garden, or at least a fair-sized courtyard. The site should be a healthy one and the house perfectly sanitary, well-lighted, well-ventilated and well-drained. And this accommodation must be supplied at a low rental, or it will be found beyond the means of the working classes."

The value of land is determined by its accessibility and its net rental value. A high rate of taxation of land values reduces the selling price and makes it cheaper. Single taxers claim the right of the government to secure by taxation a large part, if not all, of the rental value of land. Most housing reformers will not go as far as this yet, but will, nevertheless, agree as to the desirability of preventing land speculation as a means of keeping down land values and the effectiveness of taxing land values as a means of accomplishing this.

The selling price of land is determined by the capitalization of the net rentals from the maximum intensive use permitted. Thus if forty families may be legally housed in a high tenement and six per cent net is the usual return, the owner will ask a price for the land which, with the cost of constructing the buildings, will yield a return from the rental at current rates, \$4.50 to \$5.00 a room per month. If only three families can legally be housed on such a lot, the net return of six per cent upon the value of the land will ensure a lower price. Since, except in crowded sections of a city, and with abnormal demand for housing accommodations, the tax upon land cannot be shifted to the tenant, while the cost on buildings can be, and is so shifted, a reduction of even ten to twenty per cent in rent will be a great relief to the rent-payers, *i. e.*, all tenants in American cities—as well as people who are trying to own their own homes. A \$2 tax-rate per \$100 of assessed valuation is a common tax-rate where real estate is assessed at full value. With such a tax-rate the total taxes upon a tenement accommodating twenty families assessed for \$25,000, on a site assessed for \$15,000—a total of \$40,000—would be \$800 a year. Of this \$800, \$500 is the tax upon the building and \$300 upon the land. If buildings and personalty were exempt from taxation, the tax-rate on land would be in most American cities somewhere between \$3 and \$4 per \$100 of full assessed valuation, depending, of course, upon the relative assessed value of land and buildings and personal property on the basis of which value the tax-rate is determined. Taking \$3 as a maximum rate of taxation on land, however, the total taxes on the tenement property would be only \$450 or \$350 less than with a uniform rate of taxation on land and buildings of \$2. Since the owner must pay the taxes on land and cannot shift this on to the tenant he will have to pay \$150 more than under a uniform rate of taxation. At the same time, the total amount of taxes on the property is \$350 less. To what extent will the tenant profit by this reduction? It is apparent that the owner of the property can reduce his total rentals for twenty apartments by \$350 and still make the same net profit as under the uniform \$2 tax-rate. This would mean a possible reduction of rental of \$17.50 per apartment. If we assume that each apartment was renting for \$180 a year, this would mean a reduction of only about one-tenth in the rental, which, nevertheless, is worth while. There are several other factors and economic forces which would operate, however, to reduce rentals if land

Heavy taxation of land values will reduce rents.

were more heavily taxed. The increased tax-rate of \$1 means only 1 per cent additional charge for taxes, 3 per cent instead of 2 per cent, that is \$150 a year more on an investment of \$15,000.

A fair system of assessment of land is assumed, of course, in this statement, and with this a vacant lot next to a lot assessed for \$15,000 with a tenement assessed for \$25,000 is also assessed for \$15,000. The owner of the vacant lot is, however, paying assessments for sewers, streets, sidewalks and other public improvements which are necessary to attract population or is putting these in at his own expense. His carrying charges on the land are probably at least 3 to 4 per cent in addition to interest at 5 per cent to 6 per cent. On the other hand, he is aware that if he puts up a tenement similar to his neighbor's he will be saved, if his tenement be fully occupied, \$350 a year or nearly 1 per cent over his charges under a uniform rate of taxation on land and buildings, which he can offer as an inducement to attract tenants. There are thus the inducement to build and the penalty for not building impelling him to put up such a tenement, while in addition the higher tax-rate reduces the selling value of his land, and the consequent amount of the community earned increment of ground rent which he would secure under a uniform rate of taxation on land and buildings. If the rate of taxation on land were, however, \$3.50 or \$4, instead of \$3, the inducement to improve his land would be that much greater. Even under a \$3 tax-rate upon land, and the resultant larger number of tenements competing for tenants, it is apparent, however, that the owner of tenement property would reduce rents by more than the total saving in taxes of \$350. To what extent he would do this is, of course, problematical, but it would probably be by at least the \$150 extra taxes on the land which he must pay and formerly could shift on to the tenant, plus the \$350 saved in taxes on the building or a total of \$500, *i. e.*, \$25 for every one of the twenty tenants. The same proportionate reduction of rents would naturally be effected in a tenement assessed for \$5,000 to accommodate three families on a lot assessed for \$1,500.

The direct saving to the prospective or would-be owner of his own home is equally demonstrable. It is not germane to discuss here the relative advantages or disadvantages of having the unskilled worker or even the skilled artisan own his home under the present conditions of industry. That there cannot be any ultimate solution of the labor problem but one which makes the ownership of private property possible for the majority of the urban popula-

The higher the tax-rate on land, the greater the reduction of rents.

Taxation of land values will encourage home ownership.

tion of the country stands to reason, and does not require any argument in this country where the ownership of private property has been and will continue to be a fundamental conservative safeguard of democracy. Classification of property, and regulation of property rights, is distinct and apart from the abolition of private property, advocated by some extremists.

Whether the wage-earners own their homes individually or collectively through owning shares in co-operative building associations, or membership in savings and loan associations, they will benefit by a lower tax-rate on buildings. Of course, if a wage-earner buys even a single lot of land for the speculative increase in land value, he should be treated exactly as any other land speculator whether he owns one lot or as a real estate company advertises 20,000 lots.

With a uniform rate of taxation of \$2 the owner of a home assessed for \$1,500 on a lot assessed for \$500 would pay in taxes \$40 a year. With a tax-rate of \$3 on land and no tax on buildings he would pay only \$15 a year in taxes, *i. e.*, would save \$25 a year, that is one-thirtieth to one-twenty-fifth of his total earning.

If the owner of the house has been able to buy only the lot outright and to pay \$500 on the price of the house, borrowing the balance of the cost, \$1,000, at 5 per cent interest, his annual interest charges will be \$50 a year. The saving in taxes with the exemption of his building from taxation would in twenty-two years, assuming only a moderate increase in the rate of taxation on land, enable him to pay off the entire mortgage on his house, while his interest charges would be annually decreased by his payments thereon. That such a minimum saving of at least \$20 to \$25 a year would be an advantage to wage-earners in American cities can hardly be questioned even by those who have the temerity to assert that taxation of land values is not considered "as bearing directly on the improvement of housing conditions or the relief of congestion."

Naturally the man who buys his lot on the installment plan, until he is ready to build, would have to pay \$5 a year more taxes under the conditions suggested but at the same time he is saved meanwhile at least \$28 to \$25 as tenant, which leaves a good margin of saving.

Dr. E. T. Devine, Secretary of the New York Charity Organization Society and Schiff Professor of Social Economics in Columbia University, says with reference to the proposal to make the rate of taxation on buildings one-half the rate of taxation on land in New York City:

Dr. E. T. Devine's endorsement of making the rate of taxation on buildings one-half the rate on land.

"The change is one which would have far reaching and beneficent results. It would force unoccupied land into use, increase the supply of new tenements, and so reduce rents. Yet it would do this by favoring builders and owners of tenements rather than by putting new and additional burdens upon them. Of course so far as it encouraged new buildings it would diminish the monopoly advantages of present owners and builders, and from the point of view of the public interest this is exceedingly desirable. With the pressure of population in New York there is no difficulty about filling any tenements or apartments of any class if the rents are reasonable, and by reducing the relative taxation on buildings both old and new we increase the chances of reasonable rents.

"If our population and factories were properly distributed there would be no ground for complaint as to congestion. Increasing the relative taxation on unoccupied land, and diminishing the tax upon buildings and improvements tend to bring about this distribution."

Referring also to limitations on the heights of tenements proposed, Dr. Devine says:

"These are the particular measures recommended by the congestion commission which bear directly upon the subject of congestion, and they represent a policy which sooner or later we shall have to adopt. It will be better for the present generation and that of the immediate future if it is adopted now."

In this view most thoughtful persons who are not apologists for the *status quo* of poverty will agree.

The testimony of housing experts abroad to the necessity of invoking heavy taxation of land values to secure cheap housing for wage-earners is striking. Dr. Wilhelm Mewes of Düsseldorf, Germany, in an address on the "Land Question" at the International Housing Congress in London, in 1907, states:

"Even among economists Land Speculation is not considered quite with abstract indifference, though economically land speculation in itself appears as justifiable as any other speculative business activity; only its outgrowths appear to deserve attack. These outgrowths are indeed practically largely to the front, thanks to the peculiarities of land. Since the foundation of the land value is the return that can be made from it, and—contrary to goods which can be increased at will—the costs of production play a secondary, often very secondary, part, the subjective intention plays an extraordinarily large one. Often when the price is considered, the future return of the piece of land is discounted beforehand, especially in times when business is good, and people can reckon on a favorable future development. At the sale of unbuilt-on land, prices have often been reckoned which after the building had to be seriously reduced in order, together with the building value, to give an obtainable return. In sympathy the outer lands of towns rise often to such a height that they have to be used as intensively as lands in the inner parts.

Foreign housing experts agree to vital relation between taxation of land values and housing reform.

Land speculation militates against cheap housing.

"Although taxation according to market value appears to-day the best form of existing tax, yet it does not suffice as the only tax to grapple with the rise in value of land.

"It deals alike with all land of equal value, but does not allow taxation of the unearned increment which accrues to the owner by sale in accordance with the improvement in his financial position. Thus a further tax becomes necessary connected with change of ownership.

"To-day a state tax on change of ownership is raised almost universally according to a percentage of the value. Yet this in no way answers to the real financial position; it is also due when there is no gain or very little. Besides, it regularly falls, not on the party which has actually made the gain, but on the buyer. For these reasons there are, on financial grounds, real objections to be made against the often proposed raising the scale of this tax on change of ownership. Rather it is far fairer to develop the tax on property changing hands into a tax on unearned increment.

"This tax regularly takes a certain percentage of the unearned increment from the seller. The height of the percentage is graded according to the length of ownership and the rise in value of the land.

"The introduction of this tax has roused vigorous discussion and debate everywhere. It must be admitted that it involves no slight practical difficulties (*e. g.*, in settling the amount of the rise in value, the grading of the percentage of the tax, the settling the amount of the minimum increase of value which is to be untaxed, the maximum percentage of the tax, and so on), and so far the experiments are few. But on principle, objections of any weight can hardly be made to this method of taxation, at least in its improved form. That other unearned gains are not taxed is no objection to the taxation of unearned gains from land. To begin with, the amount of the latter is quite exceptional; then technically these gains, owing to our law of real property, are much more easily coped with than those in ordinary trades."

Councillor John S. Nettlefold, of Birmingham, England, says:

"Those who have observed the existing housing conditions in this country are aware that in the vast majority of cases poor people live on dear land and rich people live on cheap land, 'which is absurd.'

"The consideration of the question how to house properly the people of England on the land of England reminds us that in theory the land of England belongs to the Crown, and through the Crown to the people. In practice it belongs to a large number of individuals, whose object is (and under present circumstances, no fair-minded man can blame them) to get as much as possible out of their land. This is just what the business man does with his brains and the working man does with his labor; but all sorts of laws, from the Factory Act onwards, have been enacted to prevent capitalists, brain-workers, and hand-workers from making money by sweating their fellow-citizens; whereas no law has yet been enacted in this country to prevent land-sweating—that is, the reckless overcrowding of human beings on the land in badly-planned towns. This omission has not only seriously injured the

Councillor John S. Nettlefold advocates taxation of land values to prevent "land sweating."

vitality, and therefore, also the wealth-producing power of large numbers of English men and women; it has also resulted in the wasteful neglect of the food-producing possibilities of more than half the land in this country.

"Manufacturers are already prevented by law from making profits out of unhealthy workshops, and the legislature endeavors to prevent the sweating of individuals at their work. It is high time a well considered attempt was made to prevent individuals being sweated in their homes. This sweating of the people in their homes is largely due to land speculation, which is really nothing more or less than land sweating."

Alden and Hayward, in their book on "Housing," state:

"Where urban land is in possession of a few great land-owners who practically own some of our cities and who, in many cases, deliberately keep back much of the unused land for the rise in value which is certain to come—only the minimum amount possible will be purchased for housing purposes. It is obvious how direct must be the connection between this dearness of land and such evils as overcrowding, lack of open space and general insanitary conditions of living.

"But another ill effect which this artificial value of land has upon our cities is its creation of that house famine of which we have already spoken. We have seen that private enterprise has very largely failed to supply a sufficient quantity of dwelling-houses for the working classes. One of the main reasons for this is that, in consequence of the high price of land, buildings cannot be put up at a rent which it would be possible for the workers, who need such houses, to pay, and which would at the same time make a safe investment for the builder. It has been pointed out that this is so even in the case of building enterprise not strictly 'private.' This 'corner' in land has operated very injuriously on those semi-public, semi-philanthropic bodies such as artisans' dwellings' companies and co-operative societies, that have been endeavoring to cope with the deficiency in the supply of good houses. So much has their work been hampered by this and other causes, that the great public companies and trusts, after building over 30,000 dwellings, have practically suspended operations during the last ten years, in spite of the average return of four and a half per cent. which they get on their capital.

"But by some means or other there must be freer access to the land if there is to be a lessening of the evils of overcrowding in our cities.

"Yet another argument which may be adduced in favor of the rating of site values, is that in consequence of urban land coming more freely into the market and building enterprises being stimulated, rent would be materially relieved; and this relief would come where rent is now at its maximum, *i. e.*, in our large industrial centers. As we have seen, it is just here where rent presses most severely on our poorest classes, and any relief of this pressure would have a salutary effect, especially in the direction of slum clearances. Every opportunity given to the freer growth of the city in the suburbs will tend to reduce the conges-

tion at the center. Abolition of restrictions in the matter of the housing of the people will have the same effect as in the matter of the people's food, *viz.*, increased distribution of supply at a lower price. 'Overcrowding,' as Sir Henry Campbell-Bannerman recently observed, 'is to a large extent due to the maintenance of the same sort of restrictions and privileges at home as Free Trade has abolished for international commerce. The taxation of land values will put an end to the immunity of the landlord enriched by the exertions of others, to the circumscribing of natural expansion.' It is this 'natural expansion' which is the all-important matter in the question of housing our workers. It is this, and this alone, that will materially lessen the heavy charge of rent; and so the rating of land values is a proposal to be commended because, by aiding natural expansion, it will thus tend to reduce rents.

"The most important Minority Report furnished by five out of the fifteen Royal Commissioners on Local Taxation in 1901, signed by the Chairman of the Commission, Lord Balfour of Burleigh, contains the following recommendations:

- (1) Sites should be *separately valued from structure.*
- (2) Site can bear heavier taxation than structure, but all existing contracts must be rigidly respected.
- (3) There should be a *special site value rate.*
- (4) This should be charged also on (a) *unoccupied property*, and (b) *on uncovered land.*

"The general conclusion of that report was that the proposal to rate site values 'would do something towards lightening the burdens in this respect of building, and thus something towards solving the difficult and urgent housing problem.' This report only followed in the steps of the Royal Commissioners on Housing who, as far back as 1885, recommended taxing 'land available for building' outside our towns at 4% on its selling value."

immunity of the landlord enriched by the exertions of others.

Minority Report of the English Royal Commission on Local Taxation favors higher taxation of land values.

English Royal Commissioners on Housing recommend 4 per cent tax rate on selling value of "land available for building" outside of towns.

Effects of "corners" in land on the housing question and means of preventing such "corners."

Sir Henry Campbell-Bannerman says taxing of land values will stop the

CHAPTER II.

The Moral Sanctions For Heavier Taxation of Land Values

Fortunately the appeal to morality, that is to our sense of justice, is the most successful and fundamental appeal. No economic theory whose morality, as well as economic advantages, cannot be established is worthy of consideration, nor will it gain general acceptance in any community. The cry of, "confiscation of property rights" is raised by the opponents of taxing land values, and the fundamental question whether government is really robbing people, whether rich or poor, of anything that is morally theirs must be met by the advocates of the taxation of land values. Legal robbery by the government, whether through a tariff imposed by the Federal government, or any tax imposed by a city or state, is so serious a wrong that no economic, fiscal or social benefits to be derived by such a tax would justify, or excuse it.

Moral sanction essential to the acceptance of any economic theory or fiscal policy.

What is the moral sanction for the taxation of land values, whether it be achieved by a land increment tax, abolishing all taxation of buildings and improvements, reducing the assessment or the rate of taxation on all such buildings and improvements to one-half or one-quarter the rate of taxation on land, exempting buildings of a certain high standard of excellence from taxation for a period of years or permanently, or by any other method of taxation making land values pay a larger proportion of the cost of government than at present? No argument on this subject is new, but a world-wide interest in the subject evidenced by recent legislation justifies careful consideration thereof. We have fortunately reached the stage in consideration of public policies where we can and do consider subjects upon their merits, and so in the consideration of this question, we need not concern ourselves with the question of whether this is "single tax," "Henry Georgeism" or any other system, but merely whether it is a moral proposal.

Taxation of land values must be considered on its merits apart from prejudices.

It is generally, almost universally conceded that land values in cities are due largely to the demand for use of land by the population for various purposes, industrial, commercial, residence, etc., and to the improvements made by the city. This is admitted by real estate dealers and operators as frankly as by those who advocate

Land values are due primarily to demand for use and improvements made by the city.

any method of taxing land values. The real estate dealers base their claim that land values will increase upon the admitted fact of increase in population, but assume the right of the owner, not only to the increase in value of land, but to at least the same net return upon such value of land as is regarded fair upon other investments. Many go even further and claim the right of the owner of land to make all the profit "that the traffic will bear." Both classes of real estate owners—and at least inferentially the majority of most communities who permit them to have all that they claim,—admit therefore the right of a limited class in the community to secure something from the rest of the community without giving any return therefor. The excuse for this procedure, by which in essence all the landless members of the community work without compensation for the landowning members of the community is that the owner of land takes all the risks of investment. This claim is interesting but not true under present conditions. The owner of land does not so often take risks as make risks. The very slight risk which the owner of land in a city may incur is chiefly not inherent, but due first to his own speculative instinct and desire for speculative gains, and second to the failure of the city to determine what the development of the city shall be. Almost every American city is at the mercy of real estate operators and developers, who go a long distance from the center of the city to secure land still assessed at acreage or at least very cheap, which they break up into lots and try to sell at high lot prices. The cost of carrying such lots and the investment in streets, sewers, sidewalks, etc., is something of a risk which the owners voluntarily assume in the hope and well founded expectation of a large increase in land values. This is an incidental risk, however, to real estate development and dealing, which with the growth of the city is not, as has been stated an inherent risk. The vast sums of money spent on advertising and cajoling people to buy land at a greater distance from the centers of cities and in private developments are of course similarly wastes.

In no other kind of business (except that protected by some equally unjust privilege whether it be tariff, patent, or other legislative favor) are the profits so sure as dealing in land, for the reason so obvious to land developers in advertising their land, and so vigorously denied by them when taxation of land values is suggested, that the amount of available land in every city is limited and the demand for land is certain.

It must be admitted that most moral arguments, as well as arguments from a fiscal, economic and social point of view which can be

Landowners make but do not take any large risks in land ownership.

Profits are not so sure in most businesses as in land ownership and development.

advanced for the taxation of land values can also be advanced for the single tax, that it is only a question of expediency and not one of essential difference.

To recognize the fundamental injustice of an existing condition or system does not imply that it is either just or expedient to upset the entire condition or system immediately, nor by drastic measures. It is often claimed by the opponents of the single tax that this system of taxation would abolish private property in land. Single taxers to-day do not attack private property in land, but merely the "untaxed ownership of our day and generation."

As Mr. C. B. Fillebrown, in his book "The A B C of Taxation," remarks:

"It may be confidently asserted that when Henry George said, 'Private property in land is unjust,' he meant—as the whole principle and spirit of his teaching shows—that private property in land values is wrong.

"It is sometimes said that if landowners can rightfully claim ownership they are entitled to all the ground rent; that the common right to land and the common right to ground rent go together. How can this be true, when even under the land tenure of to-day, which is that of ownership, no one claims that the landowners, as for example, those of the city of Boston, are entitled to all the ground rent, but only to that part which is not taken in taxation. Their own claim falls short of 'all' by the \$10,000,000 now yielded up in taxation. In case the demands of taxation should be twice as great, would they be any more than now entitled to 'all'? It is not easy to see how ownership can carry with it as a necessary consequence the private appropriation of ground rent, because while there has never been a denial, there has always been a recognition, of the sovereign power and right to tax the land.

"Private ownership of land is no injustice to anybody to-day, nor has it been at any time. The untaxed private ownership of land value as it exists to-day is unjust. This does not mean that the ownership is unjust, but that not to tax it is unjust. An absolute ownership in land, such as Henry George recognizes in the products of labor, would be unjust, but, says Mr. Edward Atkinson, no such "absolute ownership of land is recognized in the law books." Its tenure is always subject to taxation, and to the superior right of eminent domain. Feudal tenure would seem to have been a rude recognition of the principle that the beneficiaries of a government should pay the expenses of government."

Even more important than the fact that land values in a city are created partly by the growth of the population is the fact that they are also due to the expenditures by the city for public improvements, such as sewers, schools, streets, sidewalks, transit, parks, etc. The provision of these essentials to the development of any community

Heavy taxation of land values must come slowly, but does not destroy private ownership.

Present conception of private ownership of land admits the right to tax land values.

Not private ownership but untaxed private ownership of land is unjust.

City improvements which increase land values are paid for by taxes on those

who do not participate in these values.

Prof. E. R. A. Seligman admits that much of city taxes is borne by those least able to pay.

The result of taxing land values and buildings at the same rate proves it immoral.

New York City Commission on Congestion find equal tax rate on land and buildings discourages the construction

is met by taxes upon the users of land and buildings and paid for by them. The owners of property expect and demand a net return upon the cost of property, over and above all the taxes which they ostensibly pay. They generally get this, and to the extent this is so they shift the taxes, *i. e.*, the cost of city government, upon the users of land (in exceptional cases) and always of buildings, that is the tenants. Admittedly the tax on land cannot be shifted upon the tenants unless there is very great demand for its use. This is sometimes the case, however, in the center of a large city, especially when the tax-rate upon land is low. As Prof. E. R. A. Seligman states in his "Incidence of Taxation," "While the real estate tax falls upon the owner in case of stationary or declining population, a considerable proportion of the tax is shifted on the tenant in the normal case of prosperous town or city districts under the present administration of our property tax. When we reflect that in the city of New York over three-quarters of the population live in tenement houses, we are thus forced to the conclusion that a large burden of our American local taxation is to-day borne by those least able to pay."

Assuming, however, that only the part of the tax which falls on buildings or improvements of any kind is shifted on to the tenants, even so this tax alone amounts to from \$10 to \$30 a year or more, which every family in a city has to pay for the use of a building toward the expenses of city government. This is a burden upon the poorer classes of a community which even if it could be justified from an economic point of view would not be justifiable morally.

In seeking too, the moral sanction for the taxation of land values, we should inquire what has been the result of failure to tax land values adequately, or in other words exempting them from fair taxation, by loading upon buildings and industry more of the necessary cost of government. Among the causes of congestion of population, the New York City Commission on Congestion of Population refer to the present method of taxing land and buildings.

"In New York City until very recently the owner of land improved with buildings has been penalized, while the man who holds the land out of use so that he may secure the speculative increase of land values has been helped by the taxation policy of the city, since unimproved land has been assessed at a relatively low value, while the rate on land and buildings has been the same. The system of taxation has discouraged the construction of tenements, of factories and all other buildings until the growth of the city's projected improvement has given to land the capitalized congestion value, to which reference has been made, and has enabled the owners of land to reap fortunes from

values created largely by the increase of population. This policy is putting a premium upon congestion and is in appreciable measure responsible for the holding of land out of use for a much longer period than it would be so withheld if a large share of the increase of land values by the community were recovered by them for community needs." *of buildings and encourages land speculation.*

Almost everyone—except a very few landowners—agrees that the conditions of room overcrowding and congestion per acre in New York City are indeed, as Governor Hughes described them, "intolerable," and his characterization of such conditions is applicable to other cities of the country as well. *Intolerable congestion and room overcrowding in American cities.*

Mr. Allan Robinson, President of the Allied Real Estate Interests of New York, a member of the City Congestion Commission, in a recent address gave his estimate of the owners of land who will not improve it in vigorous language.

