

of men without return. There is no just way to acquire wealth except to give an equivalent of work for it, and it is not within the power of a human being to give an equivalent of work for what is in these days considered a fortune. These things we must fight tooth and nail. The fight against poverty is one with the fight against riches, for they are co-relatives.

When Christ said, "It is easier for a camel to pass through the eye of a needle than for a rich man to enter the kingdom of heaven," He simply put in the emphatic form of Eastern metaphor a statement of fact as coldly true as the statement that two parallel lines never meet. And so it is utterly impossible in this, or in any other conceivable world, to abolish unjust poverty without at the same time abolishing unjust possessions. This is a hard word to the softly amiable philanthropists who, to speak metaphorically, would like to get on the good side of God without angering the devil. But it is a true word nevertheless." (pp. 307, *The Science of Political Economy*, by Henry George).

BOSTON'S UNCOLLECTED NATURAL INCOME.

ITS NATURE, ITS AMOUNT, AND WHAT BECOMES OF IT.

(*For the Review.*)

By JOHN S. CODMAN.

It is pretty generally assumed that a city like Boston has little or no income essentially its own, and that it must, therefore, resort to the taxation of its citizens in order to pay its expenses. But is this assumption correct?

Are there not certain values in Boston, as in every community, which are directly due to the presence and activities of Boston's population and to the manner and amount of its expenditures public and private; but of which no part can be attributed to the presence or activity of any one individual or group of individuals? If so, do not these values clearly constitute a natural source of revenue for Boston which should be exhausted before the taxation of individual wealth be resorted to?

The above questions must be answered in the affirmative; and if we then inquire into the nature of the rental value of land exclusive of improvements, or "ground rent" as it is usually called, we shall see that it is a value such as has been described above.

The ground rent of any piece of land is the sum which annually is paid or willingly would be paid, for possession of the bare land alone, and it does not include anything paid for the use of buildings or other improvements upon the land. It is obviously, then, a value due, not to any effort upon the part of the owner or user of the land, but to the size and character of the

population of the community and to the location of the land with reference to the activities of such population. In other words the ground rent of a piece of land is the exact measure of the value of all the business and social advantages which may be enjoyed by whosoever has the privilege of its exclusive use.

WHAT BECOMES OF BOSTON'S GROUND RENT?

Ground rent is then a publicly created value and is therefore the natural fund from which the city should obtain its revenue. It is shown below, however, that the ground rent of Boston was in 1914 at least 50 million dollars, but that only 25% of this, or 12½ millions was collected by the city, while the balance of 37½ millions went into private pockets. In order to make up the deficiency in revenue, it was then necessary to raise 15 million dollars in taxes on individually created wealth; or directly on persons; and this was done by confiscating a portion of the value of all buildings, commercial or residential; of all machinery or stock in trade; and of stocks, bonds and other forms of intangible personalty and finally by forcing from each male citizen of age the payment of a poll tax of \$2.00 whether he owned any property or not.

The above figure for the total ground rent of Boston for the year 1914 is estimated as follows:

The value of the ground rent is directly related to the selling value or market price of the land, the two tending to rise and fall together; and roughly speaking, this relation is such that the ground rent is sufficient to pay the current rate of interest on the market price and also the taxes. The tax rate in 1914 was \$17.50 per \$1,000, that is 1.75%, and if we assume that the current rate of interest was 5%, then we can take the ground rent as equal to 6.75% of the market price of the land. Now the assessed valuation of the land of Boston in 1914, exclusive of that to which the municipality itself held title, was \$783,329,800, and if we assume that this was the market price, then the ground rent indicated would amount to 6.75% of this value, that is to \$52,800,000.

It is probable, however, that the assessed valuation of the land was less than the market price and this would indicate a still higher value for the ground rent; but on the other hand, it is fairly certain that the market price is partly a speculative or inflated value, that is, it is partly determined by the expectation of a future rise in ground rents; and, if so, the present ground rent is less than the market price of the land would indicate. It would seem safe to suppose, nevertheless, that the ground rent of the land could not have been less than \$45,000,000, and this very conservative figure is therefore assumed, adding to it \$5,000,000 to represent the annual value of the franchises granted to public service corporations for the use of streets, thus reaching the total of \$50,000,000.

‡ Of this great sum, the proportion collected by the city was only 25% or 12½ million dollars, this being the actual amount collected in the form

of taxes on land values. The remaining $37\frac{1}{2}$ million dollars was retained by the land owners.

PRIVATE APPROPRIATION OF GROUND RENT A TREMENDOUS BURDEN ON THE PEOPLE.

