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CHAPTER I.

THE LAND QUESTION AND HOUSING REFORM IN AMERICAN CITIES.

Summary of Chapter.

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.

ALLEGED OBJECTIONS TO HEAVIER TAXATION OF LAND VALUES.

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.

ECONOMIC REASONS FOR TAXING LAND VALUES HEAVILY.

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.