"I hold no brief for the man who owns land he will not improve. Worse than the miser who hoards his gold and thus keeps it from circulation, more culpable than the capitalist who spends his wealth for his own pleasure is the landowner who, for distant profit, withholds from use land that the exigencies of the community require. The corroding cares, ill health, stunted growth, and inequality of opportunity which haunt the habitations of the poor in our cities may well be laid at his door, and I shall make no effort to relieve him of responsibility which his ownership has entailed upon him and which he has been unwilling to assume. Ownership of land carries with it corresponding burdens. The welfare of the race may be jeopardized through the selfish policy of landowners. The voters of the future are the children of to-day. Take from them what they now need for normal growth and development and when they reach man's estate they will take from you or your children all that land which you are now withholding from them." *President of Allied Real Estate Interests of New York says the man who for distant profit withholds from use land needed is worse than the miser.*

The morality of taxing land values somewhat is, however, not questioned even by those who oppose the proposal to tax them sufficiently to take the burden off industry whether it be the industry of the man who constructs buildings or who manufactures or who toils with his hands. Mr. Allan Robinson, quoted above, remarks, "Land is an 'easy mark' to use a slang expression. It is the packhorse that carries most of our burdens; and because it has shown a disposition to take the major part it is now proposed to load it with all of them." This expresses the case for the taxation of land values properly because the "packhorse" is purchased and fed by those who propose to put upon it the burdens which it alone can best bear without any injustice. Land is different in its nature from any other object of taxation, since its value is due to the work and expenditure of others. The fundamental morality of the taxation

Land is not an easy, but a just mark for taxation.

No one is entitled to values he has not created, nor to reap benefits of others' toil.

Is it right to diminish anticipated returns from investment in land?

It is fallacious to expect government to guarantee any unearned profits.

of land values is the fact that no one is entitled to benefit by the exertion and efforts of others, as the owners of land do, without giving a *quid pro quo* that is returning something adequate for value received. The reason that the owner of land is not entitled to the same net return upon his investment in land as upon his investment in buildings, manufacturing plant, stock of goods, etc., is that land values are a social product, while the others are not in the same sense because land in a city has a unique value since the supply is limited and it cannot be increased, and one can manufacture or open a store in almost any city of the country while a man must live within a certain distance of his work. The very presence of a factory and store creates land values.

"While it may be proper, however," the opponents of taxing land values claim, "to tax cheap land at a higher rate of taxation, or land in a new community, a person who has invested money in land whether improved or not expecting a certain net return upon his investment is entitled to such net return, and any legislation which would reduce this anticipated return is contrary to the Fourteenth Amendment in upsetting the basis upon which the contract was made, and deprives the owner of his property without compensation or due process of law and is to this extent unmoral, not to say immoral."

The fallacy underlying this argument is that government should guarantee or undertake to guarantee any fixed return, or to refrain from any legislation or action which might impair or alter conditions existing at the time of purchase of land. The same argument can be advanced against any tariff reduction, because a manufacturer of a highly protected article has invested money in his plant, which with the continuance of this tariff would yield large returns, but which might either yield a small return or entail a loss if the tariff were abolished. So too, an unnecessary improvement is often promised by an administration to a certain section of a city, and the owners of land discount its achievement and sell their land in this section at a large advance. This, however, does not constitute any valid reason why the city should make such a gift to the owners of land in any section of a city. "Whatsoever a man soweth, that shall he also reap" enunciates sound economic doctrine, frequently overlooked by get-rich-quick land schemers, whose promoters neglect the converse of this statement that no man is entitled to reap where he has not sown, nor to secure the values which others have created.

Naturally, however, a heavier taxation of land values permits the lower taxation of buildings, machinery and all property which represents industry. The owner of a factory which is an adequate or suitable improvement, will be required to pay less taxes with the proper taxation of land values, and this will properly encourage the construction of such buildings.

In his speech on the People's Budget, Mr. Lloyd-George quotes a conservative member's statement about the increases of land values, and rentals and states his justification of taxing the urban landlord as follows:

"In the parish of Plumstead land used to be let for agricultural purposes for £3 an acre. The income of an estate of 250 acres in 1845 was £750 per annum, and the capital value at twenty years' purchase was £15,000. The Arsenal came to Woolwich; with the Arsenal the necessity for 5,000 houses. And then came the harvest for the landlord. The land, the capital value of which had been £15,000, now brought an income of £4,250 per annum. The ground landlord has received £1,000,000 in ground rents already, and after twenty years hence the Woolwich estates, with all the houses upon them, will revert to the landowner's family, bringing another million, meaning altogether a swap of £15,000 for a sum of £2,000,000.

"There are many cases of a similar character which will readily occur to the memory of every hon. member who is at all acquainted with the subject. Take well-known properties in Lancashire and Cheshire in regard to which evidence was given.

"And yet, although the landlord, without any exertion of his own, is now in these cases in receipt of an income which is ten or even a hundred-fold of what he was in the habit of receiving when these properties were purely agricultural in their character, and although he is in addition to that released from the heavy financial obligations which are attached to the ownership of this land as agricultural property, he does not contribute a penny out of his income towards the local expenditure of the community which has thus made his wealth, in the words of John Stuart Mill, 'whilst he was slumbering.' Is it too much, is it unfair, is it inequitable, that Parliament should demand a special contribution from these fortunate owners towards the defence of the country and the social needs of the unfortunate in the community, whose efforts have so materially contributed to the opulence which they are enjoying?"

Mr. Fillebrown gives some typical instances of increases in assessed land values in Boston. The assessed land value of one and eight-tenths acres on Winter street, Boston, between Tremont and Washington streets was in 1898, \$5,142,600. In 1907, it was \$8,272,000 or an increase in nine years of \$3,129,400, or 57 per cent. The assessed valuation of this property of \$275 per square foot was, he states, the highest in Boston:

Heavier taxation of land values is like virtue, its own reward in permitting lower taxes on building.

Mr. Lloyd-George instances increases in land values in England.

Mr. Lloyd-George shows how the "slumbering landlord" described by Mill gets land values.

Instances of increases in land values in Boston.

"The assessed valuation of Washington Street, from Adams Square to Eliot Street, 3,495 feet, or two-thirds of a mile in length, with an area of 745,003 square feet, 17 1/10 acres, comprising 179 estates, was in 1907:

Land	\$61,135,900	\$77.00 per square foot
Buildings	10,793,200	13.50 per square foot

"This is an increase in valuation, over the year 1898, of land, \$20,438,400, or 50 per cent; of buildings, \$1,955,100, or 20 per cent. In 1899 the valuation of the buildings was 21 1/2 per cent that of the land; in 1907, only 17 1/2 per cent."

The following cases of increases in land values in Chicago show typical increments in crowded sections of that city:

Instances of increases in land values in Chicago.

	Assessed Land Values.		Increase from 1903 to 1907.	
	1903.	1907.	Amount.	Per Cent.
Marshall Field, Retail Department Store	\$4,715,200	\$6,006,025	\$1,290,825	27.37
Siegel, Cooper & Co. Department Store	2,040,000	3,145,660	1,105,660	54.21
Congress Hotel	1,297,800	2,313,780	1,015,987	78.28
Republic Office Building....	1,155,600	1,799,000	643,400	55.67
Stratford Hotel (c).....	642,575	1,656,500	1,013,925	157.78
(c) Sale 1899, \$640,000.				

Some increases in land values in Pittsburgh.

The property at No. 311 Fourth Avenue, Pittsburgh, was sold in 1884 for \$30,000, and was worth in 1908 \$400,000 an increase in about a quarter of a century of 1,333 per cent.

Similarly the site of the Schmidt Hamilton Building in Pittsburgh was worth per front foot in 1884 \$3,500, in 1908 \$15,000—an increase of 429 per cent.

Increases in land values and profits in land in New York.

The following statements have appeared recently in New York papers:

"A Lot on the east side of Tenth Avenue, between 206th and 207th streets sold in 1904 for \$1,100, and last year (1910) the same property brought \$12,600."

"Six years ago the lots sold for \$1,600 each. The present selling price is \$9,000 apiece. This is an increase of nearly 600 per cent since 1905."

"In active markets I have made for myself and my friends 500 per cent per year."

"Our profits for four years were fully 250 per cent per annum."

Large increases in land values common in American cities.

Similar percentages of increase in value of land and profits therefrom can be duplicated in nearly every American city, and while allowance should be made for inflation of land values, and "land booms," the salient fact remains that the natural increase of

population creates increased land values, and that in addition to these increases the land could if properly utilized or improved have yielded a good net return.

The *bona fide* land values of New York City for example, exclusive of expenditures by the owners or assessments by the city increase about \$800 a year for every person who has been added to the population. The mere fact that New York City like many American cities has relied upon immigration to increase its population and hence its land values does not mean that restriction on immigration would mean a cessation of the increase in land values. A lower death rate and a higher birth rate are just as potent means of increasing population, and hence land values, as immigration, and one can claim without being regarded as a sentimentalist that it is a much more humane method. Each day's labor of New York City's population including the Sunday of rest for the next week's work increases the city's land values by about \$300,000.

Certainly on no moral grounds can the right of creators of land values to participate in the values they create be denied. Hitherto they have been denied fair participation, because selfish interests have controlled legislation, and the people have not been able to enact their own convictions and wishes into law.

Mr. Allan Robinson has frankly admitted that if the proposal to make the rate of taxation on all buildings and personal property in New York City, one-half the rate of taxation on all land were submitted by referendum to the people of the city, it would be adopted at once. The sober conservative judgment of the American people is opposed to the continuation of special privilege, however granted. This judgment believes that men, women and children are entitled to the values which they produce, and that no one is entitled to anything wrested—even with legal sanction at present,—from them.

The progressive rate of taxation on inheritances for state purposes adopted by many states and the progressive income tax now under consideration for securing revenue for the Federal government are based upon the same fundamental principles of justice which underlie the demand for the taxation of land values for the relief of industry, and the termination of other special privileges. Neither the taxation of incomes derived from mines in which immigrants have lost their lives from accidents and low wages, the taking by an inheritance tax of the entire wealth derived from unsanitary tenements and underpaid workers, nor levying upon land the cost of government to protect the lives and to educate the people who

General increases of land values in New York.

There is no moral basis for objecting to heavier taxation of land values.

The sober, conservative judgment of the American people is opposed to special privilege such as undertaxed ownership of land.

Taxation is one of democracy's surest methods of restoring and securing social justice.

The Federation of Churches in New York City endorses halving the tax-rate on buildings.

give to land its value will, however, restore to life or health those who have died or lost their health through government's failure to establish and enforce safe and healthy conditions of living in the past. Nevertheless, in American cities just and economically sound taxation still is one of democracy's surest methods of restoring and securing social justice. Because the heavy taxation of land values is the soundest and most just method of taxation it is the most moral method of taxation for municipal purposes.

The Federation of Churches and Christian Organizations in New York City in advocating the halving of the tax-rate on buildings states:

"In the minds of many this bill is an application of the 'Gospel according to George.' This is only partially true, inasmuch as Henry George advocated the abolition of all taxes except taxes on land, and this bill does not do that. The Federation regards the bill as the most important piece of social legislation introduced at Albany in the last twenty-five years, not even excepting the race-track gambling measures.

"It is a bill in the interest of the proper housing of the people of New York. The Federation has proved by its publications that New York, in 1940, will have less than 10,000,000 people. That is to say, the people of New York a generation from now could be housed on its area at an average of less than 60 people per acre, whereas Manhattan Island has 166 people per acre, with districts running as high as 731 per acre, and individual blocks as high as 1,674 per acre, while Brooklyn has wards running over 300 per acre, and 31.9 per cent of the Bronx's population is housed at an average density above the average density of Manhattan. From July, 1902, to December 31, 1908, 62 per cent of the dwellings erected in the Bronx were five stories or over.

"'Tenement House Reform' as a rallying cry for housing movements in New York should give place to 'Tenement House Prevention,' and speculative landowners, who are opposing this bill, which penalizes the non-use of land, by placing a larger measure of the carrying charges of the city budget upon it, and rewards the building of homes for the people by exempting them, in 1912, 10 per cent of their value, and adding 10 per cent exemption per annum till, in 1907, 50 per cent exemption is granted, should be routed by the combined force of the churches and laboring people of New York. If the tenement many stories high is to house the people of New York of the future, every church will, in time, be compelled to become an 'institutional church.' The churches should be willing to assume this form of social service if they are compelled to, but it would be better if they should become 'restitutional churches,' and so compel the use of the livable area of New York as to restore the single, the two-family and three-family dwelling as the normal type of housing. Rapid transit should not be allowed to enrich a few land speculators, but should be so developed as to distribute the population of New York throughout its whole livable area."

CHAPTER III.

Results of Taxing Buildings at the Same Rate as Land

John Stuart Mill's dictum, "That is the best kind of government which makes it as hard as possible for a man to do wrong, and as easy as possible for him to do right," may be applied to systems of taxation and read, "That is the best system of taxation which encourages enterprise and effort, and discourages sloth, which stimulates the construction of healthy dwellings and the demolition of unsanitary ones, and which not only compels payment of taxes in proportion to ability to pay, but as well in proportion to services rendered."

The incidence of taxation is quite as important as the rate of taxation, and is worthy of the careful consideration of those interested in the administration of cities. The social activities of American cities are as yet in their inception. In nearly every large American city the expenditures for educational purposes, the extermination of tuberculosis, inspection of milk and other food, medical treatment of school children whose parents are too poor to provide such treatment for them, parks and playgrounds, etc., are constantly increasing, as we as a nation are conceiving and carrying out the duty and economy of collective municipal action.

In 1908, the one hundred and fifty-eight cities in the country having a population of 30,000 or over, out of total payments for general expenses and special service expenses amounting to \$402,633,976, expended over one-fourth, \$102,723,553 for protection of life and property, and \$40,055,559, or about one-tenth, for health conservation and sanitation; \$28,006,783 for charities, hospitals and corrections, and \$119,004,725, nearly one-third, for education. Despite these facts we have in our cities abnormal fire losses, and inadequate police protection, death rates are cruelly and criminally high, jails and reformatory institutions are disgracefully crowded, and school buildings are unsanitary, classes are too large, and teachers are grievously underpaid. The sweeping claims made as to waste which can be eliminated gave promise of material reduction in municipal expenditures, but the promise has not been achieved.

Good government makes right action profitable and wrong action unprofitable.

Taxes should be judged by their moral results.

Collective municipal social activities still in their beginnings.

Many municipal expenditures merely "lock the door after the mule is stolen."

Dominance of real estate owners in budget-voting bodies is now challenged.

Not the tax rate, but who pays the taxes, the most important question.

Robbing the sick and poor by taxation a more serious evil than a small waste of funds.

Legalized robbery through taxation must stop.

The dominant influence of real estate owners over budget-voting bodies is at least challenged, however.

Ability to "keep down the tax-rate" is no longer the criterion of efficiency. The thinking public of American cities realizes that important as are economy and efficiency in administration, adequate appropriations for social needs are equally important. Of course, the two are not incompatible, but the people of American cities while desiring strictest economy do not wish adequate provision for the city's social needs to await perfection in the organization and administration of all the city's departments. Efficiency in administration has outstripped efficiency in scope of municipal activities. The questions who pays the taxes, and whether those who do pay, are able to pay, are demanding as much attention as whether 5% or even 10% of public funds is wasted and this charge is more easily made than proven. A waste of 5% even of the city's expenditures, which should be stopped, is, nevertheless, not so serious an evil as taking \$10 to \$50 in taxes, a year, from scores of thousands of families in the city who are not able to pay even a dollar toward the expenses of the city. A certain sum of money is required in every city to enable a family, even making allowance for the personal equation, to maintain a standard of living essential to national efficiency. The lower a family's income is below this minimum of national efficiency, the more heinous the city's offense in extorting from them by unjust systems of taxation even a dollar for expenses, and the more costly the later atonement the city must make for such a policy.

In times of war, deprivation of the necessities of life may be condoned, but the legalized robbery through taxation sanctioned in American cities to-day by inert or unthinking public opinion is unparalleled since the days of the Duke of Alva in the Netherlands. We rob widows, consumptives, and children because we do not tax land values adequately. We fetter industry and condone low wages because the owner of ground rent—the landowner—is permitted to tax the industrious users of land.

Before examining in detail the economic, fiscal and social aspects of taxing land values, we may profitably study the incidence of present methods of taxation in American cities.

Of the total receipts in 1908 of \$479,834,806 from general revenues in the one hundred and fifty-eight cities in the country having a population of over 30,000, \$393,940,142 was derived from taxes. Of this amount \$377,340,940 was the original levy upon general property, and \$2,643,309 penalties upon such property, while

\$12,686,929 was derived from special property and business taxes, and \$1,268,904 from poll taxes, \$50,435,297 was derived from licenses and permits, \$3,893,719 from fines and forfeits and \$31,545,785 from subventions, grants and gifts from other civil divisions—such as school funds from the state—and from private individuals.

In other words nearly three-quarters of the total revenue of these one hundred and fifty-eight cities was derived from a general property tax. The tax on land values was the only tax that usually cannot be shifted. Over \$63,000,000, about one-eighth, was secured from taxes on special property and business licenses and permits including \$40,716,637 from liquor licenses and taxes.

Unfortunately a few cities only of the total one hundred and fifty-eight separate land and improvement values in their assessments, so that it is impossible to state accurately the levy on each. This is not so important, however, as to see the effect upon individual renters which the taxation of land and buildings at the same rate would produce.

The Federal Census for 1900 gives the percentage of families tenants in some important cities as follows: Baltimore, 73.9; Boston, 81.6; Buffalo, 60.0; Chicago, 71.3; Cincinnati, 80.8; Cleveland, 60.9; Columbus, 67.3; Detroit, 58.3; Fall River, 82.9; Jersey City, 81.2; Kansas City, 76.9; Los Angeles, 60.0; Milwaukee, 57.9; Newark, 78.0; New Haven, 73.3; Manhattan and the Bronx, 93.7; Brooklyn, 81.4; Omaha, 74.1; Paterson, 76.0; Philadelphia, 77.2; Pittsburgh, 72.1; Providence, 79.3; St. Louis, 79.5; San Francisco, 78.5; Washington, D. C., 74.8; Worcester, 73.7.

The basis of assessment in different cities also varies materially from 33 1/3% of full value in Chicago to nearly 100% in New York—the rate of taxation differing naturally similarly, but the effect in every city of taxing the industry represented by a house or tenement at the same rate as the ground values created largely by the community and by municipal improvements so that the taxes on buildings may be shifted to the tenant and enrich the owner of the ground rent—the landowner—is shown in the following illustration.

The taxes on a house assessed for \$3,000 with a tax-rate of \$2.00 amounts to \$60.00. This tax must be paid by the tenant of the building as part of his rent. The taxes on an apartment assessed for \$1,250 at the same tax-rate amounts to \$25.00. It is evident that to secure funds for a city's necessary expenditures by an equal rate of taxation on land and buildings means that an appreciable

About three-quarters of revenue of cities with over 30,000 population derived from general property tax, a large proportion of this levied on buildings.

Results upon individuals of taxing buildings at same rate as land.

American cities' population largely tenants.

High taxes on buildings means high rents.

amount is extorted from families, whether they are able to pay or not.

Taxing buildings lowers the standard of living and creates paupers.

The consumptive under such a system of taxation who returns from an effort to cure this dread disease, the widow working for a pittance to keep her family together, the unskilled worker who is striving to maintain his family and bring them up to efficient citizenship, all must pay their quota of taxes in their rent, although it means lessening the consumptive's chance to regain health, hastens the day when the widow must abandon the struggle to keep her family together and reduces the vitality of the workingman and his family.

New York City extorts taxes from scores of thousands of consumptives' families and widows.

Illustrations from New York City where rents are so cruelly high will sufficiently demonstrate the validity of this statement. There are 40,000 known consumptives in New York City, and probably at least 10,000 more whose location is unknown, while 28,000 new cases of consumption are developed every year and 10,000 people a year go to consumptives' graves. Approximately 4,000 widows are supported, or to be accurate, helped, though not always adequately supported, by private charities of New York City. Some 23,000 children are supported in institutions by the city's appropriations; many whose mothers yearn to care for them, but who can't afford to pay taxes and rent under our present system of taxing land and buildings at the same rate, and in addition to buy food and clothing, while private charities also are unable to keep the homes of all competent widowed mothers intact, and the city does not give public outdoor relief.

The New York State Commission on Employers' Liability, Unemployment and Lack of Farm Labor accept the report of a committee on the standard of living of the New York State Conference of Charities and Correction in 1907 in which they express their belief that with an income of between \$700 and \$800 a family can barely support itself, provided that it is subject to no extraordinary expenditures by reason of sickness, death or other untoward circumstances. The Commission remarks, "If unemployment so vitally affects the well-being of the skilled workman and his family, its disastrous consequences in the household of the unskilled workman can be left to the imagination. His income if employed six days every week in the year cannot reach \$550.00, already \$150.00 below the standard."

In point of fact there are relatively few even highly skilled operatives in New York City who get over \$800.00 a year, and

Taxing buildings robs families with incomes below the required standard of living.

\$500.00 to \$700.00 is the usual income of an unskilled worker in the city with the exception of city employees.

Social workers and advocates of larger municipal expenditures may well hesitate under the present system of taxation to urge larger expenditures by the city, since it means taking with one mailed left hand from all the poor of the city to give to a few poor with the pseudo-charitable right. For more than one reason a city's right hand doesn't want to let its left hand know what it is doing in "charity" under present systems of taxation. This is a qualitative and not merely a quantitative injustice. It is not a question of whether there are 10,000 consumptives in Chicago, or 50,000, 20,000 or 30,000 families in Philadelphia who receive at least \$100.00 less a year than they need to attain and maintain efficient manhood and womanhood and productivity. In every one of the one hundred and fifty-eight cities to whose receipts and expenditures reference has been made, there are many consumptives, many widows and many, too many, families below an honest line of dependence, and trying to exist on deficits. Nor will any informed citizen in any city of over 8,000 population in the United States, except those charming suburban places to which the wealthy retire to get away from the results of present economic conditions, claim that there is no irremediable poverty in his city. Of course, the income required to maintain a reasonable standard of living is less in most cities than in New York, but the salient fact remains that every increase of 10c in the tax-rate per \$100.00 of assessed value means that the tenant of a tenement house apartment, assessed for \$1,250 will pay \$1.25 more taxes, the owner of a building assessed for \$2,000 struggling to make both ends meet will pay \$2.00 a year more taxes on his building, while a general tax-rate of \$2.00 per \$100.00 of assessed value means that the tenant of such an apartment must pay \$25.00 in taxes in addition to a net profit to the landowner—\$25.00 taken from a deficit of \$100.00 to \$200.00 a year, however, is an injustice which no city should inflict upon its citizens.

A further economic result of taxing buildings at the same rate as land has been referred to in the findings of the New York City Commission on Congestion of Population—that owners of vacant land are thereby encouraged to hold land out of use to secure the increase in values and to discourage the construction of buildings since the owner is penalized in heavier taxes for constructing new buildings or replacing old and unsanitary buildings with new and healthy ones. This subject is more fully dealt with in the chapter on "Taxation of Land Values and Housing Reform."

Larger municipal budgets, if buildings are taxed, means more families below the standard of national efficiency.

The injustice of taxing buildings does not depend upon the number of consumptives, widows and families below the line of dependence.

No city can justly take taxes out of a deficit, in time of peace.

Is the landowner entitled to more than 2% ground rent, the interest paid on Postal Savings Bank accounts?

Taxing buildings at the same rate as land cripples industry and tends to reduce wages.

Taxing buildings at the same rate as land puts a premium on firetraps.

Under the present general system of taxing land and buildings at the same rate, the owner of ground rents feels entitled to and attempts to secure 5% to 6% net return on investment in the land and buildings alike. This tends to keep up rents since it is to the advantage of the owners of lightly taxed land to postpone adequate improvements thereof for as long a time as possible so as to get scarcity value rents, and to secure the maximum share of increasing ground rents. This applies, of course, to land which should be improved for business, manufacturing and commercial as well as residence and tenement purposes. The inevitable result is high rents, and a tendency to overcrowd all buildings and not to provide proper standards of sunlight, space and ventilation. Continuing the illustration we have used of an apartment assessed for \$1,250.00 with a proportionate site value of \$750.00, we find that a net return of 6% on such property above interest, depreciation, vacancy charges, etc., and taxes means a ground rental of \$45.00 and a profit on the tenement apartment of \$75.00 or a total net profit of \$120.00. If, however, we are agreed that, say 2% on the land value, *i. e.*, 2% ground rent, is all that the owner of ground rent is really entitled to, then \$30.00 a year of ground rental is extorted from the tenant of such property, an appreciable sum for a man with an income of \$500 a year, or less.*

Six per cent net return on a factory building assessed for \$80,000, on land assessed for \$30,000—a total of \$110,000—is \$6,600 of which \$1,800.00 is ground rent. If, as in the former instance, the owner of the land is in fact entitled to only 2 per cent net return, *i. e.*, 2 per cent ground rent, then \$1,200.00 is extorted from the manufacturer in ground rent by the landowner. This sum distributed in increased wages to two hundred employees would afford an appreciable increase of wages amounting to from 1 per cent to 2 per cent of the total wages paid many employees in factories. Permitting the landowner, however, to secure the additional ground rent puts a heavy burden upon the manufacturer.

The equal tax-rate upon land and buildings is a serious handicap to the provision of fire protection. The tragedy of the recent factory fires in Newark and in New York City has shown the necessity of better construction of factory buildings, and the making

*This concrete illustration is arrived at by following the incidence of a single apartment, using the proportion of the assessed value of a tenement accommodating twenty families assessed for \$25,000.00, on a site assessed for \$15,000.00. The same principles and ratio apply to the manufacturer in every American city.

over of many buildings to safeguard the lives of those employed therein.

The National Board of Fire Underwriters report that from 1866 to 1908 inclusive the cost of conflagrations in the United States has totalled the sum of \$936,551,135—nearly twice the total municipal expenditures in 1908 of the one hundred and fifty-eight cities in the country which in that year had a population of 30,000 or over. By conflagration is meant all fires involving a loss of half a million dollars and over.