Now it is a mistake to suppose that this private appropriation of ground rent is anything else than a tremendous burden on the people, and a form of tribute to the owners of the land. This is true even though in very many cases individual land owners may gain nothing from the privilege of private appropriation, and may even lose by it for the simple reason that in purchasing the privilege from the previous holder of the land, they may have paid too high a price.

The only reason why this is not perfectly obvious is because the land owners are numerous, because the privilege they have of collecting ground rent is bought and sold on the open market, is used as collateral for loans and as the basis of bonds and stocks, and because we have been born and brought up to consider the system a natural one. If the land of Boston were all owned by one man or by ten men, or even by one hundred men, it would be perfectly obvious that those few men were appropriating in rent the earnings of the population as a whole.

And now in order that we may see even more clearly how the privilege of absorbing ground rent is a burden on the people of Boston, let us imagine a privilege of a somewhat simpler nature granted, let us say, to some individual in Colonial days and continued to this day for the benefit of his heirs and assigns. Let us suppose that in those days a certain individual had been granted the privilege of receiving annually from the city \$50 for each head of population, with the right also of selling or giving away this privilege in whole or part. If we had been foolish enough to allow this privilege to continue until the present time, it would now be worth about \$30,000,000 annually; and if it were still held by one individual who had inherited it from the original grantee, it would now be perfectly plain that that individual was enjoying a princely income contributed entirely by his fellow citizens.

It is more likely, however, that such a privilege would not have been handed down to one individual. The original grantee would have divided it among his heirs and these again would have divided their proportions of the privilege, or in many cases would have sold them for what they would bring in the open market. At the present time then, there would be no one individual collecting an annual tribute of \$30,000,000 from the people of Boston, but this tribute would be paid to many individuals, perhaps 10,000 of them, some getting \$100 a year, some \$1,000, and a few perhaps \$100,000 to \$200,000. It might be that in the greater number of cases the holding of such a privilege would represent an investment of cash paid by the present holder to the former holder of the privilege. Again some fraction of the privilege might be the sole source of income of a poor widow, or it might be that titles to the privilege would in many cases be the security for loans made

by savings banks, insurance companies and individuals. But if such were the case, would any or all of these things make the payment of \$30,000,000 annually to the holders of the privilege any less a burden upon the workers of the city today than if paid to one individual; and would these earners be bound to continue a privilege which had been granted through the folly of their ancestors before any of the present population was born? I think it is safe to say that if such an obvious privilege existed today, the citizens of Boston would set about getting rid of it at once and without much regard to so-called "vested rights" which would then be evidently "vested wrongs."

But the privilege of collecting and keeping ground rent for private purposes is just as much an unjust and oppressive burden on the people of Boston as the imaginary privilege described. It amounted last year, as already shown, to at least \$37,500,000, which is equivalent to about \$60 per head of population. And while they contribute this sum to the land owners, the people of Boston contribute in addition to the government of city and State \$15,000,000 in taxes, the expenditure of a great part of which on city improvements will still further increase ground rent, thereby still further increasing the tribute to the land owners.

What are the people of Boston going to do about this? Or rather, since the problem is nation-wide, what are the people of the United States going to do about it? The ground rent of the United States is estimated to be \$4,000,000,000, that is about \$40 per capita, and probably one-half of this, or \$20 per capita, goes to the land owners. Will the people of the United States continue to carry indefinitely this burden, so plainly reflected in the high cost of living? Will the wage-earners, (and by wage earners I mean all those who work either with head or hand, from the captain of industry commanding a large salary down to the unskilled day laborer), will they be willing to continue indefinitely to give up a part of their earnings in tribute to the land owners? The indications are that the people of this country are beginning to wake up to the absurdity of the situation and many communities have already taken steps, small ones to be sure, but nevertheless real ones, in the direction of reform.

PRIVATE APPROPRIATION OF GROUND RENT NECESSITATES PARSIMONIOUS GOVERNMENTAL EXPENDITURE.

The turning over of the greater proportion of ground rent to private individuals, that is, to the land owners, not only necessitates taxation which would otherwise be unnecessary, but since all the taxes actually collected are considerably less than the total revenue which might be had from ground rent, there results an entirely unnecessary parsimony in the spending of money by the government for the benefit of the people as a whole. This is particularly true of the great cities which need a large revenue. Failing as they do to collect their ample natural income, they are obliged to resort to taxation and there is, naturally and properly, under the circumstances, a constant fight to keep the tax rate down, either by putting off needed expenditures, or by piling

up burdens for future generations through borrowing money for present improvements.

