

with his choice. The essential thing is that he chose with high courage. He was one of the leaders of a "forlorn hope." A title of such courage in some of our public men who know the source of our troubles and the remedy for them, would give us leaders for a movement whose triumph sometime, somewhere, with or without them, is as certain as tomorrow's dawn.

Automobiles Increase Land Values

MR. MACAULEY, of the Packard Motor Company, in a recent statement says:

"There is another gauge on the value of the automobile to the farmer. During the twenty years before the motor came, that is, up to 1900, the population of the United States increased at the rate of 2½ per cent., while farm values went up \$400,000,000 a year. During the next sixteen years, which had not yet given the farmer the full advantage of motor transportation that has come since, but which did mark the arrival of the passenger car on the farm, the population increased only 2 per cent. a year, but the average farm values increased \$1,300,000,000 a year. This means that during twenty years without automobiles the population increased 50 per cent. and farm values 57 per cent., while during sixteen years with automobiles the population increased 33 per cent. and farm values 100 per cent. This gives a difference of about \$900,000,000 a year, a total of \$14,400,000,000 in value due largely to the automobile, for this one branch of industry alone! The total capital invested in the automobile industry in 1919 had not reached the size of this increase for a single year!"

The New York *American* makes this comment:

"Next to some inconceivable agency that would supply the farms with free fertilizer, free labor and free live stock, nothing could be conceived of that would do more for farm values in this country than has been done by the automobile. Think of more than FOURTEEN THOUSAND MILLION DOLLARS added to land values by one single agency."

To the extent that the automobile has increased the facilities of distribution it has been a benefit to the farmer; to the degree that it has increased land values it has been of no benefit to the farmer who is not a landowner, and little benefit to the farmer who is.

There is perhaps too much of the *post hoc ergo propter hoc* fallacy in Mr. Macauley's argument, since a lot of things have happened in those sixteen years in addition to the appearance of the auto, but it is safe to assume that motor transportation has increased the market facilities of the farmer, while it has also enormously increased land values. If these values were taken for the benefit of the farming communities everywhere where such values have arisen, it would be an unmixed blessing. But as it is: "To whosoever the soil at any time belongs, to him belong the fruits of it. White parasols and elephants mad with pride are the flowers of a grant of land." So goes the Indian maxim. It is good political economy.

Decrease of Land Values in Manhattan

WE quote the following from the *Real Estate Record and Guide*:

As the result of a letter written by Nathan L. Ottinger to *The Record and Guide* and which appeared in the issue of June 4, pertaining to increases of land values in Manhattan, considerable interest in the matter was aroused among its readers which is reflected in a letter by Carlton Robinson in reply to the argument of Mr. Ottinger. The latter stated that there were fewer tenement houses in this borough because land values were constantly rising and that more land was being used annually for business purposes.

In his letter Mr. Robinson says that as everybody is interested in the housing problem he is looking for light on the subject; and he is surprised at Mr. Ottinger's statement that land values are constantly rising. He says that if they are "the Tax Department does not seem to be aware of it." He continues: "Ten years ago, according to the *Brooklyn Daily Eagle*, real estate in Manhattan was worth \$5,037,872,685; today, according to the same authority, it is worth \$5,186,771,887, or \$150,000,000 more, or about 3 per cent. increase altogether in ten years. But the value of new buildings erected in ten years must have been vastly more than that sum, so that, as I figure it, land values must have greatly diminished in ten years, without taking into account the depreciated dollars in which they are computed. As Mr. Ottinger makes this supposed fact of increased land values his main contention, how can his conclusion be correct?"

This paper, as a result of the colloquy, has made inquiries at the Department of Tax and Assessments. The situation as developed by the figures shows that Mr. Robinson is correct when he says that there has been a decrease of land values.

Assessed real property valuations had not increased markedly until 1911, when, during the administration of Mayor Gaynor they became higher than ever before. The assessors call it the banner year of high values. Vast municipal improvements were being carried on and projected. Assessed values continued high throughout his term and during the first two years (1914-1915) of Mayor Mitchel's term. In 1916, however, real property valuations in Manhattan decreased in the sum of \$51,000,000; in 1917, \$66,000,000; in 1918, \$20,000,000, and in 1919, \$14,000,000. In 1920 property values ascended, gaining \$27,000,000 over the previous year; while this year, 1921, will show the marked increase of \$234,000,000 in round numbers. These figures also include taxes on real estate corporations and special franchises.