The "American Year Book" states, "The direct and indirect losses from fire in the United States during 1907 approximated \$450,000,000 or one-half the cost of construction. Of this loss four-fifths or an average of \$1,000,000 per day could be prevented, as shown by comparison with the standards of fire construction and fire losses in the larger European countries." The provision of fire towers costing \$5,000, in a factory, with a \$2.00 tax-rate on buildings would mean penalizing the owner with \$100.00 additional taxes a year.

A firm leasing factories and lofts in the manufacturing centers of Manhattan states, "The average square-foot rate for manufacturing space in non-fireproof buildings in this section is twenty-five cents, in fireproof buildings forty cents."

Obviously the owner of such a building gets about the same net return upon his property when fully occupied, whether it be fireproof or firetrap. The firetrap building may be worth and assessed for \$5,000 or \$6,000, while a new building with the same rentable area might command higher rents, but the cost would be in the neighborhood of \$20,000 or at least three times as much. On an increased assessment of only \$12,000, however, the increased tax at a rate of \$2.00 per \$100.00 of assessed valuation would be \$240.00 or 1 per cent on a total investment of \$24,000.

It should be noted too that while the owner of the building might have to pay higher insurance in the old high fire-hazard building, that the city also has to pay more for fire protection and fire fighting where there are any considerable number of such high fire-hazard buildings, and this cost is reflected in the higher tax-rate, and proportionately shifted to the rent burdens of the poor.

The entire cost of maintaining the Fire Department of New York City is about \$1.72 per capita of population, as compared with a cost in Cologne and suburbs of \$.25; Berlin, \$.26; London, \$.19; St. Petersburg, \$.22; Paris, \$.21; Budapest, \$.08. It is of course true that New York City has an extremely efficient Fire

Is it worth while discouraging fire protection?

Should a manufacturer be penalized for providing fire protection?

Discouraging fireproof buildings by

taxation, means more expensive fire departments.

Department, but it is equally patent that no such large expenditure would be required, were there not such widespread serious conflagration hazards.

Taxing buildings injures both employers and workers.

Even though the owner of the factory pay immediately, too, the increased insurance rates he will to the best of his ability shift this increased cost on the consumer of his goods or attempt to take it out of his employees, since no manufacturer except under duress pays for waste, or leakage in the cost of production. In any event these extra costs may be partially laid to the system of penalizing by heavy taxation the man who safeguards his employees, without exonerating officials who permit the continuance of dangerous fire-hazards. No justification can be found in morality, only in law, for punishing or fining a man for doing right. Taxing buildings,—which means the exemption of land values from adequate taxation—injures both employers and workers. Each class to-day as during past centuries is striving to secure the full values of what each class produces. Both classes are despoiled of the values they create by the legal but unmoral extortion of ground rents by landowners. On this point they are agreed, and the most thoughtful members of both classes realize that before they can distribute equitably the values of their joint products, the confiscation of ground rents must be terminated by reducing or abolishing taxation of buildings and other forms of industry.

CHAPTER IV.

Alleged Objections to Heavier Taxation of Land Values.

Aside from the general objection to taxing land values at a higher rate than buildings, that it is "confiscation of property rights and immoral" which is dealt with fully in the chapter on "The Moral Sanction for Taxing Land Values Heavily," several alleged objections are raised which deserve careful consideration. The most important objection presented is that it "will create a panic in real estate and prevent the construction of new buildings because money will not be loaned under such conditions, and mortgages will be called."

Refutation of the claim that heavier taxation of land values will create a real estate panic and prevent loans for constructing new buildings.

The most direct and convincing answer to this claim is the experience of Vancouver, British Columbia. The marvelous success from a financial point of view of the so-called "single tax" experiment in Vancouver is described by Mr. Luther S. Dickey in the "Single Tax Review" for May-June, 1911. It should be noted, however, that even Vancouver has not tried out-and-out "single tax," that is it has not abolished all other sources of municipal revenue since during the year ending March 31st, 1911, there was levied from the city:

Vancouver exempts buildings from taxation, but has not a real estate panic.

Personal Property	\$63,375.08
Income Tax	56,876.11
Revenue Poll Tax.....	56,055.00
Total	\$176,306.19

Brief reference must be made also to the system of taxation in Vancouver as reported by the Mayor, L. D. Taylor, in 1910:

Mayor Taylor's explanation of the working of taxing land values in Vancouver.

"The taxing of the 'unearned increment,' a term used to express the increase in land values uninfluenced by the effort of the owner, is no longer an experiment in Vancouver. Fifteen years ago the city government concluded to encourage building by reducing the improvement tax fifty per cent. The effect was immediate. Huge buildings at once began to rise up where shacks had stood.

"In 1906, as a result of the success of the first experiment, an additional decrease of twenty-five per cent was made in the improvement tax. At once building operations showed another startling increase—an increase that when compared with the increases shown in the statistics of other cities was wholly out of proportion to the increase of population.

	Number.	Value.	Population.
1906.....	1,006	\$4,308,410	52,000
1907.....	1,773	5,632,744	60,100
1908.....	1,697	5,950,893	66,500
1909.....	2,054	7,258,565	78,900
1910.....	2,260	13,150,365	93,700

Fairness compels the admission, however, that there seems to be a defect in the operation of the tax, because too low a tax-rate is levied, only 22 mills on the dollar.

The Editor of *The Single Tax Review*, commenting on this, says:

"This must be accepted as a statement of fact, and not as favoring the taking of no more than 22 mills on the dollar. It is no part of the Single Tax to favor landowners as landowners. But because 99% of landowners have interests as builders, capitalists or laborers, their gain from the application of the Single Tax principle must be quite as great as that coming to other members of the community. If this tax of 22 mills on the dollar leaves the same amount of economic rent or site value in the hands of the landowners as before, or if—as now seems the case in Vancouver—the impetus to property caused by the removal of the tax on buildings has been to actually increase economic rent or site value remaining to landowners, there is even greater necessity of keeping on in the way the city has begun, and taking gradually an ever increasing proportion of land values until the full amount is absorbed for public purposes. Otherwise Vancouver faces the inevitable interruption that comes to the prosperity of every 'boom town' whose history is a matter of record."

The remedy for the failure to secure a larger share of the ground rent is obvious. The city should, instead of passing on to future generations the cost of providing public improvements such as streets, sewers, transit, schools, parks, etc., pay its way as it goes along. The result of the policy the fathers and grandfathers of the present citizens adopted of bequeathing to us the payment for improvements they should have met, is shown in the enormous debt charges which burden American cities.

The Report of the Corporation of Vancouver for 1910 states that the value of the real property of the city at the end of that year was \$98,777,785, while the outstanding General Debentures and Stock of the City amounted to \$12,808,265.95, or approximately 12 per cent of the total valuation of real estate, *i. e.*, exclusive of improvements which are exempt from taxation. About \$10,250,000 of this municipal indebtedness bears interest of from 4 per cent to 6 per cent, and over half was issued for terms of nearly forty years, while the interest charges of the city were in 1910, \$279,861.16,

Criticism of the low tax-rate on land in Vancouver.

The obvious remedy for the low tax-rate in Vancouver is a higher tax-rate.

Vancouver should pay its bills currently instead of borrowing money for postponed payment.

exclusive of the lumped sum for "Interest and Sinking Fund" for Schools and Waterworks, aggregating \$178,514.96, and the Sinking Fund (Debentures other than water and school) amounting to \$118,091.38.

In other words, the total "debt service" of Vancouver was in 1910, \$575,476.50 out of a total budget of \$1,942,227.26, *i. e.*, about 30 per cent. It is partly due to such reasons that land speculation still continues as indicated by figures which Mr. Dickey gives in the magazine referred to above:

"Two lots on which were two modest buildings were mortgaged in 1904 for \$1,600. In 1910 the property was sold for \$55,000. In 1911 the assessed value of these lots is \$22,500, but they are on the market for \$75,000. Three vacant lots were sold in August, 1909, for \$75,000; in April, 1910, for \$115,000. They are assessed in 1911 at \$63,125.

"Another lot was purchased in 1907 for \$1,100. The owner has refused \$10,000 for it and is holding it at \$15,000. It is assessed for 1911 at \$3,000."

Mayor Taylor frankly recognizes the necessity of securing by taxation more of the ground rent. He has told the writer personally that he expects to bring this about as soon as possible, that is just as fast as public sentiment will permit. The first step, he says, will be to raise assessed values from 65 per cent, as at present, to 100 per cent, that is to full valuation; and the next to increase the tax-rate slowly but to a much higher one than the present,—even at full valuation.

In January, 1911, all buildings in Vancouver were restricted in height to 120 feet, but not to exceed ten stories at the maximum while Mayor Taylor believes that no tenements should be over four stories high at most and that the practical ideal for the wage-earners in cities on this continent is detached dwellings with gardens and yards. The attainment of this practical ideal, too, he states, will be helped by heavy taxation of land values, but involves also definite restrictions on the use of land.

It is significant, too, that the leaders of the organizations which have done most in this country to promote the construction of good homes to be owned by wage-earners, the Savings and Loan Associations heartily favor the reduction of the tax-rate on buildings. Commenting on the criticism of the bill before the New York State Legislature to reduce the rate of taxation on buildings to one-half the tax-rate on land, Mr. Walter L. Durack, Chairman of the Executive Committee of the Metropolitan League of Savings and Loan Associations, says:

Many sites in Vancouver are under-assessed.

Mayor Taylor believes that the tax-rate on land in Vancouver should be raised.

And that restrictions on the use of land are also necessary.

New York Savings and Loan Associations favor halving the tax-rate on buildings.

Loaner of millions on buildings, says halving the tax-rate on buildings will help real estate.

"I have paid taxes for twenty-five years on vacant and improved land, and have never lost anything by reason of the assessment. Some years I have paid as high as \$1,000 in taxes. The halving of the tax-rate on buildings will be a benefit to real estate as a whole in New York City.

"I have loaned several millions on such property, and am sure that halving the tax-rate on buildings will not in any way interfere with loaning money for all legitimate purposes, whether on buildings or on vacant land."

Mr. Charles O'C. Hennessy, President of the Franklin Society for Home Building and Savings, says:

"So many misleading statements have been made as to the result of making the rate of taxation on buildings one-half the rate of taxation on land, as provided in the Sullivan-Shortt bills, by five equal reductions in as many consecutive years, that I wish to express my judgment on the matter, reached through twenty-five years of experience in the business of placing loans, as an officer of a savings and loan association. During this quarter of a century I have placed many millions of dollars in loans on buildings.

"Even admitting that there would be a slight reduction in the value of land, this will be only a small portion of the increase in the value of new buildings. A difference is made in the rate of taxation, not in the assessments.

"The other claim that mortgages would be called in upon a large scale is also disproven by the past experience of the city. The average increase in the rate of taxation on both land and improvements in most of the boroughs of the city during the past three years has been as great as the increase that would be involved in halving the tax-rate on buildings and no panic has resulted. An increase of .09 per \$100.00 on assessed value of a tenement, assessed for \$30,000, on a lot assessed for \$10,000, is \$36.00. With the halving of the tax-rate on buildings, however, while the increase in the tax-rate on land will amount to about \$9.00 this year, the decrease in the tax on buildings is about \$39.00 a year, showing a net saving of \$30.00 a year, or by the time the full half tax-rate on buildings is in force, of about \$150.00. Even when this rate is in operation, however, the tax-rate on land will be only about \$2.20 per \$100.00 of assessed value. A building in moderately good order is usually assessed for from two to three times the assessment on the land, and the larger earning capacity of the buildings through reduced taxes would encourage the lender of money to let his loan remain on the property. To call this legislation 'confiscatory' in an economic sense is illogical, since a tax of even \$3.00 on land, or about half as much again as would be required, would leave a margin of 5 per cent to 6 per cent profit. If the tax were \$2.20 per \$100.00 value on both land and buildings, the Allied Real Estate Interests would probably not call it 'confiscatory,' but it is the distinction in rate of taxation on land and buildings which seems to perturb them needlessly. Mr. Robinson continues: 'Legislation which is confiscatory in character as this is would drive such investors out of the mortgage markets. As a result of this driving out

President of a Savings and Loan Association says halving of tax-rate on buildings will encourage the loaning of money on buildings.

of investment funds, there would be an inability to replace the mortgages so called, and a panic in real estate price would ensue.' As has been shown, loans on improved land would not be withdrawn, since they are safer with a better return. The only real estate upon which there is the remotest possibility of any such effect as Mr. Robinson predicts is vacant and underimproved land. The effect of such a tax upon this vacant land will be to compel the owner to improve it, and this is just what it is intended for. Money is not lent, however, upon vacant land, and so the slightly higher tax upon land will not affect the present loans to any material extent. The cheaper the land, the more inducement there is to the owner to improve it adequately, which is stimulated by the lower tax-rate on buildings. It is evident that the exact reverse of the calamity the Allied Real Estate Interests predicts would follow the enactment of this bill, would actually occur, and that there would be a marked stimulus to the construction of much needed tenements and homes and factories to relieve the fearful overcrowding of rooms in tenements such as the Congestion Commission reports, and the overcrowding of factories such as was an important cause of the recent disaster in the Triangle Shirt Waist Factory in the Asch Building.*

And that, instead of a calamity, as claimed by real estate interests, this will benefit tenants.

Mr. John Moody, editor of *Moody's Manual* and *Moody's Magazine*, states:

John Moody says halving the tax-rate on buildings is the most just piece of legislation proposed for a long time, and that most tenement-house legislation increases congestion.

"I am unhesitatingly endorsing the Sullivan-Shortt bill for gradually reducing the rate of taxation on buildings and concentrating it on land values, for the reason that it appears to be, by every analysis, the sanest and most just piece of legislation proposed in many a long day.

"Every so often a lot of comfortable and well-meaning people (many hailing from Wall Street, where I come from) suddenly awake to the fact that the housing conditions in this great city are deplorable and that the congestion of population 'is most alarming.' Committees are appointed, campaigns are waged, public parks in the congested districts are advocated, model tenements are proposed, and then, after all these things are done, everybody is surprised to find that rents have mounted still further, and the congestion is greater than ever.

"But here at last we have a bill which goes to the root of the situation. No one will dispute me when I say that I know something about the meaning of speculation. An experience of over twenty-five years in Wall Street, where the whole atmosphere is charged with speculation, has taught me to do a little thinking now and then. And I know what I am talking about when I say that nearly everything in Wall Street of a really speculative nature is capitalized land value. I have for years seen this land value grow, in the shape of stocks and bonds, until to-day we have about eighty billions of dollars' worth of corporate stock in this country, of which more than half—the speculative half—is based on land values purely.

"What are these land values? Are they capital? Capital is simply stered-up labor, and labor is the one thing which produces wealth. This production of wealth is not a bad thing; it is a good thing. It is the

*Note.—At a fire in this building, 143 girls lost their lives owing to inadequate fire exits and fire protection.

Mr. Astor objects to taxing land values because it would reduce his rents.

cornerstone of our entire civilization, and why the people should be so anxious to tax it is something I never could understand. Of course I understand why landowners wish to tax it. Something must be taxed, and Mr. Astor, who owns both lands and improvements, knows that as long as labor keeps busy feeding and clothing itself in New York City, his lands will grow in value without any effort on his part, and he will be able to increase his rents in direct proportion to the increase in the value of his lands. So why should he wish, through land value taxation, to disturb his present satisfactory position?

"Some one has said that to take taxes off improvements and put them on land values would be confiscatory. Confiscation is a great word, especially in Wall Street. If taxing land values is confiscation, why is not the reduction of the tariff also confiscation? To abolish the tariff on steel would impoverish a whole lot of people who have invested in Steel Trust stock at fancy prices, just as to tax the full speculative value of land would impoverish many speculators who are working land booms at the present moment. But on the other hand, abolishing the tariff on steel products would give us cheaper steel, just as the lightening of the tax on buildings would give us lower rents and tend to relieve congestion.

Mr. Moody says taxation of land values tends to prevent panics.

"I know something about panics and their causes, and I do not hesitate to come out flat-footed and say that this is just the character of legislation which will tend to prevent panics, as well as relieve congestion."

2. "Adequate transit lines alone, will prevent speculation in land without the taxation of land values."

Transit lines alone without heavy taxation of land values, encourage land speculation.

If there is any subject upon which real estate owners, especially owners of vacant land, have mesmerized the public in American cities it is rapid transit. It is perfectly true that enough transit into cheap land, that is, lines which bring land cheap at the time they are projected into the market by reducing the time from such lands to the business and manufacturing centers of a city might have some effect—temporarily only—in reducing the price of land. Just the reverse is the object of the owners of the vacant land who hound municipal authorities to run transit lines out into their vacant land. Wood, Harmon & Co., a prominent real estate operating company recently advertised in several New York papers—apropos of the proposed extension of transit lines into Brooklyn where they own or control 20,000 lots, assessed for about \$15,000,000—that they would guarantee the same increase in value of some of their lots with the proposed transit, as had occurred in the Borough of the Bronx where lots worth a few hundred dollars were increased in value to four or five thousand dollars with the provision of rapid transit.

One touch of cupidity makes the whole landowning fraternity akin, and every real estate owner throughout the country is striving to secure the same special privilege of getting free transit to his land, to increase its value and his resulting profits, and not primarily to keep his land cheap for the healthy dwellings of wage-earners and other workers. While self-preservation may be the first law of nature, to get rich at other people's expense is the second.

Another point also deserves consideration, the fact that money invested in transit is costing the city not only sinking fund charges, but interest as well. Some transit companies in New York have now reached the height of dependence in asking that the city shall guarantee them net profits equal to those at least of an ordinary industrial company. On the other hand, charitable experts like Mr. Cyrus L. Sulzberger, for many years President of the United Hebrew Charities in New York, have suggested that transit in that city of such high land values and exorbitant rents should be as free as walking in the streets. Naturally the land speculator cheerfully pronounces his benediction upon both suggestions because he makes money from the passengers coming and going under both propositions. The "forgotten man" in the case is the millions of sweated tenement dwellers who under our present system of taxing land and buildings at the same rate pay the "guarantee" on the cost of superfluous transit and "free" passage for the few people with short hours of work, who could take legalized joy rides at the taxpayers' expense out to the cheap lands whose values rise—but are taken by the landowner—at just about the same rate as the tax-rate of the poorest citizens who are left behind in crowded sections of the city.

Free transit and guaranteed profits to transit companies are merely levies on tenants to increase the profits of landowners.

One of the traffic experts of the Brooklyn Rapid Transit Company told the writer that that company in response to the demand from citizens has planned lines far out from the center of Manhattan which would not be needed for many years, at a total cost of at least \$12,000,000. Now 4 per cent interest and 2 per cent sinking fund charges will mean a cost of \$720,000 a year on this one investment, to be sure not a large sum for a city which refuses to think, in terms of less than millions, but nevertheless a preventable waste, when there are scores of thousands of vacant or underimproved lots within a short distance of the city's centers which would be made available for business and tenement use by taxing them a little higher and taking taxes off buildings.

A case in point on transit lines through unused land to farm land.

Superfluous transit is a waste in the cost of production which can be largely eliminated by taxation of land values which will bring available land into the market.

Cheaper to tax land than to build transit lines.

Unused transit facilities should be availed of before new lines are constructed.

Removal of factories from city's centers will distribute population, but will not keep land cheap.

The old plea of unconstitutionality.

The unused capacity of existing transit facilities in every American city should be availed of before more transit at the cost of the citizens at least is suggested. The situation may be further illustrated by the growing tendency in American cities to decentralize industries. Naturally this involves the construction of lines to carry freight, or the expense of trucking and draying. There are comparatively few cities in the country in which the municipality constructs or owns such lines (San Francisco, Los Angeles, and New Orleans being exceptions), but this is a much more economical method of distributing population since, as Adam Smith remarked, man is the most difficult luggage to move. Where freight belt lines, as in Chicago and as contemplated in New York City, are constructed, however, by private initiative the need of taxing land values to keep the land thereby made accessible, available cheap, is more patent, although actually the need is practically the same whether freight or transit lines are provided.

3. "The taxation of buildings and personalty at a higher rate than land is not constitutional since it deprives people of their property without due process of law and discriminates against one form of property in favor of another."

In the first place it is impossible to foresee what laws will be declared constitutional and what unconstitutional. The views of state courts on confiscation of property differ widely. It is apparent, however, that if any state legislature enact a law differentiating between classes of property which it creates, this cannot be held to be "without due process of law." The American people in their effort to secure for themselves the right of self-government, of which court decisions have to a certain extent deprived them, are in pretty general agreement with Abraham's Lincoln's statement that if the policy of the government upon vital questions affecting the whole people were to be irrevocably fixed by decisions of the Supreme Court, the people would have ceased to be their own rulers. In point of fact the Supreme Court has seldom declared unconstitutional any act to protect the public health passed by a state legislature, and the taxation of land values has been pretty definitely shown to be an important health measure.

A case recently before the United States Supreme Court on which they delivered an opinion April 4th, 1910, upheld the right of a state to differentiate in taxing (Southwestern Oil Co. vs. Texas 217 U. S. 11,430 Supreme Court 496, affirming 100 Texas 647). A Texas statute imposed a 2 per cent tax upon gross receipts from any or all oils, etc., sold at wholesale in the state and a tax amount-

ing to 2 per cent of the cash market value sold or handled or disposed of in any manner in the state. This was upheld by the state court but appeal taken to the United States Supreme Court which affirmed the state court in the following opinion:

"The Fourteenth Amendment was not intended to cripple the taxing power of the states, or to impose upon them any iron rule of taxation.

"This court will not speculate as to the motive of a state in adopting taxing laws, but assumes—the statute neither upon its face nor by necessary operation suggesting a contrary assumption—that it was adopted in good faith.

"Except as restricted by its own or the Federal Constitution, a state may prescribe any system of taxation it deems best, and it may, without violating the Fourteenth Amendment, classify occupations imposing a tax on some and not on others, so long as it treats equally all in the same class.

"An occupation tax on all wholesale dealers in certain specified articles, does not on its face deprive wholesale dealers in those articles of their property without due process of law or deny them the equal protection of the law, because a similar tax is not imposed upon wholesale dealers in other articles, and so held as to the Kennedy Act of Texas in 1905, levying an occupation tax on wholesale dealers in coal and mineral oils.

"A federal court cannot interfere with the enforcement of a state statute, merely because it disapproves of the terms of the act, questions the wisdom of its enactment, or is not sure as to the precise reasons inducing the state to enact it."

A further point has been raised that by taxing buildings at a different rate from that imposed on land a legislature is really creating a new kind of property since the term "realty" as generally used includes both land and buildings.

A legislature would not be creating any new kind of property, however, since there is a clear, vital and permanent distinction between buildings and land, but would be merely recognizing that distinction. A legislature would appear, however, from the following decisions of the New York State Court of Appeals to have authority to create such different classes of property.

The power of the legislature in matters of taxation is broader than in almost any other field.

In the case of Janet vs. City of Brooklyn, 99 N. Y. 300, the Court of Appeals said:

"The power of taxation being legislative, all the incidents are within the control of the legislature. The purposes for which a tax should be levied; the extent of taxation; the apportionment of the tax; upon what property or class of persons the tax shall operate; whether the tax

The United States Supreme Court has affirmed that the Fourteenth Amendment "was not intended to cripple the taxing power of the states."

And that a federal court cannot wantonly interfere with state statutes on questions of judgment.

Powers of state legislatures in matters of taxation are very broad.

shall be general or limited to a particular locality, and in the latter case, the fixing of a district of assessment; the method of collection, and whether the tax shall be a charge upon both person and property, or only on the land, are matters within the discretion of the legislature, and in respect to which this determination is final."

Discrimination between different classes of property is recognized in state laws.

Discrimination between different classes of property or different kinds of transactions is generally recognized in our present tax law. Thus in New York, transfers of stock are taxed, but not transfers of general merchandise, inheritances are taxed at various rates according to the value of the property affected and the relationship of the beneficiary to the deceased owner. Mortgages are taxed differently from other personal property, and this mortgage tax law was upheld by the Court of Appeals in a strong decision in the Case of People vs. Ronner, reported in 185 N. Y., page 285. Similar differentiations exist in the tax laws of other states.

Relatively little fear need be felt as to the constitutionality of the proposed measure, although it might perhaps be held by courts that any sudden change, as the sudden abolition of all other forms of taxation and the concentration of all the cost of government on land values, would be confiscation, because upsetting the basis of business transactions without giving any time for adjustment.

4. "Other sources of wealth are as much 'unearned' as the increment of land values."

Prof. E. R. A. Seligman, discussing the "single tax" in his "Principles of Taxation" urges strongly the injustice of taxing only land values and exempting large fortunes made in speculation on stock markets, etc., from heavier taxation. So, too, the fortunes acquired through patent rights and copyrights, it has been claimed, should be taxed more heavily as well as land values. With these contentions the writer is in complete agreement, so long as and to the extent that such sources of wealth are as unearned as is a large part of the increment of land values. It must be remembered, however, that the taxation of land values in cities is urged for municipal revenue alone and not for state or national government. Proper sources of revenue for national, state and municipal purposes should not be confused any more than should political issues in these three political districts.

The total appropriations by Congress for 1911 amount to \$1,027,900,623. While the total Public Debt of the United States bearing interest is only \$913,317,490, the debt not bearing interest is \$381,497,583, and manifestly the disadvantages of a large debt justify the finding of new sources of revenue for the federal government.