What could not the City of Boston do with the lost \$37,500,000 of its natural income now diverted into private pockets? It needs better dock and harbor facilities, better transportation facilities, better kept streets, better educational opportunities, more parks and playgrounds. All these things, we could have if we only held onto the income which is ours; and furthermore, if the money were spent in the above manner, the increased ground rents resulting would still further add to our revenue. In other words, if the city took for itself the greater part of the ground rent of the land and spent it for improvements, it would then have not only the improvements, but an increased revenue due to increased ground rent. Under the present plan, however, of taking only a small proportion of the ground rent, taxes must be levied on industry, houses and personal property, and when these taxes are spent to improve the city, the resulting increased ground rent goes in greater part to the landowners and in only a small part to the city.

In the two years between April 1st, 1912, and April 1st, 1914, the assessed value of the taxable land of Boston advanced approximately \$21,000,000. This increased value accrued to the landowners and was only a little less than what they paid in taxes on the land, while merely the chance to tax this increased value at less than 2% was afforded the city. The reader can easily judge for himself which of the two, the land owners or the city, obtained the milk of the cocoanut. And yet it was the presence and the industry of the people of the city as a whole which created the value in question.

RELIEF TO BE OBTAINED FROM THE ABOLITION OF TAXES ON INDUSTRY AND THRIFT.

But even if we did not take for the city the whole of the lost thirty-seven and one-half million; but only enough, that is, \$15,000,000, to enable us to give up taxing buildings and other improvements on land as well as personal property, tangible and intangible; think what it would mean to get rid of these taxes on industry and thrift! They weigh heavily on every one of us today whether we individually pay anything or not directly to the tax collector. Taxes on buildings and building material add to the cost of building, and to the building rents. Taxes on the buildings, machinery and stock in trade of manufacturers and dealers add to the cost of production and distribution of goods and hence necessarily to the price we must pay for them. No greater mistake can be made by anybody than to suppose because he does not pay taxes directly that he escapes the burden. The burden is actually most heavy on those who have no property but depend from day to day on their earnings, since the taxes add to the cost of everything, and the purchasing power of their earnings is thus reduced.

Relief from the taxation of improvements and personal property in Boston would mean a tremendous stimulus to business and hence to the growth of the city. It would mean improvement in the character of the

buildings. No longer would a builder be penalized through taxation for the extra cost of a fireproof factory or a sanitary tenement. It would mean an increasing number of manufacturers locating in Boston to do business, accompanied by an army of employees whose purchasing power would stimulate trade, increase city ground rents and hence would still further increase the city's revenue.

With all taxation of improvements, personal property and polls eventually abolished and the greater portion of ground rent being taken by the city a manufacturer coming to Boston and employing many hands would benefit the city by increasing its revenue through increasing ground rents, and the city in its turn would benefit the manufacturer by spending the increased revenue for the city improvements.

But what happens today when such a manufacturer locates in Boston? He increases ground rents, but benefits the city only a little, as the increase goes largely to the private owners of the land; and on the other hand, the city has only a little additional revenue to spend for the benefit of the manufacturer and therefore must visit him with taxes.

PRIVATE APPROPRIATION OF GROUND RENT CAUSES ARTIFICIAL SCARCITY OF LAND.

The most serious objection, however, to our system of permitting land owners to take for themselves the greater proportion of ground rent is not because it necessitates the heavy burden of taxation. It is not because it results in undue parsimony in the expenditures of government. It is not because it paralyzes industry and thrift, although for these reasons there is abundant justification for abolishing it. But it is because it makes it profitable for the landowner to hold valuable land without properly using it, thereby creating an artificial scarcity of land for use, with the consequent strangling of production. This fact is at the bottom of our unemployment problem, is the fundamental cause of strikes and low wages, and finally is the primary cause of poverty itself, that great breeder of disease and crime, and the curse not only of the poor but of all of us, rich and poor alike.

This aspect of the question, however, is too large a one to discuss within the limits of this article. It is sufficient to point out that the vacant or unimproved land of Boston as given in the Annual Report of the Assessing Department for 1913, page 64, amounts to 54% of the total area of the city, and that it is assessed for \$70,000,000, a sum 38 per cent. greater than the assessed value of all the land of the city of Worcester.

HOW TO COLLECT A GREATER PROPORTION OF BOSTON'S GROUND RENT.

From the above it is clear that Boston not only is entitled to collect, but very much needs to collect a larger proportion of its ground rent, and the simplest method of doing so is to increase the rate of taxation on land values. Furthermore, if this is done gradually and is accompanied by a gradual exemption from taxation of other things now taxed, the desired change can be brought about with little or no disturbance.