The comparative figures between 1921 and 1911 follow:

| | Land | Buildings | S'pl. Franchises | R. E. Corps | Total |
|------|--------------------------|---------------------------|--------------------------|--------------------------|---------------------------|
| 1921 | \$3,061,515,951 | \$1,743,568,195 | \$267,947,816 | \$113,739,925 | \$5,186,771,887 |
| 1911 | 3,114,812,658 | 1,517,740,852 | 324,651,100 | 80,668,075 | 5,037,872,685 |
| | \$53,296,707 Decrease | \$225,827,343 Increase | \$56,703,284 Decrease | \$33,071,850 Increase | \$148,899,202 Increase |

The above quotation from the *Record and Guide* will be of interest to our readers as instancing the fact that the steady upward march of assessed land value in the kernel of New York has had a check and that in 1921 it is \$53, 296,707 less than in 1911. It will also amuse our readers to observe what a poor hand the presumably expert *Record*

and Guide makes of explaining the figures. Of course the population of Manhattan fell off about 50,000, but this was not the main factor in holding land values stationary or causing them to recede. Even if the population of Manhattan fell, the rest of the city grew and New York as a whole had 850,000 more people in 1920 than in 1910. Under normal circumstances that number of people should have added about \$1,250,000,000 to the value of the city's real estate but only about \$150,000,000 was added to assessed value. What became of the rest? A billion has to be accounted for. We do not have to go far to seek it. The city budget grew \$182,441,129 between 1910 and 1921 and that made the tax rate grow. So that it may safely be said that the increase in the budget for the past decade absorbed practically all the increased land value, which the increased population created during the same period.

So it is not true that real land values decreased—they grew. What did decrease was selling value, which the man in the street often mistakes for land value. If this process continues, as it must, it is bound to create a situation which will force attention. We are limited as to tax rate; with a diminishing tax base the 2% rate will be insufficient to meet municipal needs. Of course, we must anticipate a great effort by real estate interests to prevent the removal of the limit, though in the long run they will be the heaviest losers if it is maintained, for no community really thrives where adequate municipal services are not provided and there is no other method of raising taxes for local purposes which in the long run is not more injurious to real estate interests than direct taxes on real estate. This sounds like a paradox but is true nevertheless.

An Enlightened Public Official

HON. THEODORE S. FETTINGER, president of the Newark, N. J. Tax Board, contributes an article to the *Newark Evening News*, of September 9. In it he outlines a tax programme. It embodies (1) a recommendation for a land value tax to supply the bulk of revenue; (2) a per capita tax on males and females over 21; (3) income taxes very limited in extent and incidence.

Mr. Fettinger says:

"A tax on land alone is stoutly advocated by a growing group of thinking men. Their proposition has the merit of at least being basically sound and, aside from the proposed income tax, the only taxing plan that is worthy the name that is being seriously advocated.

But we may not be ready for a plan so drastic as the Single Tax. At least the plan is not very generally accepted. It is, however, made a basic part of the plan here advanced as feasible and practical and easy of adoption by any State in the Union.

The tax on people is not distinctly new, but the reason for its being levied and the method of apportioning it is perhaps novel.

The income tax is approved by most people and some think it should be the primary tax, but this plan regards it as a secondary tax—one that should be levied at the

will of each community, when necessity or conditions warrant, and not used as a penalty for prosperity.

It may be essential in the adoption of such a plan as here outlined, for the State to levy, in addition to the taxes proposed, taxes upon railroads and other public utilities, to raise revenue to defray the cost of extraordinary State enterprises, although a proper application of the land tax should take care of the public utilities' contribution to the State's revenue.

It also may be necessary for municipalities to require license fees for the establishing of certain classes of business, or for their regulation and restriction. Such taxes or licenses would be optional with each community, according to its own requirements, and could be regulated by local ordinances."

Under a sub-heading, "The Primary or Fundamental Tax," Mr. Fettinger well says:

"The tax on land is intended to supplant the tax now generally imposed upon improved realty, including the homes of the people and their contents, the industrial establishments and their machinery and raw materials, the stores and their merchandise and personal possessions generally.

The land tax should be made to yield revenue sufficient to pay the fundamental expense of government, the acquirement of property and the upbuilding of the material side of the State, county and city, such as construction of water works, sewers, canals, highways, docks, bridges; the building of schools, hospitals, asylums, fire houses, police stations, etc.; the payment of interest on bonds and their redemption and the creation of a reserve fund for emergencies.

Land is the one permanent form of property; it is always in evidence—immovable; can be measured and zoned scientifically; its possession is a monopoly of a common heritage, bequeathed by the Creator to all humanity; it is the primary source of all property, all wealth."

Mr. Fettinger condemns the taxation of improvements in the following terms:

"Since all wealth comes from land, private ownership of it should be paid for in proportion as it enriches the holder. Taxing land will tend to bring much waste land into use and encourage improvements of every kind, whereas taxing other forms of real estate and possessions generally tends to discourage improvement and places a fine on the merely thrifty and a penalty on the enterprising home-owner, manufacturer or merchant.

We want factories. We want stores and offices and theaters. We want attractive homes. Why put up a tax barrier against them?

Tax placed upon buildings, be they residential, mercantile or industrial, is a tax upon development, enterprise and progress.

Tax levied upon raw materials, ready for conversion into goods, or upon manufactured goods, or personal possessions, be they furniture, clothing or luxuries; or wealth the result of thrift, is and must of necessity be obnoxious, because it is virtually a fine imposed upon those who practice the virtues classed as essential to a well ordered life and a successful community."

On the personal property tax Mr. Fettinger says:

"It is the opinion of almost all who have studied tax questions that the tax on personalty is not a just tax and should be abolished.