Heavy taxation of land values is urged only for municipal purposes, other unearned incomes should be taxed for state and federal purposes.

Diminishing returns from the tariff will make this an urgent problem, despite any economies that may be made in federal expenditures. Arguments which might pertinently be brought against a single tax upon land for the support of all government in the country, federal, state, county, municipal, etc., have no weight in considering the propriety of taxing land values more heavily for municipal purposes. Prof. Seligman himself in his argument before the Committee on Taxation of the New York City Commission on Congestion of Population seemed to favor a land increment tax, for he stated:

"I do believe that if you were to have such a system as the tax on the unearned increment, secure a large revenue from that, and with that revenue institute certain proceedings which would make the suburbs far more attractive to the citizen, you would directly or perhaps indirectly accomplish great results. For instance, in some of the German towns they utilize for the cities large sums secured in the main from their insurance funds and the unearned increment tax, for the building of model tenement houses, for the improvement of the suburban section and for the development of transportation facilities. Those, it seems to me, are the important points to be considered. How can you make it possible for people now living in the slums to live in places where land values are much less and at the same time attend to their ordinary vocations in life?"

Mr. Chairman: "Was the raising or the expenditure of the money to have the effect you speak of?"

"The expenditure would not have been made but for the increased revenues which were designed to afford the means for this increased expenditure. The tax on the unearned increment in the German cities has been too recent and too slight to warrant any conclusion, but it is expected, and on general principles it would be expected, that a tax on unearned increment would of course prevent the appreciation to that extent of the value of land and would therefore prevent any further congestion."

With reference to a lower rate of taxation on buildings than on land, Prof. Seligman said:

"Of course anything that would tend to decrease the capitalized value of the land would tend so far, at all events, to reduce congestion. If you could arrange the system of taxation in a way that is not possible under present constitutional methods, i. e., if you divide the city up into districts and put different rates upon different districts, then you could to that extent diminish the value of real estate of some districts and of course increase it in others."

Mr. A. C. Pleydell, Secretary of the International Conference on State and Local Taxation and the New York Tax Reform Association, says:

Prof. E. R. A. Seligman endorses land increment tax to make suburbs attractive.

And admits social advantages of such a tax.

Mr. A. C. Pleydell claims the advantages of municipal improvements to the land-owners justify the city in securing more of land values.

"Taxation of land increments should be accompanied by recouping owners for decreased land values."

The city is not obligated to participate in land speculation because it taxes land increments.

"One reason why it seems it would be fair for the land in a growing community to bear the higher rate of tax is that the benefits of public expenditures go so largely to increase the value of improvements. We need not talk of who gets the benefits of these increased values or the amounts; that is an abstract question at the moment. The practical question is that the city is collecting and spending every year an enormous amount of money. A good deal of this is spent on things that may not be easily seen to be reflected in the increased value of land, but a great part of it is reflected in the higher land value as street paving and such things, which we all know and admit tend to increase materially the value of land. Public expenditures tend to increase the value of land in the centers as well as in the outlying districts. Therefore you ought to adopt the policy of taking a larger share of the value of land. It is extremely hard to say just where the increase does come, but we know it *does come*. We know public improvements will increase the value of land some distance away from the improvement, as well as nearby, because such improvements enable the people to reach a business center. The Brooklyn Bridge, for instance, is a shining example of the fact. It has increased values right around the Brooklyn Bridge, but the Park Row rents are not nearly as high as the Broadway rents or lots, and it has increased the value of the land in all downtown districts. The increased tax upon these values would help to pay for these public improvements, which in turn, when they are made, will help to increase largely the value of the land."

5. "A land increment tax is unfair unless the city similarly recoups the owner of land for any decrease, especially when due to changes in proposed public improvements."

The shifting of land values, decrease in one section and increase in another section is constantly going on in many cities.

A decrease in value always—where assessments are frequently and carefully made—results in decreased assessments, and hence diminished taxes, while frequently such decreases are only temporary and due to the transformation of the district from one use to another as from residence to commercial purposes. There are only a few spots in any American cities where there would not be a demand for land if the ground rentals were not so high. Failure of the city to prevent too intensive use of land as well as to tax it adequately, tends to create fictitious land values, which naturally slump later as any speculative values are apt to do.

A favorite objection, however, is that when a city projects a transit line, a parkway, etc., to be constructed at the expense of the entire city, and then changes its plan, the city should return to the owner of land the value of which has been increased the proportion of that increased value which it has taken. The defect in this reasoning is apparent. The assessment is supposed to, and where properly made, does merely register the actual open market value

of the land. This value of land the city does not determine, nor has the land any increased value merely because the transit lines are planned, nor even after they are constructed, except that due to the people who use it. A network of railways through a district where people could not possibly exist would not increase the value of land in that district. The owners of land which it is anticipated will be needed, discount that value and attempt to secure it all.

The arguments for and against a land increment tax are succinctly stated by Mr. Robert Brunhuber of Cologne:

1st. The increase in the value of land is usually partly earned, only in rare cases completely unearned.

2nd. If the increase in the value is to be taxed, a decline in value is to receive compensation, and more particularly where the same individual incurs a loss in selling one piece of property, this is to be deducted from any gain secured by him on another piece of property.

3rd. The tax will be shifted from the seller to the buyer. It will raise the value of the land and so impede the progress of land reform.

(1) Land value not only represents return on capital, but a ground rent which must be paid by the rest of the population to the owner of the land. In cases of land, more than any other form of ownership, great values are created by the activity of the community or by mere chance.

This form of taxing unearned increments does not propose to wipe out by taxation the increase in value, it is simply to be taxed. The increment tax is valued on a newly accruing income. It levies no burden on the taxpayer; only lessening an existing largely unearned gain (when levied at time of sale).

(2) Taxation of gains should be accompanied by compensation for losses. Here Mr. Brunhuber points out that there should be a distinction as to whether loss in value has been directly due to public action (under certain conditions, where the erection of a gas tank or a slaughter-house injures the neighborhood, there should be certain compensation for the detriment of the property, but that apparently should be made by suing the party constructing the gas tank or slaughter-house, for damages to the property injured).

Since, however, as he asserts, there was not at the outset, any right to have bridges, public markets or theatres in one neighborhood, any claim for compensation on the ground of their removal is to be rejected.

Mr. Robert Brunhuber discusses the land increment tax.

A land increment tax does not wipe out the increment, but merely taxes it.

Decreases in land values through governmental action distinct from that due to other causes.

Land ownership doesn't give any right to public improvements at the city's expense.

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The increment tax is the specific remedy against land speculation.

The possibility of shifting the land increment tax must be met by land reform.

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The yield from land increment taxes is variable.

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Mr. Brunhuber advocates a heavy and progressive land increment tax.

The most important objection is the third—that the tax will be shifted from seller to buyer, and will serve not to lower the value of land, but to increase it.

Now every check on land speculation tends to lower prices. This effect is the greater, the higher the percentage of the tax and the greater the amount of cash which consequently must be furnished. While the details necessarily vary according to the special circumstances of the several cities, the value raising effect of the ordinary taxes on monopoly of real estate is paralyzed by it under the modern conditions of speculative buying. It is obvious that an increment tax, since it opens the prospect that a large part of the increased gains will be appropriated by the community, stands in the way of artificial rise in rents and in real estate value. A substantial and rapidly progressive tax of this sort hence tends to keep down the price of land.

None the less, something more is to be said. It is to be admitted that sometimes there is such a demand for land that there is a possibility of shifting the increment tax to the ground rent and so causing great economic evils. This possibility must not be neglected by the warmest advocates of the tax, the less so because the means of obviating it are at hand. These are to be found in a firm policy of land reform. The increment tax has been effective in keeping land values down precisely where it has been accompanied by action in this direction.

It should also be noted, on the financial side, that the yield of taxes of this sort is likely to be variable. No doubt the yield is likely to increase on the whole, but not at any regular rate. The local bodies (and the Senate) must take this probability of fluctuation into account, and must make use only of an average ascertainable over a longer period or accumulate the funds for some specific purpose.

Finally, we have to consider the effects upon land reform. All taxation of sites, especially of site gains, works toward such reform. I have already indicated why the increment tax will serve to check speculation and to lessen the price of land. Every tax upon ground rents tends to lessen the price of land; the increment tax is further beneficial in its effect on the ways of buying and selling land. According as the earlier or later stages of ownership are more heavily affected, this tax may serve to stimulate or to deaden the market for land. Mr. Brunhuber states: “I believe that the tax should begin with 10 per cent, should rise rapidly to 35 per cent (say for an increase of value of 50 per cent), while a tax of 50 per cent

is entirely reasonable where the increase in value is 100 per cent or more.”

Mr. A. C. Pleydell comments on a land increment tax:

“I was rather surprised to hear the advocates of single tax speak in the same breath of taxing the unearned increment by taxing a certain amount out of the value of land at the time of sale. All attempts to deal with the selling values of land in this way are dealing with what in one sense is legal fiction. The only reason land has value at all is that you can get a certain rental out of it. If you keep people from collecting rents you destroy values. Now, how are you going to tax the unearned increment which disappears wherever you increase a tax on the rental value, is a problem I have not yet been able to understand. It is interesting to see how that would work out. A man pays a certain amount of money for his land based upon the estimated net return, but if he is deprived of a certain amount of his net return by an increase in the annual tax, the land will have its selling value reduced. The intricacies would amuse one. And if you add a 50 per cent tax on the unearned increment to the total tax upon the annual value of the land, based on the selling value of the land in a lump sum, it certainly would be a grinding between millstones.”

Mr. Pleydell shows the difficulty of estimating real land increment if land values are heavily taxed.

CHAPTER V.

Economic Reasons for Taxing Land Values Heavily

The brief survey of some results of the present system of taxing buildings at the same rate as land has shown the complexity. The bill introduced in the New York legislature providing for making the rate of taxation on all buildings one-half the rate of taxation on all land was endorsed by many prominent business men, bankers, manufacturers and professional men. In a statement supporting this bill, entitled "To Free Industry and Encourage Enterprise and Effort," they assign the following reasons for the enactment of the bill:

"The proposition to make the tax-rate on all buildings half the tax-rate on all land in New York City offers an important measure of freedom and incentive to the business men, manufacturers and constructors of buildings in the city. They have long felt and expressed the desire for relief from the growing burdens of taxes on business premises, factories and tenements—for the heavy taxes on tenements reflects itself in the necessity for higher wages. Such stimulation of business enterprises will be immediate and vital as soon as the proposed adjustment of taxation is in force. To secure the total levy upon ordinary real estate in 1910, in New York by taxing land double the rate on improvements, including buildings of all sorts, the rate on land would have been \$2.193 per \$100 of assessed value; on buildings, \$1.096 per \$100 of assessed values.

Business Men's statement of economic advantages of halving the tax-rate on buildings.

"In addition to the saving in taxes amounting on different classes of buildings to from one-sixth to one-quarter of the usual taxes, the proposed halving of the tax-rate on buildings will have three distinct beneficial effects on business and manufacturing.

"1st. It will bring more and cheaper land into the market for business purposes.

"2nd. It will make the landowner improve his land with buildings and cause competition for tenants, thereby decreasing rents.

"3rd. It will make the landowner and not the lessee pay the taxes, because the tax on land can't be shifted to the tenant, and the tax on buildings usually can.

"We therefore recommend to business men this halving of the tax on buildings in the hope that they will consider it in relation to their business interests, and support the demand that energy and business be encouraged by the proposal to reduce by half the tax burden on all improvements."

Why business shouldn't be taxed at the same rate as land values.

A tax on industry is always shifted.

Industry doesn't yet bear its own burdens.

Industry must pay the cost of its accidents.

Industry must pay fair wages.

Industry taxed will be industry gone.

Industry must provide safer working conditions.

It will of course, be asked, "Why should industry not be made to bear its fair share of the cost of municipal government by being taxed at the same rate as land?"

The reasons are:

1st. A tax on industry is shifted to the consumer or laborer whenever possible. It is impossible to determine exactly who pays a tax upon business but the tendency is inevitable to turn it over on to whomever it can most readily be shifted, and this is frequently, if not usually, those least able to bear it.

2nd. Industry has not yet begun to bear its own burdens.

There is a country-wide determination that business shall bear its proper burden of the cost of industrial accidents and industrial diseases.

While temporary setbacks to this popular mandate have occurred in a few states through crude, or worse, court decisions, nevertheless it is the settled determination of the people to exempt the workers of the country from hardships and suffering in their employment due to conditions over which they have no control.

Industry, too, has not paid fair wages to its workers. Labor has been the last fixed charge on production, while an enlightened public opinion is now demanding that it shall be, if not the first fixed charge on industry, at least equal in its claim to that of the capital invested. To pay a living wage under present conditions, industry must increase its payment to laborers in this country by hundreds of millions, and so long as the landowner, as well as the government, is permitted to tax the manufacturer, this will continue and this tax will be shifted in large measure to the consumer.

3rd. Industry taxed will remove from the jurisdiction of the taxing power, because industry takes risks and landowning does not in the same sense or to a similar extent.

To secure factories is the highest ambition of most growing cities, evidenced by the attractions offered new factories to locate, such as exemption from taxes, reduced taxes, free sites, free water, water power, etc.

4th. Industry must provide safer conditions for workers than it has hitherto. Brutal and unhealthy overcrowding and dangerous fire-hazards exist in most large manufacturing cities of the country, the remedying of which will involve large expenditures by manufacturers. With a uniform rate of taxation on land and buildings this will put a heavy and unjust burden upon industry—which can be prevented only by a lower tax-rate on buildings. In most states 250 cubic feet of air space only is required for every employee

in a factory during the day, but there is practically no means of enforcing this law and often workers are so crowded that only 150 to 200 cubic feet of air space is afforded. In point of fact as much air space should be required for factories as for tenements, and the requirement for tenements in this country varies from 400 to 700 cubic feet per occupant. On a conservative estimate many manufacturers in large cities should be compelled to provide at least double the amount of cubic air space now provided as well as to furnish fire towers connecting or party walls and adequate exits, while many buildings now used for manufacturing purposes cannot by any structural changes, be made safe, but should be demolished.

5th. Government already exercises through State Departments of Labor, the Interstate Commerce Commission, Public Utilities Commissions, etc. much closer supervision and control even now over the business interests of the country than over the landed interests.

Inadequate as is admittedly in many states the work of the Department or Bureau of Labor, nevertheless their functions are constantly enlarging as the citizens of the state appreciate the need for standardizing conditions of working and this appreciation expresses itself in laws regulating hours of labor, sanitary conditions of factories and providing for arbitration or mediation of industrial differences or disputes. Thirty-four states and the Philippine Islands now have such a bureau.

The Interstate Commerce Commission has unique jurisdiction based upon the police rights of government to regulate those relations which cannot be determined by private control and agreement any more satisfactorily or equitably than can a single worker in the higgling of the labor market ensure for himself a living wage. The right of this Commission to review rates and adjudicate them, however unfortunate some of the decisions may have been, is nevertheless the revival of the principle accepted by the fathers of the country of the right of collective supremacy over individual caprice. The exercise of that right was in abeyance for many years during which the motto of the country was, as Mr. Herbert Croly states, "individual aggrandisement and collective irresponsibility," but the national disgust and apprehension of action in accord with that motto is complete as the social results of such action have become apparent.

The creation during the past few years of public utilities or service commissions in seven states of the Union, and the partial control of public utilities exercised in fifteen other states, as well

Taxing buildings discourages the construction of such safe factories and increases rents.

Comparative supervision of State Departments of Labor, the Interstate Commerce Commission and Public Utilities Commissions.

as the fact that progressive cities such as Los Angeles, Kansas City and St. Louis have created similar municipal utilities commissions, emphasize the fact that the regulation of public services and utilities by competition is no longer sufficient and that collective control is essential.

Landowners are practically unregulated and allowed to prey on business interests.

In many respects private land ownership unregulated is more dangerous than public utilities companies unregulated since the threat of competition cannot be used to club land into public service instead of extortion from the public. Land ownership is, however comparatively unregulated; the chief exceptions being building regulations, and prohibition of the use of land for public nuisances. Landowners alone have the right to "tax what the traffic will bear," even the injustice of our tariff being mollified by giving manufacturers the right to levy only a specific or *ad valorem* tax upon the public consuming their products. Heavy taxation of land values is the most direct, cheapest and effective method of regulating the use of land, comparable to the regulative control exercised in other fields by the governmental agencies enumerated.

High taxation of land values will release money and reduce interest charges.

6th. Adequate taxation of land values—as will be shown later in discussing the fiscal advantages of taxing land values—will release large sums of money for other purposes and tend to reduce interest rates. Prof. E. R. A. Seligman in his "Principles of Taxation" states with reference to the claim of single taxers that more buildings would be constructed if land values were heavily taxed or taxes on buildings abolished, that there is not any general fund lying around loose seeking investment in buildings, and that no such fund can be conjured up. If, however, New York City should pay its debts as it goes along or even a large share of them, and should issue only \$31,000,000 of corporate stock a year instead of \$71,000,000, meeting the \$40,000,000 additional annual expenditures by taxing land values, it is apparent that \$40,000,000 would be seeking investment.

Money invested in municipal bonds to be released by taxing land values.

Socialistic alternatives suggested as substitute for taxation of land values.

The \$2,000,000,000 of municipal debt of the one hundred and fifty-eight cities having in 1908 a population of 30,000 or over as gradually paid off would naturally be seeking other fields of investment, and very few of these cities pay over 4½ per cent interest, while many issues of corporate stock net only 3½ to 4 per cent. A curious illustration of the alternatives which will be suggested to prevent taxation of land values is found in the coincidence that while preparing this book the writer received a letter from a prominent real estate operator in Brooklyn deploring the high rate of interest charged builders, especially in Brooklyn, and suggesting

that the state or county should borrow money at 4 per cent and loan it to builders at 4½ per cent (charging ½ per cent for the risk and expenses) in the hope that the competition of lower rates of interest would reduce the present interest and commission charges to builders, amounting to 7 per cent to 8 per cent. This is a novel suggestion of adding to the heavy burdens upon the poor, of the state and county expenses involved in the present systems of taxation for state and county purposes, so as to encourage land speculation, instead of taxing land values sufficiently so as to release millions of capital now loaned to the city which would reduce rates by natural economic laws of supply and demand.

The suggestion amply demonstrates, however, that economic laws when their working is not hampered by economic injustice are a sufficient corrective of many social evils. It is, of course, much easier and more profitable to loan large sums to the city secured by the city's credit which in turn is based upon the industry of the entire population, than to loan money in sums of \$1,000.00 to \$10,000.00, but when cities stop borrowing money so prodigally the natural result will be a lower rate of interest both to cities and to other borrowers. It may be noted in passing that European and British municipalities borrow money at 3½ and even 3 per cent.

Economic forces will be released for normal operation by heavy taxation of land values.

CHAPTER VI.

Some Fiscal Reasons for Taxing Land Values Heavily

Adam Smith enumerated canons of taxation which have stood the test of many years. Among the most important of his canons is the first fiscal reason for taxing land values heavily.

"The patrimony of the state must not be impaired," while, too, "taxation must be equal."

This is more generally phrased to-day, "Don't tax anything that you want to keep or anything that can run away." Admittedly land can't run away, nor can its amount or usefulness be lessened by taxation, nor its uses.

Revenue from present sources in cities in this country and abroad, as well as from many suggested sources, tends to drive industry out of a city and state and to reduce the taxable base, or to involve a larger expenditure by the municipality.

Since the largest and most important levy in most American cities is upon general property a consideration of the fiscal effects of taxing buildings at the same rate as land must be considered. The right of dependent citizens to support by the municipalities in which they have a legal settlement is generally recognized. It is equally generally recognized that it is more expensive to care for a patient in a hospital than in a home, to try to patch up a broken-down constitution than to keep the individual in good health. Revenue therefore, from taxes upon buildings which as has been shown are shifted upon the tenant even if he is trying to support a family upon a deficit, and from taxes which require him to pay more rent thereby reducing his vitality through deprivation, and hence his earning capacity, is a very expensive revenue because it compels an expenditure by the city of many fold the total receipts from such taxes to remedy the suffering and injury caused thereby. The securing of revenue from such taxes on buildings which lessens the supply and increases the cost of good ones while increasing the profits from old ones is manifestly short-sighted. Waiving all considerations of humanity and economy to be effected in industry, from a purely fiscal point of view the city can't afford such extravagance as paying \$5.00 for hospitals and care of the poor to collect \$1.00 from taxing houses.

Heavy taxation of land values does not impair the patrimony of the state and is an equal tax.

Revenue from taxes on buildings involves incommensurate city expenditures later.

Creating paupers by taxing property is expensive.

Former Commissioner of Public Charities in New York, Hon. Robert W. Heberd states the case not only for New York, but in principle for every American city when he said:

"Congestion of population is contributing very largely to the \$10,000,000 a year which New York spends on her departments for the prevention and the cure of disease."

High rents are a most fundamental cause of congestion of population and room overcrowding. The same bad fiscal effect follows the taxing of buildings used for commercial and manufacturing purposes.

The total receipts of the one hundred and fifty-eight cities of the United States which in 1908 had a population of 30,000 or over, from special property and business taxes, business licenses (exclusive of liquor licenses) and permits amounted to \$20,764,643, or about one-twenty-third of the total revenues of such cities in that year. Such taxes militate against business and at the same time against the city's best fiscal interests.

The proposal to tax foreign business corporations or individuals doing business in a city, but living in an adjoining state is a slightly different proposition, but nevertheless tends to discourage business in the city levying such a tax.

New York City's system of taxing personal property and buildings has driven practically every large factory making heavy goods such as machinery out of the city and over to New Jersey. This is fiscal suicide.

Heavy taxation of franchises is suggested, but in so far as corporations holding municipal franchises are limited to a certain net return any tax on such franchises merely tends to increase rates and reduce the grade of service, while cheap rates and rapid service are both essential in American cities—pending the distribution of factories—to improving the living conditions of workers therein.

A tax upon automobiles for instance to take an illustration of manifestations of "conspicuous consumption" cannot be shifted, but if heavy would doubtless reduce the number of persons using automobiles and hence the demand for cars, chauffeurs, oil, garages, etc., with all the labor employed in these lines of production, while being a heavy tax upon industry in which they are extensively used and hence tending to drive factories out of the city levying such taxes.

The New York Special Tax Commission which reported to the Legislature in 1907 recommended a graduated habitation or occupancy tax, as a substitute for the personal property tax, to be levied

Taxing personalty and buildings drives out factories and reduces the city's taxable base.

Taxing franchises of companies whose profits and charges are regulated hits poor people.

A graduated habitation tax will require wealth to pay more of the cost of government.

upon homes or mansions based upon the assessed valuation of land and buildings, but with a sufficiently high exemption so as not to affect those who have only a moderate income.

Similarly a progressive tax upon skyscrapers or buildings which exceed a certain cubage or volume is entirely feasible and not inconsistent with the taxation of land values since a skyscraper is in the nature of a special privilege absorbing much of the capacity of both streets and other means of transit which are both supplied at public expense. A tax upon excess volume of buildings is therefore only a species of franchise tax for a special privilege over the charges for which neither city, state nor federal government exercises any supervision or control.

A progressive tax on skyscrapers is justified as a franchise tax.

Taxes on dogs, carriages, etc., are valuable as a means of driving them out.

A too heavy inheritance tax, as the experience of New York State during the past year has plainly demonstrated, drives capital out of a state, and while from a moral point of view this should not deter a state from imposing a right tax—it is a fiscal mistake.

A progressive income tax for municipal purposes would also tend to drive wealth out of a city, while an income tax is manifestly unjust and an inheritance tax only slightly less so which fails to distinguish between a lazy and an earned income.

On the other hand the heavy taxation of land values is a stimulus to the improvement of land, thereby increasing its utilization and the taxable base of the city. A heavy tax on land values increases the patrimony of the state and is equal.

2. The tax upon land cannot ordinarily be shifted, and a tax which can be shifted, and is hence uncertain, is always bad from a fiscal point of view.

A tax on land can't be shifted.

Starting with Adam Smith nearly all economists are agreed that a tax on land cannot be shifted as the following quotations show:

"Though the landlord is in all cases the real contributor, the tax is commonly advanced by the tenant, to whom the landlord is obliged to allow it in payment of the rent."—Adam Smith, "Wealth of Nations," Book V., Chapter II., Part 2, Art. 1. *Adam Smith.*

"A tax on rent would affect rent only; as it would fall wholly on landlords, and could not be shifted. The landlord could not raise his rent, because he would have unaltered the difference between the produce obtained from the least productive land in cultivation, and that obtained from land of every other quality."—Ricardo, "Principles of Political Economy and Taxation," Chapter X., Section 62. *Ricardo.*

"A tax on rents falls wholly on the landlord. There are no means by which he can shift the burden upon any one else. . . . A tax on

Mill.

rent, therefore, has no effect other than its obvious one. It merely takes so much from the landlord and transfers it to the State."—John Stuart Mill, "Principles of Political Economy," Book V., Chapter III., Section 2.

Thorold Rogers.

"The power of transferring a tax from the person who actually pays it to some other person varies with the object taxed. A tax on rents cannot be transferred. A tax on commodities is always transferred to the consumer."—Thorold Rogers, "Political Economy, 2nd edition, Chapter XXI, p. 285.

