Federal Highways Pay for Themselves

by RUSSEL CONKLIN

THERE is no doubt that land value soars wherever highways are built. This increased value is more than enough to pay for construction. The only trouble is that the return is not paid into the fund that finances the construction. Under our present system this newly created value is a totally unearned gift to landowners who happen to have title to land nearby. Instances are many of lots bought for $500 which sold for $5,000 after roads were built.

This income in reality belongs to the state because it is created by the residents of the state. If the state would, at the outset, take its rightful share of the newly created income, there would be no need to tax the buildings and personal property which the improvement attracts to that locality. It would, in fact, be more reasonable to reward those who later create more wealth by building and investing their capital in productive, employment-producing endeavors.

Certain speculators learn where to buy the land which will speedily increase in value, because it is hard to keep a public secret. Everybody talks about the new road long before a yard of dirt is moved. But let's suppose the state held the land at its pre-construction price. Then when the highway was built, the land was auctioned off. Is there any doubt that the "profit" would be sufficient to pay the construction cost?

Better still, suppose the state kept the title to the land and auctioned off leases. Then the continuing high income would not only pay the original cost, but would pay for upkeep as well. What a bonanza! Public highways with no gas or tire tax! No tolls either. Perhaps they would even show a profit. Nice business for the state. They might even take off the personal property tax and let us own, without further penalty, the cars we have already bought.

This can be done *without* the state owning the land, by using a simple, direct and just method of taxing the increased value of the properties.

First, assess the annual income of all land along the route at the value it had *before the road was planned,* by taking the going rate of interest on the average selling price. Next, determine the annual rent of sites *after* the road is completed. This figure will have to be revised from time to time as it will probably continue to go up. Subtract the first figure from the second and tax the land this amount. All landowners will now have the same income they had before construction, and all the new value created by building the road will go to the state that built it.

Such a tax would take only the income that *comes from nowhere.* Simple logic tells us that if one person is getting unearned income, some other person is *not* getting earned income. And to take from one to give to another is socialism in its worst form. Taxes to build the highways are now levied on capital and labor, and the newly created income from the construction goes to the landowners who in most cases have done nothing to bring it about. To tax land, or more properly *the rent of land,* costs nobody anything because it is now included in the rent paid, or the return from the money invested in the land. It is not an additional item of cost but merely a transfer of the rent of land from private individuals to public use. Remember, the new income resulting from public improvements did not even exist before the improvements were made.

If anyone doubts the existence of these fabulous new values, he need only price the land before the highway is built and again after it is completed. Here is a tremendous fund of income that is created by *people,* which the community should rightfully claim. Nobody is hurt. And if this new levy were used to supplant taxes on capital and income, everybody would benefit. Capitalists and laborers especially would benefit by the removal of taxes from their capital and labor investment at the improved site.

Too simple? Too easy? Perhaps, but you can't beat it for fairness. And *goodbye Mr. Speculator!*

LAND TAX VS. LAND VALUE TAXATION

Russel Conklin, who is now campaigning for a seat in the Montana State Legislature, writes that in his opinion the words "land tax" or "tax on land" describe our proposal more accurately than the phrase "land value taxation." He notes that Henry George stated in "The Single Tax" that the remedy we propose is not a "tax on land, for we would not tax all land, but only land having a value." He points out, however, that since all property taxes have always been on an "ad valorem" basis, the word value is understood. "Nobody ever proposed taxing anything that had no value. No such tax could ever be collected. Furthermore, the use of the word value in connection with the land tax may be misleading. Carried to its ultimate conclusion the single tax would destroy all 'value' of land, in the normal sense of the word."

The former mayor of Great Falls has observed that to most people value suggests market value or selling price, and adds that "if land taxes were the only taxes levied and the full ground rent were taken by taxation, the land would have no market value. Our proposal is therefore more of a 'use' tax than a 'value' tax, since we propose to tax the rent and not the capitalized value, which ordinarily means market value." What do you think?

THIS IS HOW IT'S DONE!

In a world where the airwaves are literally steaming with ill will, it is pleasant to report cheering news like the following. You have all heard Georgists, as they gather over the coffee cups, complain that though they know and teach how money is made by means of land speculation, no one ever stoops to such a practice.

This, we must report, is not strictly true, although in the case at hand the student of Henry George may not have foreseen the result. Perhaps we should give him the benefits of the doubt and say it was purely coincidental.

Marc Schneider of New York moved out to Annondale, New Jersey nine years ago and bought an acre of land for $250. A neighbor, who had been living there for a few years, bought his for $100 (so maybe he *did* have an inkling). Today Mr. Schneider is helping his friend, a real estate dealer, write provocative advertising copy about the land adjacent to his own. It is being offered at $3,000 an acre.