



(1) State of Iowa

House of Representatives

FORTY-SEVENTH GENERAL ASSEMBLY

Des Moines

L. R. CLEMENTS
MARION COUNTY
HOME ADDRESS—HARVEY

COMMITTEES

MINES AND MINING,
CHAIRMAN
AGRICULTURE
BOARD OF CONTROL
COMMERCE AND TRADE
LABOR
PUBLIC UTILITIES
RAILROADS
ROADS AND HIGHWAYS

Submitted by L.R.Clements, Harvey, Iowa.

THE Problem.

A Plan and Remedy presented to the Committee of National Resources, to consider: "The reduction of the rate of taxation on buildings and corresponding increase of such rates on land, in order to lower the tax burden on home-owners and the occupants of low-rent houses, and to stimulate **rehabilitation** of blighted areas".

THE REMEDY.

By means of the taxation of the values of land, save and excepting the value of improvements thereon.

- (1) Land means all natural resources.
- (2) Taxation means the entire amount necessary to sustain government.
- (3) Improvements mean all values added to land by human labor, directly or indirectly.

OBJECT OF THE REMEDY.

- (1) To benefit the owners and prospective owners of homes by relief from taxation of improvements, the results of human labor, thereby greatly encouraging home-ownership, with all its comforts and luxuries which add to human contentment.
- (2) The elimination of blighted and unhealthful locations and buildings, with consequent disease and poverty, not

only to their occupants, but also indirectly in the care of the occupants from poverty and disease resulting from such conditions.

(3) To restore to all men by a system of taxation, the right to the use of the resources of the earth, from which all life comes, and from whom it has been taken by speculative monopoly of land by means of unjust taxation of improvements. This has resulted in loss of homes, both rural and urban, and millions of unemployed with its inevitable result of growing poverty with vast increase in abject poverty in blighted areas.

NECESSITY OF THE REMEDY.

It can be safely assumed that home-ownership low rental homes, abolishment of unsanitary houses are not only desirable but absolutely necessary for the welfare and prosperity of any people. Statistics show that home-ownership is rapidly declining, and as one of the results growing abject poverty with the curse of blighted and slum areas; that one third of the people of the nation are "ill housed". All this, it must be conceded, is destructive of good citizenship. The history of all nations in all ages show that the prime cause^{of} the decline and fall of all can be traced clearly to the decline of home-ownership of the common citizen, and the consequent breaking down of incentive for good government. It is well known that what is called "real estate" in the United States, which is taxed for State and local purposes, improvements compose much the larger part of the values so taxed. It is clear

just how and why thousands who owned homes lost them largely because of taxation of improvements, while owners of vacant lands (site values) largely escaped taxation, with the result that 40% of urban holdings are now idle waiting the unearned increment that the community gives to these holders. We are ^{the fact} facing that as wealth increases poverty deepens; that millions of home-owners are feeling the direful effects of unjust taxation of the products of their labor; that millions of would-be home-owners are shut out from acquiring homes because of speculative and monopolistic control of land for homes, and because continuing taxation would follow on both land and improvements; that the increase of blighted areas shows appalling abject poverty; that one half millions new homes are now required to fill present shortage and more millions for future demands. Blighted areas, poverty and land tenancy can be traced clearly to our present land system. Figs cannot be gathered from thorns, nor grapes from brambles.

FEASIBILITY OF THE REMEDY.

In considering this, a clear distinction should be drawn between the natural resources of the earth, (land), and human labor applied to land for the production of wealth in all its forms-agricultural, industrial, mineral and distributive. This distinction may be stated as follows:

- (1) That which nature provides is for the use of all men.
- (2) That which the individual creates belongs to the individual.
- (3) That which the community creates belongs to the community.

From these distinctions can clearly be drawn the line governing

taxation of land values as distinguished from values created by men and communities. This remedy is feasible for these reasons:

- (1) It bears lightly on the production of wealth.
- (2) It is easily and cheaply administered compared with present vast and expensive collections of many other kinds of taxes.
- (3) It has the elements of certainty and equality.
- (4) It would remove the incentive for law breaking and evasion on the part of tax payers now almost universally prevalent.

The correctness and justice of any remedy can best be judged by comparison with other proposed remedies. Contrast this proposed remedy with that of the Federal Housing acts, loaning quasi-municipalities and others funds, then selling to would-be home-owners, which with added amortization, would be a high rate of interest per annum. It is apparent that such buyers will pay high speculative prices for sites, then construction costs added, resulting in taxation and interest on both site and improvements, and would be a continuing taxation. The same would be true in construction for rental purposes, and it should not be forgotten that the tenant pays the entire bill. What an army of government job-holders would be required to supervise and protect its interests? In comparison with this, the remedy proposed in addition to its ease of administration, and the elements of certainty and equality, would be that of greatly increased and secure home-ownership. Site values would fall, as the site value^{tax} would be the same as improved sites of like location. It is hard to think of a better remedy for the present deplorable conditions that are rapidly^{sapping} the life out of the best incentive for good citizenship, the hope of

democracy. It would clear the fog of muddled planning for housing relief now so prevalent, and give a clear view of the real cause of this economic disease. *Over thirty housing project set-ups are now started.*

EFFECTS OF THE REMEDY.

Some of the effects of the remedy would be:

- (1) An enormous stimulation for home-owners to improve, and would-be home-owners to build homes, by and with the assurance they would not be penalized by taxation on their improvements. The same would be true of blighted locations and buildings; decent homes would be built, as the site value tax would be the same as like locations that are improved.
- (2) It would take the government out of the private construction business with all its attendant difficulties, which greatly increase the burdens and machinery of government, which is apparant to all.
- (3) Idle holdings would as a consequence rapidly disappear, as rental values would be taken for expenses of government. Such resources are held out of use, admittedly, for increased values given by the community, with all the blighting effects of this greatest monopoly known to man, and are the foundation stone of all lesser monopolies.

Again contrast the effects of what this remedy would accomplish with that of the present government guarantee of loans made through the Home Owners Loan Corporation, With loans made on speculative and often fictitious site ~~values~~ prices, and taxation of improvements added, the natural result has been that in three

years 118,000 foreclosures have been made on such involving \$460,000,000, and increasing at the rate of 50,000 per year. Various schemes have been devised as a result of numerous "surveys" by boards and commissions for the construction by municipalities of homes and the eradication of blighted areas. They have the fatal result of unloading on communities by speculators, locations at high fictitious prices, defeating the end at which aimed - construction of low cost homes. The proposed remedy eliminates the speculator in idle locations.

JUSTICE OF THE REMEDY.

It is just because: The resources of the earth is for the use of all men. When Jefferson declared that among the inalienable rights of men were, "life, liberty and the pursuit of happiness", much more was meant than the mere legal right to exist, but he meant by "life" the right to access to all the resources of nature to sustain it, without payment of tribute to monopolizers of what is so essential for life.

It is just because: It would return the heritage of millions of homeless in the nation to the resources of nature, the values of which they created, and from which they are deprived by unjust taxation. The hope of the homeless would be realized.

Respectfully submitted,

March 19-1938

L.R. Clements,
Harvey, Iowa.