Seligman.

"The incidence of the ground tax, in other words, is on the landlord. He has no means of shifting it; for, if the tax were to be suddenly abolished, he would nevertheless be able to extort the same rent, since the ground rent is fixed solely by the demand of the occupiers. The tax simply diminishes his profits."—E. R. A. Seligman, "Incidence of Taxation," pp. 244, 245.

Fillebrown.

As Mr. C. B. Fillebrown states, "Ground rent is as a rule, 'all the traffic will bear,' that is, the owner gets all he can for the use of his land, whether the tax be light or heavy. Putting more tax upon land will not make it worth any more for use, will not increase the desire for it by competitors for its tenancy, will not increase its market value."

Wall Street fears the taxation of land values.

Wall Street voices its realization of this fact and of the basis of large fortunes in land values in the following statement in "Market Letter" issued, August 21st, 1911, by Mr. Byron W. Holt:

"While the land-tax value may be an excellent device for raising city revenue, it will, if carried far enough, work havoc not only with investors in real estate mortgages, but with investors in many railroad and industrial stocks, the value of which comes largely from real estate."

Land can't be hidden.

3. Land cannot be hidden as can other sources of revenue, and as its value is always increasing automatically, it is a certain and definite source of income—which can be most readily and cheaply collected.

The assessed value of land in a city can be more definitely ascertained than can any other conceivable form of city revenue.

Even making allowance in valuing buildings for age and depreciation, it is difficult to arrive at their fair valuation. Attempts to assess personal property result in raising a race of liars instead of raising revenue.

The sum that will be yielded from licenses for business, trading, bootblack stands, lodging houses, etc., is always an estimate. Most cities in the United States recognize this fact and estimate the amount to be raised from all other sources except the tax on real estate and personalty and then upon the ascertained assessed

A land tax is cheaply collected.

value thereof determine the tax-rate to raise the revenue needed to meet the city's expenditures.

The cost of collecting any other tax than the tax on land is very much more expensive, since it involves not only a large amount of bookkeeping but as well detective work in ascertaining or guessing at wealth.

4. Taxation of land values is an adequate source of revenue for every city in America.

If a fair rate of taxation on land were not sufficient to meet all legitimate municipal expenditures there would be less point in arguing for the adequate taxation of land values.

As has been stated earlier relatively few cities separate land and improvement values, but the conditions in those which do sufficiently prove the potentiality of this source of municipal revenue.

NEW YORK CITY.

The total assessed value of land in New York City in 1910, exclusive of "Real Estate of Corporations" and "Special Franchises" was \$4,001,129,651 while the total levy upon land and buildings for all municipal and county purposes was \$115,080,377-79.

The total ordinary budget of the city, that is the sum appropriated by the city for current expenses, was....	\$157,773,145-53
The "Corporate Stock" warrants paid amounted to.....	71,747,316-46
The Special Revenue Bond warrants amounted to.....	7,396,455-75

That is, these total municipal expenditures were..... \$236,916,917-74

Other levies were, however,	
On Special Franchises and Real Estate of Corporations	\$9,804,795-50
On Personal Property.....	6,589,809-77
All other sources (estimated), including revenues of Bank Tax, Mortgage Tax, Excess of Excise Tax, State School Fund and Previous Appropriations.....	32,030,989-45

Total 48,425,594-72

Amount to be raised by taxation on land alone..... \$188,491,323-02

It will thus be seen that to raise the total expenditures of the city in 1910, including corporate stock and special revenue bond warrants paid, by taxing land values alone the rate would have been only \$5.90 per \$100.00 of assessed value which would not be

The rate to meet all of New York's expenditures in 1910 would have been \$5.90 per \$100 of assessed land values.

entire confiscation of ground rent since 1 per cent to 2 per cent would still probably have been made by the owners of the ground rent, the landowners. This is "single tax" and paying all the city's expenses by a tax upon land values alone.

It should be noted, however, that land in New York was not assessed at selling price in 1910 and its assessed valuation in 1911 was nearly \$555,000,000 greater, so the tax-rate on full value would have been much less. "Real Estate of Corporations" and "Special Franchises" also are excluded from heavier taxation since reduction in charges to the consumer by any corporation whose charges and profits are determined and limited by a Public Service Commission is more important than securing taxes to be shifted to the ultimate consumer. Robbing Peter to pay Paul is an out-grown game when governmental control and regulation is established.

To raise the total expenditures in 1910 of New York City, exclusive of the revenue from personal property and taxes on "Real Estate of Corporations" and "Special Franchises" by taxing land values, would have required a tax-rate of only \$4.78 per \$100.00 of assessed value, while to have raised the so-called "budget" exclusive of the Corporate Stock budget and the issues of special revenue bonds, by a tax on land without taxing buildings but taxing personal property, banks, mortgages, etc., as was done would have required a tax-rate of only \$2.87 per \$100.00 of assessed value. The important point which has been fully established is that a much higher tax-rate can be safely imposed on land than at present and all taxes on buildings can be abolished without in any way "confiscating" ground rents, and it should be noted that this is not the "single tax."

BOSTON.

The figures prepared by Mr. C. B. Fillebrown for Boston in 1907 are so graphic and convincing that we reproduce them. He found that 125 pieces of real estate in various sections of the city were sold at prices averaging one-fifth higher than their assessed valuation, indicating that they were assessed at five-sixths of their true value, and concludes.

"Based upon the foregoing ratio, the following conservative estimate of the gross land value of Boston is submitted for scrutiny and criticism:

A CONSERVATIVE CALCULATION OF BOSTON'S GROUND RENT.

If the assessed valuation* of Boston's land for 1907, which is in round numbers.....	\$653,000,000
As five-sixths of its selling value, then the addition of one-fifth	130,600,000
<hr/>	
Would give us as the net selling value.....	\$783,600,000
Adding to this the capitalized value of the amount of tax now on the land, \$15.90 per thousand on \$653,000,000, or \$10,382,000 at twenty years' purchase.....	207,600,000
<hr/>	
Would give as the true capitalized ground-rental value....	\$991,200,000
Add moderate estimate for franchises, say.....	108,800,000
<hr/>	
And we should have as a basis of assessment under the single tax a total capitalized ground-rental value of at least	\$1,100,000,000
At 5 per cent this would indicate for Boston a ground rent of	55,000,000
Or considerably more than double the total taxes of Boston.†"	

Putting this in another way: To secure the total levy of \$20,- 886,335 on land, buildings and personalty by taxing land values on the basis of the assessment at five-sixths of the actual value, would have required a tax-rate on land of \$3.19 per \$100.00 of assessed values, while on the real value of land, the tax-rate would have been \$2.66.

Boston's city and state tax in 1907 would have required a tax-rate on full land values of only \$2.66 per \$100.

* The official figures are:

	Valuation.	Rate.	Tax.
Land	\$652,995,300	\$15.90	\$10,382,700
Buildings	417,869,400	15.90	6,646,200
Personalty	242,606,857	15.90	3,857,435
	<hr/>		<hr/>
	\$1,313,471,557		\$20,886,335

† Boston's income from taxation in 1907 was:

Land values	\$10,382,628
Buildings and other improvements.....	6,644,212
Personal estate	3,857,449
Polls	369,966
Corporation taxes	1,087,793
Liquor licenses	1,079,585
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Boston's total city tax (including state tax)..... \$23,421,542

CHICAGO.

The assessed land value of Chicago in 1911 is \$395,911,111, but Assessments are only about one-third of true value, so that the full value is \$1,187,733,334.

Chicago could in 1911 have raised its budget by a \$4.88 tax-rate on full land values.

The total municipal budget in Chicago in 1911 is \$58,054,000. To have raised this total budget by a tax on land alone would have required a rate of only \$4.88 per \$100.00 of full assessed value, though the rate on the valuation used would have been \$14.66. Chicago's net bonded indebtedness in 1910 was \$30,897,000. Naturally the "full value" of land is a relative matter, depending upon many factors, and the estimate that the full land values of Chicago were three times the assessed valuation may be a little high; but the important point is that even on the basis of the assessed value of \$395,911,111, the total tax-rate to raise Chicago's budget for 1911 by taxing land alone would have been \$14.66.

BUFFALO.

The assessed value (full) of land in 1910 was..... \$169,340,615
The assessed value (full) of improvements in 1910 was..... 165,462,150

Total \$334,802,765
The city budget in 1910 was \$7,704,137.03.

To have raised the total municipal budget by a tax upon land values alone would have required a tax-rate of only \$4.55 per \$100.00 of full assessed value, while to raise the actual levy upon land and buildings for all purposes, amounting to \$7,332,180.55, would have required a tax-rate of \$4.33 upon land.

The net bonded debt of Buffalo in 1910 was \$22,168,128.58, while the total principal received from sale of bonds during the year amounted to \$3,635,241.89.

OMAHA, NEBRASKA.

The assessed value of land in Omaha in 1910 was..... \$12,218,095
The assessed value of buildings..... 12,723,471

Total \$24,941,566

Both land and buildings are assessed, however, at only one-fifth of their full value, and the tax-rate on both for city purposes in 1910 was \$6.29 per \$100.00 of assessed value, the tax yield

being \$1,568,824.50. To raise the levy by taxing land only the rate would have been per \$100.00 of full assessed value only \$2.57.

WORCESTER, MASSACHUSETTS.

The full fair value of land in Worcester in 1910 was..... \$47,032,750
The full fair value of buildings..... 63,414,450

Total \$110,447,200

The levy on land and personalty was \$1,971,838.06, and to raise this by taxing land values alone, the tax-rate would have been \$4.19.

WASHINGTON, D. C., (City and County.)

The assessed value of land in 1910 was \$151,711,966; real value, \$227,567,949
The assessed value of improvements was 133,441,805; real value, 200,162,707

Total assessed value in 1910 was... \$282,153,771; real value, \$427,730,656

The total real estate tax for the fiscal year ending June 30th, 1910, was \$4,277,306.57 and the personal tax, \$1,007,022.41; total \$5,284,328.98. To have raised this sum the tax-rate upon the full value of land would have been \$2.33 per \$100.00 of full assessed land value, while the actual tax-rate upon land, buildings and personalty was only \$1.50 upon a two-thirds valuation:

Washington could have raised in 1910 its levy on land, buildings and personalty by a \$2.33 tax-rate on full land values.

SPRINGFIELD, MASSACHUSETTS.

The assessed full value of land in 1910 was..... \$48,704,680
The assessed full value of improvements in 1910 was..... 46,279,980

Total \$94,984,660
The municipal budget in 1910 was \$1,830,420.

To raise this budget by taxing land alone would have required a tax-rate of only \$3.76 per \$100.00 of assessed value, instead of the actual tax-rate of \$1.58.

The assessed value of land increased from 1910 to 1911 by \$3,407,080 or almost exactly 7 per cent.

KANSAS CITY, MISSOURI.

In 1910 the assessed land value was.... \$60,355,420
The assessed value of buildings was..... 49,614,480

The total net municipal expenditures were only \$3,091,901.11, and to raise this sum the tax-rate on assessed land values alone would have been \$5.12 per \$100.00. Land in Kansas City is, how-

The tax specifications

The of land tax method

The land value

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ever, assessed for only 15% to 40% of its real value, and taking even the conservative figure of 50%, the tax-rate on full land values to meet the city's budget would have been only \$2.56. The actual tax-rate on all property in the city is \$1.25 per \$100.00 of assessed value, while a 25c tax-rate is levied on land values alone for park maintenance.

Land values are an adequate source of municipal revenue in American cities.

Cities should include many deferred payments in annual budgets.

While data is given for only a few cities, it is evident that all the revenue now raised by taxing land, buildings and personal property could be raised by taxing land values alone without approximating confiscation. It is equally patent that in most cities merely to make the rate of taxation on buildings and personal property one-half the rate of taxation on land without increasing municipal expenditures to meet the city's full social obligations, and without paying by current taxation for many public improvements now paid for by long term bonds, will not enable the city to secure any material proportion of the ground rent now taken by the landowners. That this must be taken gradually is no more apparent than that the alternative to such adequate taxation of land values in order to enable the city to secure these ground rents, is municipalization of land.

Six per cent net profit on assessed land values would have netted New York landowners in 1910 \$240,067,000.00.

New York City is entitled to more than one-fourth of the potential revenue from land in the city.

If 6 per cent net is now considered a fair return upon land values, a tax-rate of 2 per cent while the property yields 8 per cent,—or should yield 8 per cent,—to be divided between the city and the landowner,—is too low a tax-rate. There is a grim but dire irony in the fact that the constitution of New York state limits the tax-rate for municipal purposes to \$2 on every \$100.00 of assessed value exclusive of expenditures for debt service. Even under such a provision, however, the tax-rate on land values in 1910 could have been \$4.51, which would have yielded the considerable sum of \$180,488,541.97, instead of the actual levy of \$70,753,231.24. Six per cent net profit on the assessed land value of New York in 1910 (a low assessment) would have yielded to the owners \$240,067,689.06. There are probably very few who would claim that the rights of the nearly 5,000,000 people who contribute to the land values of the city are to the rights of the owners of ground rents only, as \$70,753,231.34 are to \$240,067,689.06, the potential value to the ground rent owners. They agree that a different division of the profits of land values is in order. While in few other cities is the contrast so striking, the principle holds in all of them.

5. Heavy taxation of land values would reduce the annual municipal expenditures for the acquisition of land for municipal pur-

poses. There is not an American city which to-day owns enough land for municipal purposes, but every progressive city is constantly acquiring land for dock and harbor improvements, parks and playgrounds, sites for schools and other municipal buildings and other public purposes. Such expenditures frequently total one-tenth to one-fifth of the aggregate corporate stock budgets of most American cities, that is sums of \$1,000,000 to \$8,000,000.

Heavy taxation of land values will reduce cost of land for public purposes.

"Excess condemnation" has been suggested as a method of enabling the city to secure land without any cost, that is the condemnation by the city of more land than is needed for the specific purpose for which it is acquired, and the resale or leasing of such surplus land as a means of recouping the city for its outlay. Under certain conditions, excess condemnation may be feasible, but it is inadequate as a means of securing sufficient land for the city in several respects. Excess condemnation does not reduce but rather increases the price of land since the courts which determine the price to be paid always favor the individual owner of property rather than the city, while the city has to pay also for the land to be resold a price considerably higher than a private owner would. This means that the city would have to resell its property for which it already has paid a super price, so to speak—at a heavy advance in order to repay the cost of the same super price which it has paid for the property it reserves for its own use. In developed sections of the city land is already very expensive and even the slight increase in value is unwise since as has been pointed out healthy conditions of living and working are as essential as revenues from land. Excess condemnation in such sections of a city would naturally be used chiefly for street widening, transit purposes, and a few public buildings. It is equally important that land in outlying residence sections of a city where the city would acquire holdings for schools, public buildings, parks, etc., should be kept cheap. More expensive land means higher rents under the present system of taxing land and buildings at the same rate. In any part of the city therefore the landowner would gain materially under a system of excess condemnation, while the ultimate user of the excess land purchased would have to pay higher rents. All the city attempts to do by excess condemnation is to prevent the owners of a small amount of land from making as much profit on the land as they would otherwise do, and the city does it in a very costly way.

"Excess condemnation" of land is only a partial method at best of taxing land values.

Some limitations of "Excess Condemnation."

By taxing land values, however, so heavily as to retain most of the economic rent, land will be much cheaper, and the owner

The tax spee agat spee

Cities run into debt because they don't tax land values.

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The change from incurring debt to taxing land values should be gradual.

of land will have an economic motive to sell it to the city for a very low price, just exactly as he will have a motive to use his land for some productive purpose so as to secure a revenue therefrom. With the present system, moreover, of paying for so-called improvements by corporate stock issues to run usually forty to fifty years, and bearing 3½ per cent to 4½ per cent interest every acquisition of this nature puts a load of unnecessary debt upon future generations and excess condemnation would tend to increase this debt, the only alternative being that the user of land shall bear it.

6. Heavy taxation of land will facilitate the reduction of city debts.

It is largely owing to failure to tax land values that cities have piled up their enormous debts instead of meeting the current and recurring expenses by taxation. In 1908 the funded debt of the one hundred and fifty-eight cities in the United States having in that year a population of 30,000 or over, was \$1,937,284,018, which is more than twice the interest bearing debt of the country on June 30th, 1910, viz., \$913,317,490.

The temporary nature of most of the improvements and expenditures for which this debt was incurred is surprising.

City buildings, exclusive of schools and other departmental buildings	\$50,788,879
Police and Fire Departments.....	24,444,256
Sewers and sewage disposal.....	133,262,790
Street pavements	23,792,014
Bridges and abolition of grade crossings.....	74,227,876
Other highway purposes.....	137,788,081
School buildings and sites.....	220,751,995
Libraries, art galleries and museums.....	22,220,615
Parks and gardens.....	132,826,822
Miscellaneous purposes	96,779,353
Funded debt and special assessment loans.....	151,435,677
Water supply systems.....	312,216,444
Electric light power and gas supply systems.....	6,893,500
All other	241,474,805
For fundings and refundings.....	252,917,661

It is not, of course, suggested that it is practicable immediately to pay off city debts nor to pay for all city improvements as they are acquired. Most of the corporate stock issued in recent years and bearing 3½ per cent to 4½ per cent, has been for a period of forty to fifty years, and a large part of the debt has been incurred within the past decade. There are practically no improvements which should not be paid for within thirty years, and twenty years is usually a long enough term, while pavements and constantly recurring needs

and improvements such as schoolhouses, parks and playgrounds should be paid for within five to ten years, preferably the former period. Of course, no one would suggest either that current obligations and debts incurred by cities should be paid so long as cities have the present system of taxation which crushes the lives out of the poorer classes of their citizens. A small increased tax-rate on land values would have obviated, however, any such debt burden as the existing one. One effect of the unholy alliance between the land and the loaning interests in American cities which has created such huge debts is the payment in 1908 by the cities referred to of \$82,272,249 in interest on debt, that is about one-fifth of the total general city expenses. The increase in net debt during the year was \$185,877,856, nearly one-half of the total general city expenses.

7. Higher taxation of land values would encourage the logical and economic development of cities.

As every observer of American cities, especially those with a large area, knows, their growth has been determined chiefly by the landed and other real estate interests. These interests secure the laying out of transit lines to their land in outlying sections of the city and immediately urge the needs of the district for schools, sewers, etc. Thousands, and in many cities tens of thousands, of available lots are left unimproved. The development of the city instead of being concentric, that is from the center out in all directions, is sporadic and irregular. This involves a much greater expense to the city in constructing streets, sewers and in providing transit lines as well as policing these new districts. With such taxation of land values as would secure a large proportion of the ground rent of cities, there would not be any occasion for such competition with its costly waste to the city, because the net return to the owner of land would be more nearly equal. There are in most American cities—and this will be increasingly true, as adjacent areas are incorporated under schemes for city planning—large areas which for many years should not be used for housing or commercial purposes, but which would yield a large net profit if used for intensive agriculture. The way in which several American cities have attempted to meet this situation by different tax-rates is illogical. Thus in 1908, Philadelphia had three tax-rates per \$1,000 of assessed value, \$15.00 on city property, \$10.00 on suburban and \$7.50 on farm property. Pittsburgh had also three similar types of property with tax-rates

The adoption of business methods of meeting current obligations by current taxation must wait for the adequate taxation of land values.

Higher taxation of land values will encourage economic city planning and development.

Wasted garden and agricultural areas in American cities.

Illogical methods of meeting the problem of cheap lands, by different tax-rates.

respectively of \$9.50, \$6.33 and \$4.75 with several additional rates for separate political divisions.*

There were in all in 1902 forty-two cities having two or more different tax-rates.

If land were assessed equitably, that is at full selling price in the open market, and taxed at a uniform and high rate the owners of what is properly still agricultural land in cities would realize that the stimulus to buildings in the centers of the city and districts near the centers of a higher rate of taxation on land, would be so potent that it wouldn't pay them to construct high tenements.

A relatively small investment yields a large return in intensive agriculture when mixed with brains.

As Mr. H. B. Fullerton, the Director of Agricultural Development of the Long Island Railroad has pertinently put it:

"For some reason, as far as we can find out, absolutely unknown to any one, farm land is considered worth about \$100.00 per acre, and this price is a very common figure, whether the acre be 60 miles from the post-office or neighbor, or whether it be close to a big market and within a mile of a post-office, railroad station and schoolhouse, whether it be a muck soil of unknown depth or a sandy soil 8 inches deep or a clay soil 2 feet deep or an ideal mixture of clay and sand, as upon Long Island, 3 feet in depth.

"Few are the potato growers on Long Island who do not get from 150 to 200 bushels annually which are sold, practically always, at 50 cents or more per bushel, and the price as a rule runs from 65 cents to 90 cents, and a yield of 300 bushels is common and 400 bushels per acre is occasional.

"Market gardening in this country is just starting. Americans, as a rule, know practically nothing of intensive gardening. The market gardeners about New York are mainly foreigners, the greater part of them Germans, with some French, some Belgians, some Hollanders, some Slavs, and even Chinese and Japanese. Some of these men make the soil return as great a dividend as do the most expert gardeners who are situated in the environs of Paris and who on three acres have raised \$3,000 worth of crops in one year. This yield of \$1,000 per acre has been surpassed many times in this country on fruit, on berries, on asparagus and on many other single crops.

"Long Island's waste land is, much of it, held now by speculators who, paying no taxes to speak of and undoubtedly in many cases none at all, can afford to wait for the natural rise in land value that must invariably come to every square foot lying as near New York City, and especially rapid will be the increase on Long Island because of its climate, tempered by the great bodies that surround it, and the soil, contrary to tradition and science, our experimental farms has proven to be 3 feet in depth."

* Pittsburgh has this year, however, abolished this classification.

Many other American cities can duplicate these conditions. It is extremely suggestive that a State Senator from the agricultural county of Queens with the approval of many citizens of his county, and of the other agricultural district of New York City, Richmond County, are trying to secure the creation of a Bureau of Agriculture and Horticulture in the city of New York to stimulate and direct the proper and profitable use of acreage holdings and vacant lots in these two boroughs for intensive gardening. They state in their brief for such a bureau that the proposed higher taxation of land values will necessitate such use of land and mention that some of the most successful and profitable gardening in the world is carried on in these two boroughs which are a political part of the most congested city in the civilized world, while they equally recognize that the adoption of a normal standard of housing will not create a demand for all vacant land in the city for many years to come.

Bureau of Agriculture and Horticulture practical in New York City.

Normal housing conditions don't require the immediate use of all a city's vacant land for housing purposes.

The tax spec agas spe

Heavy taxation of land values will prevent land booms and premature building.

Faulty valuation of agricultural lands.

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Yields from intensive gardening.

Americans laggards in intensive gardening.

Land speculators prevent logical and profitable use of land.

CHAPTER VII.

Some Social Reasons for Taxing Land Values Heavily

That the permanent improvement of living conditions awaits more fundamental readjustments, and changes than our country has hitherto essayed is the dominant note of social work of this century. To secure to every producer the fruit and enjoyment of what he produces, to make possible initiative and independence, is the goal of social organization. That many steps and many methods will be needed to reach this goal is self-evident. Since over one-third of the nation's population is living in cities, over one-fourth in the one hundred and fifty-eight cities concerning which figures have been presented in this discussion, and the indications are unmistakable that the trend to large and small cities will continue, the freeing of the land for use deserves most careful consideration.

The endowment of the Russell Sage Foundation for the Improvement of Living Conditions was heralded as the harbinger of better times. With a few conspicuous exceptions that body has failed either to recognize or, if recognizing, to deal with the fundamental causes of poverty. One of their latest experiments is an effort to provide model homes for people of moderate means in the agricultural borough of Queens some seven miles from Manhattan at Forest Hills. The operating company known as the Sage Foundation Homes Co. has skipped over tens of thousands of vacant lots near Manhattan held for speculative increases and gone out to upset land values in what should have been farming country for some years to come. They found the land speculator on the agricultural ground ahead of them, and they paid speculative prices and profits. The running time from the Pennsylvania station, the prospectus of the company announces "is from 13 to 15 minutes. The commutation rate is \$6.80 a month, 50-trip tickets cost \$9.25, round trip tickets 45 cents." In addition, of course, 10 cents a day or \$2.60 a month will be necessary for carfare in Manhattan for most people, making a total of \$9.40 a month or \$112.80 a year; as much for carfare as many working people can afford to pay for rent. Rents in that charmingly exclusive place will run from about \$20.00 to

Social reasons for heavy taxation of land values.

Investigations are no substitute for obvious needed legislation.

Sage Foundation Homes Company.

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\$50.00 per month or \$240.00 to \$600.00 a year—that is carfare and rent will total at least \$350.00 a year or nearly half the wages of unskilled workmen. It is understood that the company has given up its intention of supplying the need for good housing at reasonable rents for wage-earners, a crying need not being met by any force or agency in the city at present. It is quite natural that they have done so since a worker can't afford to pay over one-fifth or a maximum of one-fourth of his income for rent including as should be done, carfare, and five times \$350.00 is \$1,750 a year, while four times \$350.00 is \$1,400. Unskilled workers in New York earn only \$550.00 to \$700.00 a year and skilled \$800.00 to \$1,500.00; while clerks get from \$1,200 to \$2,000 at the most.

Experience should have reduced rents, if possible.

It should be impossible to claim any inefficiency or waste in the laying out of this company's tract of land consisting of 142 acres, because it was done by a landscape architect of international fame, Mr. Frederic Law Olmsted. As they state too, "the fortunate location of the place on the border of Forest Park has, of course, made it wholly needless to provide any large park within the tract itself," but they have nevertheless provided a small one. Economy of construction has also been assured by the fact that Mr. Grosvenor Atterbury has been the architect. Everything has been favorable to the provision of homes at reasonable rentals for wage-earners, that is \$12.00 to \$14.00 a month at the maximum, but private charity here again as in the case of the City and Suburban Homes Co. has shown that it cannot compete with an unjust system. The Sage Foundation Homes Company admits that its proposition is purely a business one, since it states in its prospectus under the heading, "Business Undertaking":

A business concern, not a charity.

"The undertaking is primarily a business enterprise in which certain trust funds have been invested in the definite expectation of securing an adequate business profit, to be applied to the purposes of the trust. The fact that those interested in this development hope, at the same time, to demonstrate that it is possible to develop a more attractive plan and better type of houses than those commonly found in commercial developments makes it, if anything, more important to insure financial success of the venture. Owners of land elsewhere could not be expected to follow the example of this company unless it can show a profit satisfactory to the average investor."

Perpetuating poverty for the joy of investigating it.

It has been pretty clearly demonstrated that "an adequate business profit" in real estate means all that the traffic will bear, and that to improve permanently the living conditions of wage-earners, the net return upon land must be greatly reduced. It may be quite possible for this company or any others "to carry out its aims in

creating a homogeneous and congenial community," but no general social advance can be secured by their methods. Lots can be obtained for from \$800.00 up to \$2,000.00 in Forest Hills and not only has the company been obliged to pay speculative prices for land, but it is asking those who buy land there to pay an advance on real values. The Sage Foundation Homes Co. is not entitled to a 6 per cent business, or even a 4 per cent philanthropic profit upon the land values which the people of New York create. It should be said in fairness to some of the developers of land in the borough of Queens, near Manhattan, that they do not charge any such exorbitant rents yet, though they are organized upon the same principle of charging every bit that they can.

Russell Sage used to advise people to buy land and wait for the increase in value. Whatever may be the motives of the Sage Foundation Homes Company they have learned probably by this time and have certainly demonstrated to every informed person who has watched their operations that for a city to permit people to follow Mr. Sage's advice is an insuperable obstacle to the general improvement of living conditions. Partly because people have followed the advice quoted this company has provided beautiful homes for people with incomes of \$2,000 to \$5,000 a year or more, a negligible percentage of New York's five millions, but when they attempt, if ever they do, the imperative task of providing good homes for the city's millions they will appreciate even more fully the immorality of Mr Sage's advice to reap where one has not sown. It is to be hoped they will not—as their prospectus indicates they now plan to do—attempt to make money to study causes of poverty by one of the fundamental causes of poverty, charging as much for the use of land values as for buildings.

The social unrest among social workers is the most striking fact of social work in which is included the anti-tuberculosis campaign, the housing campaign, charitable and relief organizations, settlements, church and other institutional work, etc., throughout the country. To be sure some leaders who have salaries of \$5,000 to \$10,000 a year are still cheerful as to social conditions and able to endure the continuance of suffering on the part of the poor with a most commendable degree of equanimity, on the infrequent occasions when they come within sensing appreciation of the existence of poverty, save as a pathological anomaly. Some members of boards of directors of charitable societies who are profiting by the system and conditions which make charity necessary, naturally view with some perturbation the changing of these conditions, while

Wage-earners prefer the reduction of ground rents to investigation by the Sage Foundation.

Results of Russell Sage's immoral advice.

Sage Foundation can't afford to be unjust.

Social unrest among social workers.

others are honest with themselves. For instance, although the secretaries of the three largest relief-giving societies in Manhattan, the New York Charity Organization Society, the United Hebrew Charities and the New York Association for Improving the Condition of the Poor endorse the halving of the tax-rate on buildings; the Boards of these societies officially have not done so, although they may later.

The visiting nurses and doctors, however, and the investigators for relief agencies, the settlement and church workers in the midst of the real poverty and deprivation of tenement life in American cities appreciate the existence of poverty. They are becoming increasingly socialists in the sense of believing that the government should own and operate all means of production, as the only method of wiping out monopoly and ensuring decent conditions of living for the wage-earners of city and country alike. Most of these humbler workers and in their courageous moments the leaders of social work admit that poverty, that is the inability to secure employment at wages which enable a family to maintain a reasonable standard of living, a minimum standard for national efficiency, is due not to personal defects of character in any appreciable number of cases, but to social conditions over which the poor have no control. Drunkenness, thriftlessness, laziness and vice are the causes of poverty in some cases, and the results in others, it is generally agreed; but lack of steady employment, sickness, low wages, industrial accidents, unsanitary dwellings, high rents, high cost of food and clothing, and immigration are the symptoms of causes usually recognized now to be the really important causes of poverty in American cities. With remedying or removing several of these causes the heavy taxation of land values in cities so as to secure most of the ground rent has admittedly little connection. Industrial accidents must be prevented and industry made to bear the burden of its own carelessness and risks, instead of compelling the individual workman to do so. The series of middlemen each of whom takes a profit on farm produce and manufactured goods, and thus increases the cost of food to the consumer and reduces the profits to the producer, must be eliminated, by some other action than the higher taxation of land values, although such taxation will encourage the utilization of vacant land in cities for intensive gardening and tend to reduce the cost of garden truck in cities.

The higher prices extorted through protective duties on articles consumed by the working classes must be lowered by other action, too, than adequate taxation of land values, while such taxation alone

will not solve the difficulties of assimilating in American cities hordes of immigrants ignorant of our language, and untrained to earn even the minimum wage essential to a living standard.

What part then does the recovering by the city through taxation of most of the ground rent have to do with the problem of poverty? Although it has been discussed somewhat in the chapter on "The Land Question and Housing Reform" further illustrations will show other relations.

THE SECURING OF GROUND RENTS BY TAXATION WILL:

- 1st. Reduce rents and make homes cheaper.
- 2nd. Compel landowners not tenement tenants to pay taxes.
- 3rd. Take a heavy burden off industry and permit the payment of higher wages.
- 4th. Encourage the appropriate use of vacant land.
- 5th. Safely permit the provision of social needs by the city.

The student of social conditions realizes that something besides mere geographical position makes the minimum living wage in New York City \$700.00 to \$800.00 for a family of father, mother and three children under working age, while this minimum is from \$50.00 to \$150.00 less in other cities of the country. He appreciates too that to secure a living wage whatever amount that may be in any city, does not mean necessarily that the sum now required, should be required. If wastes can be eliminated the cost of living can be reduced. It is just as effective in maintaining the standard of living to reduce the rents \$50.00 as to increase wages by this amount. Manufacturers should pay a living wage, but that living wage cannot be made to include permanently 6 per cent net return upon the value of land used by their workers and other producers. If it does include such net return the price of goods will include this charge, and the consumers among whom are the workers on the manufactured articles will pay higher prices.

Schedule "K" comprising the iniquitous tariffs on woolen goods was advocated by some because it enabled the nearly 5,000,000 people directly and indirectly concerned in the manufacture of woolen goods to receive better wages. But schedule "K" was indefensible because based upon privilege, and schedule "K" also compelled those engaged in the manufacture of woolen goods as well as others to pay higher prices for these goods. The same conditions obtain with reference to ground rents, except that relatively few people profit by private confiscation of ground rents, while every one has to pay more because of such confiscation. The right to private confiscation

But is the first step in the fight against poverty.

"Living wage" can't include a "living" for a lazy land-owner.

Schedule "K" and ground rents.

The tax spec agas spe

Is the alternative Socialism?

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Public, not personal vices, chief causes of poverty.

Taxation of land values is not the only method of preventing poverty.

Landowners are now the largest ultimate beneficiaries of all economies, inventions, etc.

of ground rent is claimed to be permanent, by the confiscators thereof. Tariffs may be reduced or abolished, economies may be effected in construction of buildings, inventions may reduce the cost of living in a thousand ways, efficiency may eliminate waste in production, but the right to ground rent if admitted, is to all intents and purposes eternal. No matter what economies or savings may be effected in cost of production of any material the tendency is for the landowner, that is the owner of ground rents, to be the residual legatee or beneficiary of such economy or saving under the present system of permitting the owner of land to secure the ground rent, or a large proportion thereof. Private right to ground rent is now being questioned throughout the civilized world for social reasons because the securing of ground rents by taxation will:

1ST. REDUCE RENTS AND MAKE HOMES CHEAPER.

(Assessments in all these illustrations are taken at full value.)

Social aspects of lower rents.

If a tenement assessed for \$25,000, on land assessed for \$15,000 nets 6 per cent return (above taxes, vacancies, etc.), the total net return is \$2,400, \$1,500 on the tenement and \$900 ground rent. If the owner of the site of the tenement received only 2 per cent profit on the cost of the land his total ground rent would be only \$300. That is, the ground rent would be reduced an average for each of twenty families, who might rent the entire tenement, from \$45.00 to \$15.00. Evidently this saving of \$30.00 a year would be worth while to a family whose earnings are only \$600.00 to \$700.00 a year. Equally evidently the sum required for a living wage irrespective of these differing amounts in different cities would be reduced by this sum, from the amount required to pay the owner of land 6 per cent net ground rent. A further result of taxing land values heavily would be to compel the owner of land in a built-up neighborhood to improve it with buildings that would yield some return, whether they be factories, office buildings or tenements. The general knowledge the owner of land has of the development and needs of the neighborhood would determine what improvement he should make, but naturally in a district already supplied with many factories and office buildings, tenements would offer a better investment. This competition of tenements for tenants would also tend to reduce rents and save the tenant money. A net return of 4½ per cent on a building and 2 per cent on the site of a building would be better than no return upon the joint investment and the economic motive would impel the owner to secure some return, even if it be only this lower one. The saving in rent represented by the difference between

Competition in building stifled by taxing buildings.

a 6 per cent net return upon the investment in the building and a 4½ per cent net return amounts to \$18.75, to a family renting a tenement apartment, whose average value is \$1,250.00. This with a 2 per cent, instead of 6 per cent net return,—on a site whose proportionate value is \$750.00,—totals \$48.75, and this saving of \$48.75 a sufficiently heavy taxation of land values would unquestionably effect. It must be sorry consolation to appreciate that the total expenditure for charities, public and private, in most American cities does not equal the ground rent confiscated by landlords from the beneficiaries of such public and private charity and others living below the standard of efficiency. From the social point of view which is concerned more directly than either fiscal or economic considerations with the psychology of character, it is worthy of note that any approximate method of justice is better than the most perfect administration of charity. Five years' work by the writer in the Philadelphia Society for Organizing Charity and the Society to Protect Children from Cruelty, and visits to "case committees" of societies in New York, Chicago, Boston, Philadelphia, and Baltimore, with a large acquaintanceship among workingmen, have convinced him that there is no more effective blow to the self-respect of any workingman than recourse to, or intervention in his family by any charitable agency. No matter how frank the admission by the relief agency that they do not blame the applicant to them,—or the "needy case" referred to them for relief,—for causes over which he has no control, regardless of the tact with which the remotest relatives and clumsiest clues of the victim of the twin evils of poverty and charity are hunted down, the knowledge that his name is down on the books of any charitable society for time and eternity—or until such time as high rents compel the society to save room by destroying its wealth of records of poverty,—is a blow to his independence and a permanent disgrace to the honest laboring man who would be independent. Nor can even the fact that it costs from one-eighth to one-third or over of the relief dispersed by charitable agencies to convince them of honest poverty, assuage the wound to his self-respect, though being human he doesn't envy the investigator but rather congratulates him upon having a "steady job at something that pays him a living." The one hundred and twenty thousand immaculately accurate records of families and individuals who have applied for relief to different charities of the city now filed in the Registration Bureau of the New York Charity Organization Society, would be less by several scores of thousands had landowners in this city been unable to confiscate ground rents as they have in the

Charity in American cities seldom equals ground-rent extorted from its "beneficiaries."

Charitable "Relief."

Taxation of land values and workmen's self-respect.

Accurate records of poverty are no remedy for causes of poverty.

past, and for every reduction in the number of these records there would be a larger number of families, and single men and women, with an untarnished record of economic independence. Relatively few families in New York City or any other American city are permanently dependent, that is pensioners, and only a small per cent apply for relief, while of those applying, the majority seek only what the charities with scientific inaccuracy call "interim relief," but which scientific accuracy would denominate "payment of ground rent to the landowner." To be sure such "interim relief" seldom equals the confiscation of the landowner, for \$48.75 is a large sum for "interim relief"—it is a month's to six weeks' wages for an unskilled wage-earner depending upon where he lives, but the confiscation of a month's or six weeks' wages in ground rents is an injustice which no civilized community should tolerate.

Not even immigration can be assigned as the chief cause of poverty in American cities, for while the value of the product of an untrained immigrant may not justify the payment to him of the cost of living in New York City, it is nevertheless true that with a world market the value of the product of the untrained immigrant in most lines of manufacture is as great in Omaha, Springfield, St. Joseph, Waterloo, Iowa, and New Haven, Conn., as in New York City, while the cost of living is much less in all of these cities than in New York. In all these cities, however, as in New York the confiscation of ground rent by the landowner whether it be on a large or small value is a cause of poverty.

The desirability of home life in small houses is generally conceded by social workers. As has been shown in the discussion of the relation between land values and housing reform, the heavy taxation of land values will benefit substantially the man who wants his own home. A social point of view does not condone congestion per acre as does Mr. Veiller, the Secretary of the National Housing Association, who maintains that it makes little difference how many people are housed per acre providing the dwellings are sanitary. The most extortionate owner of ground rent could hardly advance a more anti-social argument, but the consensus of opinion in this country as abroad is so emphatic in favor of the detached dwelling that the help of heavy taxation of land values in securing the desideratum will be generally invoked. The effect of heavier taxation of land values in cheapening land will also inure to the benefit of the prospective home owner since he can buy his land cheaply, for the prices of land represent only the capitalized net return, and it is easier for the workingman to pay 3 per cent, or even 5 per cent

The tax spe aga spe

Most interim relief for the poor is really payment of ground rent to landowners.

Immigration not chief cause of poverty.

Home life and taxation of land values.

Easier for wage-earners to pay higher tax on land to city than to landowner.

T o l d t n

on the land values he owns year by year in taxes as he uses the land than to advance this use value capitalized when he acquires the plot of ground, since with this tax-rate on land, buildings could be largely or entirely exempted from taxation.

2ND. COMPEL LANDOWNERS, NOT TENEMENT TENANTS, TO PAY TAXES.

The injustice of robbing by taxation widows, consumptives, and children is less defensible from a social than from even an economic or fiscal point of view.

The Committee on the Prevention of Tuberculosis of the New York Charity Organization Society in urging recently the appropriation of a small proportion of the sum needed to provide additional beds for consumptives in the city says that in no other way can the death rate from consumption be reduced. Admittedly more hospital beds for consumptives and better means of segregating them are necessary to reduce the death rate from consumption, but is that all, and does the provision of beds for advanced consumptives by increasing the taxes which other consumptives must pay quite justify itself? That committee in common with similar committees in cities throughout the country have sought by exhibits, street car transfers, lectures and other means to convince the public that sunshine, fresh air, rest, good food and relief from anxiety are essentials to prevent consumption. The irony of their remedy has appealed to many besides the victims of America's national sin, whom they are trying to help, for the obviousness of poor people's inability to secure the essentials to the prevention of consumption is patent to any fair-minded person.

In the striking pamphlet that the New York Committee on the Prevention of Tuberculosis have prepared advocating the provision of hospital beds they present several photographs of tuberculous patients.

One is a flashlight of a victim in bed, with drawn features, his projected eyes peering into the unknown future. Under this they ask, "Shall men like this be discharged from hospitals to die in tenements?" with the indictment "Frederick R. discharged from hospital August 25th, died August 30th." Another picture of a man and his wife and three small children centers indignation over the explanation, "This helpless consumptive allowed to leave the hospital to make room for others, thus insuring the infection of his children." A third picture is of "Five delicate children in daily contact with a dangerous consumptive father, an advanced case, unable to

Taxing buildings robs widows, children and consumptives.

And this is a cruel and costly way to prevent consumption, and relieve widows and children.

The irony of tuberculosis exhibits while buildings are taxed.

The city robs dying consumptives to bury dead consumptives.

work, shares bed with one of his children." Further questions the Committee have forgotten or neglected to ask:

"Shall the 40,000 known consumptives in New York City with their families be taxed to provide the nearly 4,000 additional beds needed for consumptives, in addition to supporting the present 3,200 beds and the victims cared for therein, or shall we tax land values and let landowners share their community created wealth, and so save the lives of consumptives? Since sunshine is essential, this committee claims, to the prevention and cure of consumption they might appropriately ask: "Shall we continue a system of taxation which puts a premium upon dark rooms or shall we encourage the construction of healthy, well lighted tenements by reducing taxes upon them through taxing land values?"

With the hearty endorsement of many large charitable societies, American cities are now facing their responsibility to provide adequate relief in their homes to their dependent citizens—pending the organization of social insurance and the assumption by industry of its full burdens.

The acceptance by cities of their proper responsibility, will involve for some years at least, a large increase of municipal expenditures.

Shall this additional burden be extorted from the families now on the verge of starvation, from those hovering on the verge of dependence or existing far below the standard of national efficiency, are questions of compelling social import. That these classes will pay much of the cost of a larger and proper municipal program under the present system of taxing land and improvements at the same rate is conceded, but social justice cannot concede that long usage transforms injustice into justice but rather demands that the wealth of land values the poor help to create shall be adequately taxed since such taxation is the only method by which the owners can now be made to share equitably with the producers.

3RD. TAKE A HEAVY BURDEN OFF INDUSTRY AND PERMIT THE PAYMENT OF HIGHER WAGES.

Should relief agencies give relief to families while the wage-earner is on strike has been debated in most large cities in which one or more strikes have during the past ten years cost the financial independence of families, self-respecting hitherto, and revealed the narrow margin between economic dependence and independence among many skilled wage-earners.

It is true that labor union members are usually the last to appeal to organized charity for relief, because they have their own relief

funds, and the more serious problem of relief is that of the permanently underpaid, largely because unorganized, laborers who are chronically below the standard of efficient citizenship. The ground rent taken from their employers, if manufacturers, will vary from 2 per cent to 8 per cent of their pay-rolls, and while it is not suggested that manufacturers would necessarily pay higher wages they obviously would be better able to do so if released from double taxation by the landowner as well as by the city. That an increase of 2 per cent to 8 per cent in wages would be an important raise for both skilled and unskilled, organized and unorganized workers must be admitted.

4TH. ENCOURAGE THE USE OF VACANT LAND.

The disinclination for the country, for gardening and for agriculture, which migrants from country districts to cities manifest, is not shared by many peasant laboring immigrants. They appreciate the opportunity to raise vegetables, as successful market gardens worked and in some cases managed by immigrants testify. Vacant lots associations in several cities have performed an important service in bringing people and land together. Such efforts would be greatly helped by the heavier taxation of land values, since with even the present low taxation land can be secured, but a heavier tax-rate will compel it to seek users. The incentive to economic and effective use will be in very direct ratio to the increase in the tax-rate and the provision of employment thereby created would be of utmost benefit to those classes of the community who need outdoor employment, with the added advantage of training for farm life. In his evidence before the Committee on Health of the New York City Commission on Congestion of Population, Dr. Wm. H. Park, Director of the Research Laboratory of the city's Department of Health stated, "It is even dangerous for a tuberculous person who has recovered after leaving the city to return to it and go back into office work or any of the ordinary city occupations. The fact that a person has had consumption proves that he was susceptible, and he will usually remain susceptible."

Since this holds true for all cities as for New York, and yet death by starvation is as deadly as death by consumption, in every city of the union, the social benefit of forcing vacant land in outlying sections of a city into use for those citizens handicapped by bad housing conditions and predisposition to consumption is great. The natural encouragement to live under healthier conditions in new sections of a city closer to such work is a marked additional advantage.

Permanently underpaid workers always exist on a deficit.

Vacant land in cities would afford much and needed employment if highly taxed.

This employment would be especially beneficial to those cured of consumption.

Death by starvation as deadly as death by consumption.

The tax spe ag spe

Taxing buildings penalizes preventive philanthropy and business alike.

Larger municipal social programs.

Shall progress be made by increasing deficits of the poor or reducing unearned surpluses of the rich?

Strikes show small savings of skilled workers.

5TH. SAFELY PERMIT THE PROVISION OF SOCIAL NEEDS BY THE CITY.

In conclusion the social viewpoint justifies the correlation of the advantages of securing most of ground rents as follows:

Conclusion: Total ground rent of a city is maximum amount that can be extorted from most productive use of land.

Present ground rent should be divided between the city, user of land and owner of land.

Landowner's share of ground rent should be reduced to the minimum, which would encourage private ownership of land for use.

Poverty cannot be exterminated while landowners secure the ground rents they now do.

The total ground rent of a city is the maximum sum that can be secured by the owners thereof for the most intensive and profitable use to which each section is best adapted. This ground rent, actually derived or potential, varies from 6 per cent to 8 per cent, or more. Naturally this cannot be taken entirely by the city through taxation, while at the same time the tenant user of land secures the gain of reduced rents through avoidance of the payment of all taxes. No increase in the city budget paid by taxes on land values alone, however, will be shifted upon the tenant. Hospitals for consumptives, municipal social service departments, exemption from taxation of public utilities whose net profits are kept by governmental regulation at a low figure with resultant reduction of charges to the public for products or service rendered, are feasible when land values are adequately taxed. Ground rents should by taxation of land values be so reduced that only so much will be left to the owners of land as to encourage the use of land for productive purposes. This may be 1 per cent, 1½ per cent, or 2 per cent, but it is the token and substance of private ownership in land for use and not for speculation or unearned gain. Every increase in the rate of taxation on land values tends to reduce the amount to be charged as rent for any building since the owner of land must use his brains to secure gain therefrom, instead of using without payment the labor of others.

In most cities land entirely vacant is equal in value to from one-twentieth to one-tenth of the total assessed value of land. In 1910 for instance, wholly unimproved land in New York City was worth considerably more than one-eighth of the total assessed land value of the city and the increased revenue from a high tax-rate on this vacant land will materially reduce the tax-rate on buildings. The social reasons justify and even compel the full taxation of land values, as the next step in the extermination of poverty, and poverty cannot be abolished while landowners secure the ground rent they now do.

CHAPTER VIII.

Sources of Municipal Revenue in Some Foreign Cities

The sources of Municipal Revenue in many foreign cities should be considered in their relation to the welfare of the community since they may be suggested by landowners in their desire to postpone heavier taxation of their land values, as substitutes for the taxation of land values.

Budapest has a 3 per cent tax on the rent paid by tenants,—an additional tax on the income derived from real estate,—and a 4 per cent tax for the removal of garbage, and an octroi tax levied on food products as well as one levied on the weight of vehicles entering the city. All of these taxes, of course, are largely shifted on to the tenant. The writer was informed by the city statistician, three years ago when in Budapest that rents were unendurably high in the city and many rooms had four to six occupants while speculation in land was most profitable. Other revenues in Budapest are from industrial licenses, dog licenses, water supply, etc.

Budapest.

Vienna illustrates well the fallacy of trying to conduct municipal trading for profit,—although the city derives considerable revenue therefrom,—while failing to secure revenue from normal sources.

Vienna.

The principal taxes are taxes on real property and taxes on personal property and trade.

Taxes on houses are assessed on the amount of the annual rents, and on land on the estimated cadastral revenue.

A trade tax amounting to 10 per cent on the net profits is levied on joint stock companies.

An income tax is assessed on the entire receipts of the taxpayer from whatever source derived, although incomes of less than \$244.00 per annum are exempt.

The octroi tax yields a large revenue. Most of Vienna's taxes, however, can be shifted to the ultimate consumer.

In Germany, the main municipal taxes are the income tax, the real estate tax, industrial tax, tax paid by restaurants, drinking saloons and hotels where liquor is sold, department store tax, dog tax, brewing malt tax, temporary vendor's tax and exchange of property tax.

In explanation of the large number of taxes upon industry in Berlin and the relative exemption of land values from taxation, it should be stated that the undemocratic system of votes according to value of property owned still obtains.

Prof. Frank J. Goodnow states:

"In Berlin, the Prussian city in which the voters constitute the largest proportion of the population, in 1900 only 1,227 qualified voters were in the first class, 20,821 were in the second class, while 310,471 constituted the third class. Or, to put it in another way, 22,048 voters could elect two-thirds of the members of the council, while 310,471 voters could elect the other third. Finally, in actual practice, the two upper classes participate more generally than the third class in the election. Thus 34% of the third class, 50.2% of the first class, and 39.4% of the second class of voters actually voted in 1898. This may be due in some degree to the fact that the vote is an open and not a secret vote."

On incomes from \$214.20 to \$249.90 an income tax of \$1.43 is levied and so on until on those from \$428.40 to \$499.80, \$7.38 is levied. It will be noted that the rate upon small incomes is much higher proportionately than upon higher ones. For 1906-7 the yield of the municipal income tax was \$8,227,148.

The United States Consul-General at Berlin, A. M. Thackara explains the real estate and industrial tax in Berlin as follows:

"The real estate tax is based upon the value of real estate as appraised by a permanent committee appointed for the purpose in each of the kreise, or counties. The appraised value of real estate is determined by deducting 8 per cent of the gross income from the property, for expenses, such as taxes, sewerage, interest, etc., and multiplying the net income by 16 to 22, according to whether the location of the property is good or bad. When there is no income from the property, the value is estimated by the committee and taxed accordingly. The tax in 1908 was 75 cents per \$238 of the appraised value of the property, and in 1909 the rate was about 72.4 cents. The rate is fixed by the tax committee. The amount collected in 1906-7 was \$5,523,869.

"There are four classes of industrial taxes, depending upon the capital invested or upon the amount of net annual profit, as follows: Fourth class, from \$357 to \$952 net profit or \$714 to \$7,140 invested capital; third class, from \$952 to \$4,760 net profit or \$7,140 to \$35,700 invested capital; second class, from \$4,760 to \$11,900 net profit or \$35,700 to \$238,000 invested capital; and first class, over \$11,900 annual profit or over \$238,000 invested capital."

The revenue to the city from the industrial tax in 1906-7 was \$2,449,119. The revenue from taxing saloons and department stores is small.

A unique tax is that on the change of ownership of real estate by sale or otherwise, amounting to 1 per cent of the value of improved and 2 per cent of the value of unimproved property, which yielded in 1906-7, \$1,612,974.

The revenue from the city's gas works in 1906-7 amounted to \$1,967,788, from the waterworks to \$785,240; from stockyards and abattoirs to \$189,968, while the 8 per cent on gross earnings of street car lines for the use of the streets amounted to \$819,416 in 1906-7.

The Berliner Electricitäts Werke, a private company which furnishes electric light and power to the people, pays the municipality for the use of the streets 10 per cent of its gross net earnings amounting in 1906-7 to \$899,957.

For the fiscal year 1906-7 Berlin had a surplus of \$3,486,595, a little more than the total receipts from the city gas and water works and the revenue from the 8 per cent tax on the gross earnings of street car lines for the use of streets. It is self-evident that these three necessities of life are used by practically all of the working people of Berlin and that they paid higher prices to yield these net profits. Berlin is the paradise of land speculators in Germany as New York is in this country, while the zone system of fares on lines of transit gives them an exceptional opportunity to confiscate land values.

The income tax both for state and municipal purposes is based upon income from personal property, that is business as well as upon real estate, land and buildings. Even in the case of the real estate tax when there is no income from property, the estimated value by a committee representing a legislative body dominated by realty owners is usually quite low. The 2 per cent on transfer of unimproved property is of course in the nature of a land increment tax although a very low one, but is paid by the purchaser.

The basis of the present fiscal system of Paris was enacted immediately following the revolution of 1789. The taxes are of two classes, direct and indirect. Paris.

The *impôt foncier*, a direct tax on land and buildings, averages about 3.20 per cent and it is paid by the owner of the property, but is subject to a complicated system of temporary exemptions for certain improvements.

The *impôt personnel mobilier* or tax on unoccupied houses is divided into two parts, the personal tax due from the occupant of the premises and assessed upon all residents of France, and the "*contribution mobilière*" or furniture tax, assessed upon the rentable value of the personal domicile.

Paris has also a tax on doors and windows, and a license to transact business assessed upon the practitioners of all professions, trades and avocations except the liberal arts. As part of this tax a percentage is assessed upon the rentable value of the domicile, store, warehouse, shop, factory, etc., occupied by the person taxed as a place of business.

The direct taxes are those based upon the sale, transfer and introduction of articles of commerce which as Mr. Frank H. Mason, United States Consul-General at Paris states, "although primarily paid by the manufacturer, the importer, or the dealer are ultimately paid by the consumer." As Mr. Mason states further:

Consumer the ultimate payer.

"The octroi is considered an annoying and troublesome form of taxation, and is unpopular with the public and costly to administer, as it entails delays at the city gates and employs an army of inspectors and collectors, but it yields in an average year about 109,000,000 francs, or \$21,037,000, a sum which, it appears, this expensive municipality cannot spare or derive from any other source without reorganizing the present system of municipal taxation."

London.

The following comment on the system of taxation in London is made by Consul-General John L. Griffiths:

"The annual rates levied in the different parishes in London vary from \$1.50 to \$2.57 in every \$4.87 of the assessed rental value of the property. There have been fluctuations in the rates from year to year in the different parishes, but they are not as great as might be anticipated. This is owing to a disposition to increase the valuation of the rentals of all property to meet growing expenditures necessitated by the development of new needs and functions rather than to augment the rates. The rates are levied on real property, or rather upon a proportion of its rental value.

Tenant pays the rents.

"The tenant usually pays the rates, or the greater portion of them, so that if the rental of an office, or a dwelling or a business house is \$1,200 a year, he must pay in rates ordinarily about one-third or \$400 more.

"An equalization fund was established for London in 1894. This fund is raised by a rate of about 2½ cents on the dollar of the ratable value levied annually on the whole county of London. The fund so raised is redistributed on the basis of population. A poor district with a congested population and a low ratable value may receive several times as much out of this fund as would go to a more advantageously located district, from a sanitary point of view, in another part of the city with a similar population and a heavier ratable value.

"The greater portion of the revenue required for the carrying forward of the government of London is raised out of rates, but there are also further sources of revenue in the way of market tolls, rentals of corporation property, building fees, contributions by the fire insurance companies to the corps of the first brigade, penalties, costs recovered,

etc., and a certain amount which is received from the imperial exchequer. About 65 per cent of the revenue is derived from the rates, 9½ per cent from imperial taxation, and the balance from other sources.

"The total receipts of greater London, exclusive of loans, of all the local authorities for 1906-07, amounted to \$126,449,949, divided as follows:

Public rate	\$74,918,652
Imperial funds	14,195,250
Tramways	6,921,088
Markets	1,336,988
Electric-lighting undertakings	2,703,132
From other local authorities.....	15,531,022
Other sources	10,843,808

"The expenditures, exclusive of loans, during the fiscal year 1906-7 amounted to \$119,022,146, distributed as follows:

EXPENDITURES.	AMOUNT.
Administration of justice.....	\$801,172
Education—	
Elementary	\$16,894,303
Higher	3,328,900
Electric lighting (other than public).....	1,275,315
Fever and small-pox hospitals.....	2,064,403
Fire engines and brigades.....	1,146,996
Highways, bridges, etc.....	8,663,757
House refuse, removal of.....	1,821,044
Housing of the working classes.....	504,340
Lighting (public)	1,895,351
Lunatics and lunatic asylums.....	3,193,879
Markets	643,327
Parks, etc.	961,052
Police and police stations.....	9,117,554
Poor relief	13,077,639
Sewerage and sewage disposal works.....	2,018,673
Tramways	5,168,661
Loan charges	19,149,230
Other works and purposes.....	11,968,281
Total	\$103,693,877
Payments to other local authorities, etc.....	15,328,269

Grand total

\$119,022,146"

It will be noted that the expenditures for poor relief total nearly one-ninth of the city's total expenditures, and this expense with the cost of lunatics and lunatic asylums and loan charges (what we designate "debt service") was \$35,420,748 or nearly one-third of the total municipal expenditure and one-half of the total receipts from the public rate, of which as Mr. Griffiths remarks: "The

tenant usually pays the rates or the greater portion of them." To the \$8,258,076 receipts from tramways and markets a large proportion of the wage-earning population of London contribute, and the direct result of lowering the standard of living by running these public necessities for a profit, is obvious. It is not strange that Mr. Lloyd-George advocated a land tax as a means of securing some revenue since the landlord "does not contribute a penny out of his income toward the local expenditure of the community which has thus made him wealthy."

TAXATION OF LAND VALUES.

The most important and general method of taxing land values abroad is the land increment tax.

The land increment tax in Germany.

The following summary of the extent and progress of taxing land increment in Germany is taken from the Report to the Special Tax Commission of Illinois by Prof. John H. Fairlie:

"The taxation of the increment of land values was first attempted in a practical way in Germany. A tentative step was taken in 1898 in the German Colony of Kiautschou in China; but this attracted little attention. More general interest was aroused when, in 1904 and 1905, the two important cities of Frankfort and Cologne enacted ordinances for the taxation of the increase in land values. These have been followed by a considerable number of municipalities, including both large and smaller cities. Dortmund and Essen adopted the new tax in 1906; Breslau and Kiel in 1907; and Hamburg in 1908. . . . In Berlin itself, the Board of Magistrates in 1907 proposed the introduction of the tax; but the project was defeated through the influence of the House and Land Owners Association in the Municipal Council.

"In July, 1909, the increment tax was in force in fifteen of the forty-one German cities of more than 100,000 population, and in at least forty smaller places. In all the more important states of the Empire, the higher administrative officials have given attention to improving the details of the tax.

Methods and rates of land increment tax in German cities.

"The several local tax ordinances vary not a little in details; but certain main features appear in all of them. The object upon which the tax is levied is the unearned increase of value of real estate. From the total increase in value, as measured by the differences between the price at a transfer and the price or value at a previous change of ownership, reductions are allowed for the expense of permanent improvements, street building and sewer connections, transfer charges, and sometimes for other expenses. There are certain exemptions, both for some kinds of transfer (as inheritances or judiciary sales) and for small increases in value. The tendency is to tax increases in value of vacant land more highly than those of land which is built upon. Special provisions are often made for a lower tax or for exemption, where the preceding transfer occurred a good many years ago. The incre-

The accompanying table shows the proceeds of the increment tax in a few German cities from 1906 to 1908.

INCREMENT TAX IN GERMAN CITIES.

[From Boldt: Die Wertzunwachsteuer, pp. 120-127.]

NAME OF CITY (POPULATION IN 1908)	DATE TAX TOOK EFFECT	RATE OF TAXA- TION ON IN- CREMENT	PROPORTION OF TAX IN CASES OF LONG PERIODS OF OWNERSHIP		PROCEEDS OF INCREMENT TAX			
			REAL ESTATE WITH BUILDINGS	UNBUILT REAL ESTATE	1905 MARKS	1906 MARKS	1907 MARKS	1908 MARKS
Hamburg, (874,000)	Jan. 1, 1908	1-12 1/2 %	After 30 years three-fourths. Over 5 years 1/2 %.	After 30 years three-fourths. Over 10 years 1/2 %.	.....	.....	.....	1,500,000
Breslau, (470,000)	June 23, 1907	6-25 %	Over 10 years 2/3 %.	Over 20 years 2/3 %.	.....	.....	.....	127,331
Cologne, (428,000)	July 17, 1905	10-25 %	Over 10 years 1/2 %.	Over 10 years 1/2 %.	.....	.....	.....	385,133
Frankfort a. M., (334,000)	Feb. 19, 1904	2-25 %	20-30 yrs. 1 %. 30-40 yrs. 1 1/2 %. Over 40 yrs. 2 %.	20-30 years 2 %. 30-40 years 3 %. 40-50 years 4 %. 50-60 years 5 %. Over 60 yrs. 5 %.	b 833,629 c (353,065)	b 1,104,997 c (632,084)	b 498,183 c (295,535)	b 198,042 c (75,945)
Essen, (231,000)	June 5, 1906 March 18, 1908	3-20 %	Over 10 yrs. about one-tenth for each year; over 20 years no tax, but 2 % addition to Transfer Tax.	None.	.....	90,000	164,000	153,000
Dortmund, (175,000)	Sept. 8, 1906	3-15 %	After 6 yrs. about 10 %; after 15 years free.	None.	.....	78,491	179,757	209,319

^a Additions to Transfer Tax, in place of increment tax where property has been held more than 20 years.
^b Including additions to Transfer Tax. ^c Not including additions to Transfer Tax.

Appeal to conservatism of land increment tax.

ment tax is always levied on the principle of progression—at a higher rate for the higher proportionate increase in value. Minimum rates are from 3 to 10 per cent; maximum rates are from 15 to 30 per cent.

"The rapid adoption of the increment tax in the German cities indicates that this form of taxation has appealed to the conservative officials and members of councils in that country, in spite of the opposition of real estate owners, a class which exercises a strong influence in municipal government. The tax has, however, been in force for too brief a period to demonstrate very clearly what the effective results will be. From the table below, showing the proceeds of the tax in half a dozen of the larger cities, it will be seen that the revenue shows wide fluctuations; and it forms as yet but a small fraction of the income of any city. The largest amounts are for Frankfort-on-the-Main (1,104,997 marks in 1906) and Hamburg (1,500,000 marks for 1908).

"The Imperial Government of Germany has incorporated the increment tax in the new finance legislation of 1909. One of the financial measures passed on July 15th of that year provides that the Empire shall receive twenty million marks from such a tax by 1912. Cities in which the increment tax was in operation before April 1, 1909, will be compensated for five years after the Imperial Act goes into effect by an amount equal to the average annual yield of the municipal tax prior to April 1, 1909. But these compensating payments will be made only from surplus to be realized over and above the twenty millions to be collected for the Imperial Treasury."

Prof. Fairlie summarizes the new land taxes in Great Britain from the Parliamentary Debates, 1910, as follows:

The land increment tax in Great Britain.

"The British Budget for 1909-10 (which finally became law April 29, 1910) provides for new taxes on the increment of land values, on the site value of undeveloped land and on mineral rights.

"A valuation of all real property in the United Kingdom is to be made, as from the 30th of April, 1909; and on any increment value accruing after that date a tax or duty of one-fifth (20 per cent) of that value will be taken on the occasion of a transfer, or a lease of more than fourteen years in the case of land owned by incorporated or unincorporated associations. The increment value is the increase in value by any other cause than the landowner's own labor or capital; but the first 10 per cent of this 'unearned increment' is not to be taxed, nor will the increment duty be charged 'in respect of agricultural land while that land has no higher value than its value for agricultural purposes.' This tax is expected to fall mainly on urban building land and mining lands.

"Another tax, called a reversion duty, of 10 per cent. will be charged on the benefit accruing to a lessor on the determination of a lease of over twenty-one years.

"A third provision imposes an annual duty of one-half penny in the pound (about two mills on the dollar) on the capital site value of undeveloped land exceeding in appraisement \$50.00 an acre.

"The mineral rights duty is imposed at the rate of 5 per cent on the rental value of all rights to work minerals and of all mineral way leaves."

In the speech on the proposed land tax, Mr. Lloyd-George stated, "The yield in the first year will necessarily be small and I do not think it safe to estimate for more than £50,000 for 1909-10. The amount will increase steadily in future years and ultimately become a further source of revenue."

In his Budget Speech, however, he discriminates between agricultural and urban land and between the extortions of urban landowners and owners of agricultural land.

"Agricultural land has not, during the past twenty or thirty years, appreciated in value in this country. In some parts it has probably gone down. I know parts of the country where the value has gone up. But there has been an enormous increase in the value of urban land and of mineral property. And a still more important and relevant consideration in examining the respective merits of these two or three classes of claimants to taxation is this. The growth of the value, more especially of urban sites, is due to no expenditure of capital or thought on the part of the ground owner, but entirely owing to the energy and the enterprise of the community. Where it is not due to that cause, and where it is due to any expenditure by the urban owner himself, full credit ought to be given to him in taxation, and full credit will be given to him in taxation. I am dealing with cases which are due to the growth of the community, and not to anything done by the urban proprietor. It is undoubtedly one of the worst evils of our present system of land tenure that instead of reaping the benefit of the common endeavor of its citizens, a community has always to pay a heavy penalty to its ground landlords for putting up the value of their land.

Distinction between agricultural and urban land.

"There are other differences between these classes of property which are worth mentioning in this connection, because they have a real bearing upon the problem. There is a remarkable contrast between the attitude adopted by a landowner toward his urban and mineral property, and that which he generally assumes towards the tenants of his agricultural property. I will mention one or two of them. Any man who is acquainted with the balance-sheets of a great country estate must know that the gross receipts do not represent anything like the real net income enjoyed by the landowner. On the contrary, a considerable proportion of those receipts are put back into the land in the shape of fructifying improvements and in maintaining and keeping in good repair structures erected by him which are essential to the proper conduct of the agricultural business upon which rents depend. Urban landlords recognize no obligation of that kind, nor do mineral royalty owners. They spend nothing in building, in improving, in repairing, or in upkeep of structures essential to the proper conduct of the business of the occupiers. The urban landowner, as a rule, recognizes no such obligation. I again exclude the urban landowner who really does spend money on

his property; that ought to be put to his credit. The rent in the case with which I am dealing is a net rent free from liabilities or legal obligations. Still worse, the urban landowner is freed in practice from the ordinary social obligations which are acknowledged by every agricultural landowner towards those whose labor makes their wealth."

Dr. Albert Bushnell Hart in the "American Year Book," 1910, summarizes the proposed land tax in the Australian Commonwealth.

"The progressive land tax is the most important feature of the Labor Party program. The tax is to be levied on 'the reasonable market value of the land, assuming that the actual improvements thereon had not been made.' The rates run from 1d. in the pound on estates between £5,000 and £10,000 in value, to 4d. on estates above £50,000. Absentee landowners (including corporations in which more than two-fifths of the shares are held by absentees), pay taxes on the whole value of the property and 1d. extra on every pound of valuation; others pay taxes on market values less £5,000. The usual exemptions are made in favor of land held for charitable, religious, or public purposes. The taxpayer must make his own valuation, which may be amended by a commissioner, who has power also to make independent valuations or to use those made by any state authority. The taxpayer may appeal to the High Court against overvaluation; the commissioner may also appeal to the High Court for a declaration allowing the Commonwealth to resume at the owner's valuation land willfully undervalued. The tax is a first encumbrance and may not be evaded. Mortgagors pay it; the mortgagee is not liable unless he has entered into possession. Willful understatements involve a fine of £500, plus treble tax; and estimates more than twenty-five per cent below the finally ascertained value are deemed willful. The avowed purpose of the land tax, in addition to revenue raising, is to stimulate immigration, and enforce the subdivision of large estates which have never been placed under cultivation."

Several of the provinces of Australasia have increased the rate of taxation on land with the following results. Mr. Arthur Searcy, Deputy Commissioner of Taxes in Adelaide, reports in 1906 the results of increasing the tax on land from ½ d. to ¾ d. in the £:

"Considerable areas of suburban land, formerly the property of large owners, have been subdivided, and many persons have purchased a plot of land for residential purposes and built thereon. For years past there has been a gradual closing up of all vacant land around the city, a great deal of which may be attributed to the land tax, more particularly since the application of additional and absentee land taxes in conjunction with the increased rates of income tax imposed at the same time; but much of the movement would have occurred irrespective of taxation, with gradual growth and advancement of the state.

"The effect on the building trade has been beneficial owing to the subdivision of suburban lands and the building of residences, as previously mentioned.

The land tax in the Australian Commonwealth.

Higher tax-rate on land than buildings in Adelaide.

"In regard to land speculation, the tax must certainly have a deterrent effect, but as a burnt child dreads the fire, so are the people of South Australia chary of land speculation after the losses generally sustained with the collapse of the 'Land Boom' of the early eighties."

Mr. L. S. Spiller, the First Commissioner of Taxation in Sydney, says that by the tax on land:

"Values of residential properties have been reduced principally in the city and immediate suburbs by reason of the development of the more outlying area. Vacant sites have suffered a reduction in value in many districts. The tax has considerably affected land held solely for speculation and has certainly compelled many owners to sell for a lower figure than previously required. In the city and suburbs very little land speculation has been in operation. Buyers now in view of the Land Tax mostly secure properties with the definite idea of speedily making a home, and not as heretofore, waiting for a rise in values.

"In the country the effect has been to break up a number of land monopolies and secure improved conditions of larger and closer settlement with considerable profit to the speculator and advantage to the purchaser."

The Marquis of Salisbury stated before the Royal Commission on the Housing of the Working Classes, in 1884:

"A proposal to remedy overcrowding for which the state is largely responsible by utilizing a gain on enhanced value of land which is due to density of population can hardly be called eleemosynary. It more closely resembles the provision of compensation than the offer of a gift."

The Select Committee on the Land Values Taxation, etc. (Scotland) Bill (1906) favored a higher taxation of land than improvements, and state:

Scottish Select Committee favor higher tax-rate on land.

"The desirability of taking land on the basis of valuation does not depend solely upon the question of the allocation of the burden between parties. The most valuable economic advantages of this reform follow from the change of the basis of rating. We have already referred to the nature of these advantages, which may be thus summarized:

"First.—Houses and other improvements would be relieved from the burden of rating. This would encourage building, and facilitate industrial developments.

"Second.—As regards the large towns, it would enable land in the outskirts to become ripe for building sooner than at present, and would thus tend very materially to assist the solution of the Housing problem. It would also have a similar effect in regard to Housing in rural districts.

"In our opinion these advantages depend upon the alteration of the basis of rating, and are not dependent upon the question as to what proportion ought to be contributed by the various persons interested in the property. Without seeking to minimize the importance of that ques-

tion, we think it right to point out that the taxation of land values is advocated equally by persons who take different views upon this aspect of the question."

Municipal ownership of land.

An indirect method of taxing land values or securing for public use the ground rent of land in vogue in foreign countries, especially in Germany, is extensive municipal ownership of land. This is technically "municipalization" of land and not taxation of land values. It is the avowed intention of many German and Swiss municipalities to own practically all the land within the city, and large tracts outside the city in territory to be annexed as the city's population increases. In addition to reducing the tax-rate or even in some cases enabling cities to conduct government without any tax-rate by the revenue from the municipally owned land, such a policy enables the city, it is claimed, by competing with private land-owners to prevent land speculation, and to keep land cheap and rents low.

The following table gives the acreage and per cent of the city's area owned by several German cities and by Vienna and Zurich in 1908:

	Total Area of City. Acres.	Total Amount of Land Owned by City. Acres.	Proportion of Total City Area.	
			Within City Boundary.	Without Boundary.
Berlin	15,689.54	39,151.28	9.2	240.8
Munich	21,290.24	13,597.02	23.7	37.8
Leipzig	14,095.25	8,406.84	32.3	27.4
Strassburg	19,345.45	11,866.98	33.2	28.1
Hanover	9,677.25	5,674.99	37.7	20.4
Schöneberg	2,338.60	1,633.33	4.2	65.1
Spandau	10,470.37	4,430.79	3.05	42.9
Zurich	10,894.64	5,621.52	26.0	25.9
Vienna	67,477.57	32,062.48	13.4	54.8

It is part of the policy never to part with any land the city acquires so that it may secure not only the ground rental of the land at the time of acquisition but as well the increased ground rental due to the small, but natural increase of the land values with increasing population. Professor Adolph Damaschke gives two cases of cities, one with very low taxes, the other with practically none:

Cities without taxes.

"From Hagenau (Alsace), a town of about 12,000 inhabitants, I received the following particulars: In 1891-92, Hagenau obtained £14,256 from its public land. To this add the produce of the water system, £1,075, and the gas, £850. Local rates and taxes practically negligible on account of these possessions.

"Görlitz (Schlesia) takes the most favorable place of all German towns of over 50,000 inhabitants with regard to local rates and taxes. The total local rates per inhabitant came in 1890-91 to 8 marks 35 pfennigs; in 1891-92 to 8 marks 2 pfennigs; in 1892-93 to 7 marks 28 pfennigs.

"The reason lies in the circumstance that this town has obtained a landed property of 77,127 acres, from which, in 1892, £33,028 went to the common chest."

CHAPTER IX.

Possible Methods of Taxing Land Values in American Cities

The admonition to "hasten slowly" is a short way of saying that evolution is better than revolution in securing social justice which is always, in the long run, economic justice.

The separate assessment of land and improvement values is, of course, the first step to secure a fair assessment even of land values. A bulletin of the Census Bureau states that in the following states of the Union in 1902 separate assessment of land and improvements is provided for: Arizona, Arkansas, California, Idaho, Indian Territory, Indiana; in certain cities only in Kentucky; in Maryland, Massachusetts, Montana, Minnesota, Nebraska, Nevada, may be assessed in New Jersey; in New Mexico, since 1903 in New York; in North Carolina, North Dakota, Ohio, Pennsylvania, South Dakota, Utah, Virginia, Washington, West Virginia, and Wyoming; that is in twenty-six states and territories. Illinois has since made such provision. In very few cities of these states, however, is such separate assessment made.

Separate assessment of land and buildings the first step in adequately taxing land values.

Several methods and degrees of taxing land values are possible:

- 1st. *Lower assessment of buildings than of land, and deduction in assessment for depreciation of buildings through age.*
- 2nd. *A lower rate of taxation on all buildings and personalty than on land.*
- 3rd. *Exempting all buildings entirely from taxation.*
- 4th. *Exempting from taxation certain buildings which conform to a high standard of excellence, either for a term of years or permanently.*
- 5th. *Assessing all public improvements upon property benefited.*
- 6th. *Excess condemnation of land.*
- 7th. *Taxation of increment of land value.*
- 8th. *Municipal ownership of land.*

Taxing land values a question of method and degree.

1ST. LOWER ASSESSMENT OF BUILDINGS THAN OF LAND AND DEDUCTIONS IN ASSESSMENT FOR DEPRECIATION OF BUILDINGS THROUGH AGE.

The Vancouver method of taxing land values.

Proposed Referendum in Missouri on exempting buildings from taxation.

The Chicago Tribune on "Some Variations on the George theory."

Proposed referendum in Seattle, on exemption of buildings from taxation.

Exemption of buildings from taxation reduces a city's borrowing capacity.

This is the method employed in Vancouver where in 1896, 50% of the value of improvements was exempted from taxation; ten years later in 1906, the exemption was increased to 75 per cent, and in 1910 the exemption was made complete. A referendum has been prepared to be submitted to the voters of Missouri, providing that after 1913, no personal property of any kind which does not belong to public service corporations be subject to taxation. After 1913, all owners of improvements are to be entitled to an exemption of \$3,000 on the value of their improvement and by 1922 a sliding scale will cut off all taxes on improvements. It is provided further that no lands except those of public service corporations shall ever go untaxed. The property of public service corporations, real and personal, is to be assessed at its true value and the price it would bring at a voluntary sale and a levy on one-half that value is to be made, but whenever these corporations accept regulation of their charges, and the values of the franchises be so reduced that the companies shall make only a reasonable return on the actual value of their physical holdings, further exemptions may be made. The *Chicago Tribune* reporting on this proposal says editorially: "It will be seen that the amendment contains some variations on the George theory, variations made necessary by modern conditions of business, and the relations of corporations to the state." The poll tax is to be abolished and no licenses to be collected from any business not requiring police regulation, as a further method of taxing land values in Missouri. A referendum vote is to be taken in Seattle next March on exempting 25 per cent of the value "of all buildings, structures and improvements or other fixtures of whatever kind upon land" from taxation in 1912 and 1913, 50 per cent in 1914 and 1915, 75 per cent in 1916, and 100 per cent thereafter.

The exemption of \$3,000 of the assessed value of all improvements from taxation is a favorite proposal to secure a higher taxation on land values, and bills to this effect have been introduced in many state legislatures.

Exemption, moreover, reduces the taxable base of the city, since it may be fairly claimed that although a lower rate of taxation on buildings than on land would not reduce the assessed valuation of the buildings, exemption from taxation would do so, and thereby reduce the borrowing capacity of the city which is limited

usually to a certain per cent of the assessed valuation of real estate. While the desire to run into debt to avoid taxation of land values obsesses owners of land in American cities as at present, it will be difficult to secure any general endorsement from business men of a proposal to limit such extravagant high finance, although they appreciate the justice and advantages of taxing land values higher.

2ND. A LOWER RATE OF TAXATION ON ALL BUILDINGS AND PERSONALTY THAN ON LAND.

It will have been evident by this time that the present rate of taxation of land in most American cities can hardly be called taxation of land values since practically none of the economic rent of land is secured by taxation. Probably the most feasible way for American cities to encourage the construction of buildings and to secure a larger proportion of the cost of city government by taxing land values is to tax land at a higher rate than buildings, although this is not incompatible with reducing the assessment on buildings due to depreciation through age. Just how much lower a rate of taxation on buildings than on land should be sought depends chiefly upon the degree to which the community realizes the justice of such encouragement to industry and check on the confiscation of ground rents by the owners of land. In most American cities there is at present a strong sentiment on the part of tenants, including business men and manufacturers, in favor of this procedure which only needs organization and direction.

Naturally any increase, however slight, in the rate of taxation on land will be opposed by owners of vacant property, and by those who still claim the right to acquire the fruit of other people's labor and industry without paying them for it. It is well known that at present the land and loaning interests control the government of most American cities and are at least almost equally powerful in most state legislatures. It is manifestly better to make any change in the rate of taxation gradual, and perhaps as moderate a change as could reasonably be suggested is that of the New York City Commission on Congestion of Population, that the rate of taxation on all buildings and personal property in the city be made in 1912 ninety per cent of the rate of taxation on all land whether improved or not, and a similar reduction be made in each of the four following years so that in 1917 the rate of taxation on buildings and personal property would be one-half the rate of taxation on all land. This would involve only about the same increase each year in the tax-rate on land that has actually occurred in New York City, for each of the three years from 1907 to 1910, although this increased

Land values in American cities are undertaxed, not taxed.

Rate of taxation on land values will be determined by sentiment against taxing industry, and a community's ability to secure social justice from "its" representatives.

Advocates of "taxation without representation" oppose taxation of land values.

Halving the tax-rate on buildings and personalty in five years a reasonable proposal, and doesn't involve necessarily undue burdens.

Rising tax-rate one test of a successful municipal administration.

tax-rate has been levied upon land and buildings alike, and the assessed value of land has also been markedly increased during the past three years, thus making the total taxes to be paid upon land much higher. Tax-rates in most progressive American cities are increasing now, but industry is bearing an undue proportion of the cost of the enlargement of municipal functions essential to municipal progress and development.

Rate of taxation of land values is adjustable and changeable.

Wall Street naturally against taxing land values.

Conservative organizations in New York City favor halving the tax-rate on buildings.

Heavier taxation of land values the just method of reducing city debts.

It is apparent, however, that it is possible for any city either to stop when the rate of taxation on all buildings and personal property is only one-half the rate of taxation on all land, or to continue the reduction, depending upon the public's control of legislation. It is probable that few communities would decline to continue reducing the tax-rate on buildings after a few years of experience with such lower rate. On the other hand, every community in the country has to guard against the dominance of the great monied interests which can secure the reversal of the policies best for the interests of the community, but opposed to their own special interests. The justice of the "halving of the tax-rate on buildings" has been readily appreciated by a large proportion of New York's voters, although the proposal has been before them for only about four months, but it has been discussed with some fair degree of thoroughness in the metropolitan press and in the scores of meetings throughout the city. The bill providing for the gradual reduction of the tax-rate on buildings as explained above has been endorsed by such conservative organizations in the city as the Citizens Union, the City Club, and the Federation of Churches and Christian Organizations, as well as by many of the most prominent merchants, manufacturers, business and professional men of the city, by all of the largest labor unions of the city, by taxpayers associations and boards of trade, as well as by social workers, including the secretaries of the three largest relief organizations in the city, and by savings and loan associations.

The fiscal policy of a city with reference to meeting its current obligations has a very important bearing on the taxation of land values. This is discussed more at length under fiscal advantages of taxing land values, but should be referred to here. The postponed payments of most cities amount to from one-third to nearly one-half of their current budgets, and naturally the total tax levy would be increased by the amount of such postponed payments as are included in the sums to be raised each year by taxation and from other sources. The inclusion of even half of the postponed payments of any city would materially increase the tax-rate for a series of

years until the termination of heavy interest and liquidation charges for past postponed payments shall offset such increase. In New York City, for instance, the "debt service" is equal now to about one-half of the total annual postponed payments. The inclusion of at least a part of such postponed payments should be part of the effort to tax land values so as to avoid the egregious mistake of Vancouver in keeping such a low tax-rate on land values as not to secure any appreciable part of the economic ground rent. The payment by fifty or even forty yearly installments, of the cost of paving streets, or catching up with a city's needs for schools, parks and other public purposes is contrary to any proper conception of taxation of land values. In a community where the land values represent a large proportion of the total assessed value of the city a larger portion of the deferred payments should be included in the annual budget to be met by current taxation, and at least one-half of the cost now met by such payments should be included when the rate of taxation on buildings and personal property has been reduced to one-half or less of the rate of taxation on all land. The following statement by the president of one of the largest mortgage companies in New York City, regarding the halving of the tax-rate on buildings indicates the advisability of a gradual reduction of taxation on buildings from the point of view of conservative business interests, which admit the injustice of the present system of taxing land and buildings at the same rate:

"Going into effect gradually through a period of five years there should be no danger of unsettling mortgages or wiping out equities, except a possible sentimental effect, while the added fact that the real estate market is quiet and there is no active speculation or building movement would tend to minimize any possible inconvenience to owners of property."

3RD. EXEMPTING ALL BUILDINGS FROM TAXATION.

To attempt to do this immediately in any developed American city would doubtless precipitate a very serious panic since no injustice long established and hence the basis for transactions and business can be changed immediately. That ultimately all taxes upon buildings and personalty will be abolished in American cities is as certain as that it is unwise to attempt such abolition otherwise than gradually. In a new city, however, the case is different. Cities like Gary, Indiana, and other rapidly developing industrial communities might safely start in without taxing buildings at all. This would not, however, be the single tax. On the other hand, the

Postponed payments the ostrich method of concealing municipal expenditures.

A mortgage company president's view of effect of halving the tax-rate on buildings.

The injustice of taxing buildings at the same rate as land can't be ended at once.

writer has suggested to President Taft and Congressman George that the single tax should be tried out in the districts known as Controller Bay.

4TH. EXEMPTING FROM TAXATION CERTAIN BUILDINGS WHICH CONFORM TO A CERTAIN HIGH STANDARD OF EXCELLENCE,—EITHER FOR A TERM OF YEARS OR PERMANENTLY.

Exemptions are contrary to the American spirit of equality.

Aside from the result of exempting buildings from taxation upon the borrowing ability of a city, exemption even of "model dwellings" so-called, is contrary to the American spirit. To be sure there are at present so few model tenements or other buildings in large American cities that their exemption would not seriously affect any city's borrowing capacity, the proposal being entirely different from the exemption of \$3,000 on all buildings and the total exemption of all buildings assessed for \$3,000 or less. Americans are rather keen on equality before the law, theoretically at least always, and vigorously when any one is going to get a better chance than themselves. The exemption of model dwellings moreover puts a heavier burden upon other buildings, and tends to increase rents in them without providing any appreciable incentive to substitute model for unsanitary tenements, unless the exemption is permanent. The question of how long model buildings stay model even when they start out so designated is another point to be considered, since with age even buildings with adequate sanitary provisions tend to deteriorate.

Exempting some buildings puts a heavier tax on others.

Assessment of public improvements on property benefited puts a heavy burden on buildings.

Cost of assessing "benefits" on property benefited is very great.

5TH. ASSESSING ALL PUBLIC IMPROVEMENTS UPON PROPERTY BENEFITED.

In so far as the property upon which the cost of public improvements is assessed is unimproved, land values are taxed by assessment for streets, sewers, sidewalks, parks, etc. These costs are often, however, assessed upon buildings. It is not customary, however, to assess schools, and other public buildings nor rapid transit upon the property benefited thereby, and it is perfectly clear that all of these public improvements benefit property. The attempt to determine, precisely, in cities how much a street increases the value of land in the neighborhood and how much sewers, parks, etc., do so, has been conspicuously unsuccessful. At times the cost of ascertaining the area benefited by a public improvement such as a driveway, and assessing the cost of the improvement thereon with mathematical precision, has been more than the cost of the improvement. The proposal to assess transit lines upon property benefited has been hailed as a solution of the transit problem, since in few instances is the effect of public improvement more immediately and strikingly

illustrated than in the case of transit lines the values of land on such routes being doubled and trebled sometimes in a few years. The increased traffic to the termini of such routes, however, increases land values there, and each additional extension to a line which has its terminus in the center of a great city benefits, not alone the territory through which the lines run, but as well the blocks within walking distance of the terminal. Thus the Hudson Tubes from New Jersey to New York which have a terminal in lower Manhattan increased materially the value of land in the vicinity. The cost of determining how much the increase of land value during the past decade in Manhattan below Brooklyn Bridge is, however, due to the Hudson Tubes, how much to the opening of the bridges, how much to the completion of the subway under the East River and how much to high pressure water service, etc., would be very great. Similar difficulties exist in other cities. Of course, these items can be determined, just as in oriental countries where labor is cheap and women plentiful, women pick all the seeds out of currants to make a delicious smooth paste at the cost of about an hour's labor to a teaspoonful of paste while in countries where time is money, they strain currants.

Determination of area benefited is extremely difficult.

Causes which create land values are very complex.

Land values can be taxed by assessing each separate improvement, and even assessing the cost of schools upon the families in the districts served according to the number of children in the family, but it is a somewhat cumbersome method.

6TH. EXCESS CONDEMNATION OF LAND.

This subject has already been sufficiently discussed under fiscal advantages of taxing land values so that only a passing reference is needed to the fact that the acquisition by the city of more land than is needed for a specific purpose and its rental or resale by the city to recoup itself for the cost of the land to be used by it, has only limited application and is an extremely unfortunate substitute for general heavy taxation of land values, although of value in securing land cheaply.

Excess condemnation of land provides only a partial method of taxing land values.

7TH. TAXATION OF INCREMENTS OF LAND VALUES.

This proposal which is not by any means novel, having been suggested by John Stuart Mill, is feasible, though difficult admittedly of application in most American cities. The working of this tax in foreign countries has already been explained. A small uniform land increment tax or even a moderate progressive tax would not permanently secure a large revenue for a city, but it would have certain additional advantages, such as keeping land cheap as noted in the answers to objections to this method of taxing.

Taxation of increases in land values endorsed by John Stuart Mill.

Taxation Committee of New York City Congestion Commission advocated small land increment tax, and that proceeds be devoted to building transit lines.

Professor Davenport defends land increment tax, but says the single tax doctrine is merely a method for appropriating socially produced values.

Various degrees of taxing increases in land values.

The New York City Commission on Congestion of Population were strongly urged, they state in their report, to recommend an unearned increment tax, and the Committee on Taxation of which Prof. Frank J. Goodnow was Chairman did recommend an "annual increment tax at a low rate, say 5 per cent, the proceeds of which shall be devoted to the building of the transit lines of which the city is in so great need."

Professor H. J. Davenport of Chicago University recently stated:

"The social appropriation of the unearned increment of land values must be worked out not by a tax upon the capitalized worth of the rental income but by direct process against the rental income. Not so much in general purpose and in general principle as in theory and in method is the single tax program defective.

"But even so, the principle is practicable only as applied to location rents. To burden the fertility must work the progressive exhaustion of this fertility. Only the irremovable bases of value can be safely burdened—and this only upon the condition that the position rent be kept strictly separate from the fertility rent. Otherwise the owner will, by the 'skimming' process, deteriorate to the utmost possible extent, with the purpose of transferring his value investment into an untaxed form.

"Rightly understood, the single tax doctrine is not a tax doctrine at all; it merely urges the employment of the tax machinery and administration for the appropriation of socially produced values."

The following table shows the amount and per cent of increase of assessed land values for a year in a few American cities:

INCREASE IN ASSESSED LAND VALUES FROM 1909 TO 1910.		
	Amount.	Per cent.
New York.....	\$115,402,444	2.0
*Chicago.....	43,678,609	4.3
Boston.....	23,189,800	3.5
Springfield (Mass.).....	3,407,080 (1910 to 1911)	6.1
Washington, D. C.....	298,684	0.19
Los Angeles.....	33,999,840 (1910 to 1911)	17.04
Buffalo.....	1,210,595	0.9

The average annual yield, however, of a land increment tax is at best uncertain, depending upon whether the tax is a flat rate, and whether the rate is high or low, whether it is a progressive tax depending upon the per cent of increase of land values, and if so upon the initial rate, the rapidity of progression and whether a large per cent is levied upon all increase above a certain minimum, as well as whether the tax is levied equally upon increases in land values of improved and unimproved properties. Other disturbing

*Average annual increase for the four years, 1907 to 1911.

and not determinable factors may enter into the computation of the yield from a land increment tax. If levied at time of transfer, the rate in foreign countries usually varies according to the length of time since the last transfer, a higher rate often being levied abroad upon land held in the same ownership for a long term of years.

The simplest land increment tax is doubtless a uniform tax levied annually upon all increases in the assessed value of land. This is, of course, possible only in cities where assessments are annual; as they should be in all cities, to ensure proper increased assessments of land, and adequate decrease due to depreciation of buildings.

Deductions should be made in arriving at the increases in value for all expenditures by the owner of land whether improved or not, for transit, sewers, street paving, sidewalks, and any other similar public improvement, as well as for any assessments against property for such improvement. It is supremely important to secure such careful separate assessment of land and improvements as has been secured in New York City by Hon. Lawson Purdy, President of the Commissioners of Taxes and Assessments. The levying of a land increment tax is also much easier where real estate is assessed at its full value. American cities could with fairness secure at least 5 per cent to 10 per cent of the annual increase in assessed land values above expenditures enumerated above. The yield from such a tax would doubtless tend to diminish in a few years if assessments are full value and especially if land values are taxed \$3.00 to \$5.00 per \$100.00 of full value. For a few years, however, such a tax could yield a few hundred thousand dollars in some cities having a population of 500,000 or over, and several million dollars in New York and Chicago, under the conditions that land values are taxed heavily and the Vancouver type of land speculation and "land boom" thereby avoided. The difficulties of imposing a land increment tax are admittedly great but not insuperable.

Although the effects of the land increment tax in Frankfort-on-the-Main are complicated by many provisions as to rates, exemptions progression, etc., it is interesting to note that the yield from this tax which was in 1905, 833,629 marks and in 1906, 1,104,997 marks, fell in 1907 to 498,183, in 1908 to 198,042, and in 1909 to 305,593 marks.

8TH. MUNICIPAL OWNERSHIP OF LAND.

As suggested in the reference to the methods of taxing land values abroad this is technically municipalization of land and not

The simplest land increment tax is a flat rate upon annual increase in assessed values.

Proper deductions should be made.

Municipal ownership of land for public purposes important.

Municipal ownership of land to prevent land speculation a questionable policy.

The remedy for land monopoly is taxation of land values.

Dummy ownership in American cities.

Social evils of land monopoly for unearned increment as serious as use of buildings for immoral purposes.

Concentration of land values in Manhattan.

taxation of land values. Probably no American city now owns as much land as it should have for public purposes, schools and other public buildings, parks and playgrounds, docks and piers, etc., but should secure adequate land for such purposes long in advance of actual need so as to avoid paying the speculative increase of value. On the other hand to acquire enough land to enable a city to prevent speculation in land is contrary to American principles and a very questionable policy. Exercise of the police power through stricter building regulations and through direct and immediate taxation of land values is much more feasible in America, and probably will be, until, at least, we have installed better systems of accounting and administering the business of cities. Even when cities are efficiently run, both as to scope and administration of activities, however, and when special interests, such as transit, gas and real estate companies have ceased to exert their present dominant influence over city administrations, municipalization of land will be objectionable, because striking at the basic principles of private initiative and effort. The remedy for land monopoly is not government ownership, but sufficiently heavy taxation of land values.

INSTANCES OF CONCENTRATION OF LAND VALUES IN AMERICAN CITIES.

Unfortunately the device of holding property in the names of dummies makes it extremely difficult to learn the large owners of vacant or improved land in American cities, and the extent and value of their holdings. The desire of some few people to conceal the fact that they own property because of its condition or the use to which it is put is sufficient explanation of such concealment of ownership. The social evils resulting, however, from land monopoly to secure unearned gain in American cities are well nigh as serious as those resulting from the most immoral uses of improved property. While large acreage holdings in the outlying sections of a city are not so valuable as a single plot in a built-up section, the first represents prospective unearned value, the second actual unearned value, in private possession. It is frequently asserted that there is no land monopoly in American cities, but the following figures prove the existence of monopoly either of land values or land acreage or both in several American cities. This data has been secured from various reliable sources, chiefly city records.

NEW YORK CITY.

Eight families, estates and corporations recently owned about one-nineteenth of the assessed land value of Manhattan, *i. e.*, one-

nineteenth of \$2,707,862,301. The total population of Manhattan is now nearly 2,500,000.

Twenty-three families, estates and corporations owned about one-ninth of the total area of the Bronx, *i. e.*, of 26,017 acres.

In 1910, fifty-seven families, estates and corporations owned about one-sixth of the land in Richmond, about 6,000 out of 36,600 acres.

One real estate corporation with stockholders all over the country advertises that it owns or controls 20,000 lots in Brooklyn on future subways and on five-cent fares, ten times the amount in the control of any other corporation or individual in that borough, and that the assessed value is \$15,000,000.

Several companies and individuals own 50 to 500 acres each in Queens, and one company recently owned nearly 1,000 acres here.

CHICAGO.

In 1907, the full assessed value of the sites of the following nine well known buildings in Chicago, The Marshall Field Retail Dep't Store, The Fair, Palmer House, Siegel, Cooper & Co. Dep't Store, Auditorium Hotel, Congress Hotel, Republican Office Building, Champlain Office Building, Stratford Hotel, was \$29,182,370, out of a total full assessed land value for the city of \$3,039,056,694, or nearly one one-hundredth.

Messrs. Raymond Robbins, a member of the Chicago Board of Education, Philip Angelen and John C. Harding, former members of the board, made the following statement in 1909:

"In 1818 the United States Government gave the square mile between State, Madison, Halsted and Twelfth Streets to the state of Illinois, to be held in trust for the support of the public schools and the education of the children of Chicago.

"Except for one block, between Madison, Dearborn, State and Monroe Streets, nearly all of this square mile was sold about seventy years ago for less than \$40,000.

"Within fifteen years after it was sold this square mile was worth six million dollars.

"To-day its value is hundreds of millions of dollars (without improvements).

"The rent from this square mile of land would be sufficient to support for all time the entire school system of the state of Illinois without an additional dollar of taxation."

Concentration of acreage holdings in the agricultural borough of Richmond.

How land monopoly increases taxes.

BOSTON.

Mr. C. B. Fillebrown gives the following statistics for Boston:

Concentration of land values in Boston.

"The assessed value of land in Boston in 1907 was \$652,995,300, while the land at the southwest corner of Winter and Washington Streets was assessed at \$537,600, or one-twelve-hundredth of the total value of land in Boston.

"The total valuation of the land on both sides of Winter Street, including the lands on the Tremont and Washington Street corners, was \$5,142,600 in 1898, and this has increased to \$8,272,000 in 1907.

"This represented an increase of 58 per cent in value in the nine years that this privileged area represented approximately one-eight-hundredth of the total assessed land value of the Hub."

The net funded debt, city and county, of Boston, January 31st, 1909, was \$72,036,984.50.

WASHINGTON.

SOME LARGE HOLDINGS OF LAND IN THE DISTRICT OF COLUMBIA.
July, 1910.

	Acreage.
A	224.88
B	145.00
C	341.63
D	476.33
E	342.09
F	152.00
G	148.00
Total	1,830.53

Washington belongs not to the nation, but to a few families there.

About 7 per cent of all the land exclusive of parks, governmental reservations, streets and exempt land, is owned by seven families, companies and estates. Over 10 per cent of the 44,800 acres in the National Capital is owned by seventeen companies, families and estates.

The assessed land value of the site of the New Willard Hotel was in 1908, \$472,144 out of a total assessed land valuation for Washington City of \$114,673,401, *i. e.*, the site of this one building was worth about one two-hundred and forty-third of the site of the National Capital.

BUFFALO.

The total value of land in Buffalo, (assessed at about 100 per cent of its real value) was in 1910, \$168,130,110; of improvements,

\$160,592,425 (excluding exempt property), total, \$328,722,535 exclusive of franchises.

Site of one block in Buffalo, worth one two-hundred of city's land values.

The assessed land value of the site of the great Ellicott Square Office Building, covering a block, was \$845,200, that is, about one-two-hundredth of the total assessed land value.

CONCLUSION.

The most immediate, practical, economic, and just, method of taxing land values in American cities—in which land and improvements are separately assessed—is a heavier rate of taxation on land values through a lower rate of taxation on all buildings and personalty.

Halving the tax-rate on buildings and personalty within the next few years is the next step towards securing freedom from existing land slavery. The total exemption of buildings and personalty from taxation will properly and naturally follow gradually. The land increment tax, despite its great administrative difficulties, is a practical and universal method of recovering for the community its fair share of the community created and earned land values. The other methods enumerated are limited in their application, or cumbersome at best, and do not conform to the American standard and ideal of equality and justice, although temporarily feasible. Heavier direct taxation of land values and a land increment tax will furnish adequate revenues for every American city and be the most effective step that cities, as governmental entities, can take, to exterminate poverty and to regain their cities for the people.

How to secure freedom from existing land slavery.

Heavier direct taxation of land values and a land increment tax will yield adequate revenue.

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Table Showing the Adequacy of Taxing Land Values Alone for Municipal (and in Some Cases County) Budgets in a Few Cities of the United States, Exclusive of Expenditures Met by Postponed Payments, for the Years 1910 or 1911. Tax Rate per \$100.00 Valuation.

CITY	ASSESSED LAND VALUE	RATE OF ASSESSMENT ABOUT	TAX-RATE TO MEET BUDGET	FULL LAND VALUE	TAX-RATE TO MEET BUDGET
*New York	\$4,001,129,651	90%	\$3.94	\$4,445,699,612	\$3.52
Buffalo	169,340,651	Full Value	4.55	.....	.....
**Chicago	395,911,111	33 1/3%	14.66	1,187,733,334	4.88
Boston	652,995,300	83 1/3%	4.64	783,594,360	4.11
Springfield, Mass	48,704,680	Full Value	3.76	.....	.....
*Worcester, Mass	47,022,750	Full Value	4.88	.....	.....
†Kansas City, Mo.	60,355,420	50%	5.12	120,710,840	2.56
Washington, D. C.	151,711,966	66 2/3%	8.34	227,567,949	5.55
Omaha, Neb.	12,218,695	20%	12.83	61,093,475	2.56
Los Angeles	199,441,225	50%	2.14	399,882,450	1.07
Milwaukee	99,502,195	60%	7.64	155,836,985	4.87
†Grand Rapids	29,293,165	Full Value	4.57	.....	.....

* Includes county budget.

** Assessment about one-third, is rather low.

† Value of land taken as 50% of total value of land and buildings.
Washington and Boston figures for budget taken from "Brooklyn Eagle Almanac."

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