

Some Thoughts About Brick-bats

ADDRESSED TO
GEORGEISTS, LAND LEAGUERS, SINGLE TAXERS

FOR lo, these many years, we have indulged in a game, which furnished no genuine amusement, nor did it ever make a lasting friend. There is absolutely nothing constructive in the game of throwing brick-bats. If anything, it is definitely destructive, as in the questionable art of breaking windows.

That the aim of the throwers of brick-bats has been poor, may be attested to by its lack of results. They have been heaved at those, both in and out of the fold, without benefit, in bad taste, and have not produced a worth-while thing.

Enlightenment should be the aim of those who have "seen the cat" and in analyzing the word we find its principal component to be light. Does a broken window pane admit more light?

Any person who even whispers the name of Henry George, should be encouraged. That he is unwilling to go all the way, is not a reason to refuse his company for part of the journey. That he may be unable to fully comprehend the philosophy, is not altogether his fault. To us, it is so very simple. To him, it is still so complicated; and now that we have the facilities, let us teach him, and show him, how he too, may be able to "see the cat."

"Habere Amicos Est Fidele"—to have friends, be friendly—and *how* we need them! The old method cannot make converts today. The new method—teaching, patience, tolerance—has brought to the fold a personnel wholly inaccessible heretofore.

Let there be light, but not by breaking windows. Brick-bats laid in mortar within the wall constitutes their only constructive employment.

Interesting Correspondence

FROM THE VERSATILE DR. SMALL TO THE
VERSATILE DR. FRANKLIN, AND HIS REPLY

FROM the letters to Benjamin Franklin preserved at the American Philosophical Society, Philadelphia, we learn that Dr. Small, besides being a British surgeon, was interested in agriculture, horticulture, apiculture, ventilation, pickling of sturgeon, new ways of uprooting trees, poor rates and politics. Like Franklin, he was many-sided. Benjamin Franklin was eighty-one when Dr. Small wrote to him from London, July 3, 1787:

"Should auld acquaintance be forgot. We are ourselves growing old, and therefore have little time to lose.

"I was in hopes that when you returned to your country, I might have observed by the laws you would have established, that you had retained some of Mirabeau's

Patriotic Principles, which are more extended in the Tableau Economique. Nations do not sufficiently advert to that truth that all taxes are finally paid by the land. Merchants and Manufacturers pay double the tax they are charged with on the Several Articles taxed. The Consumer therefore pays so much more than the real value of the article. Establish therefore all your taxes on the land. Laying taxes on imports is in fact taxing yourselves.—Render Philadelphia a free Port, and it will soon become the center of the American Trade. You will by this means be ever free of those Locusts, the Officers of the Revenue. Why banish the Loyalists when the country was settled in peace? I see nothing of the liberal disposition of Dr. Franklin. I shall ever retain a most agreeable remembrance of the many happy hours enjoyed in Your Company."

To the above, Dr. Franklin replied as follows:

"I have not lost any of the principles of political economy you once knew me possessed of, but to get the bad customs of the country changed, and new ones, though better, introduced, it is necessary first to remove the prejudices of the people, enlighten their ignorance, and convince them their interests will be promoted by the proposed change; and this is not the work of a day. Our legislators are all landholders; and they are not yet persuaded that all taxes are finally paid by the land . . . therefore we have been forced into the mode of indirect taxes, i.e., duties on importation of goods."

Incentive Taxation

ADDRESS DELIVERED BEFORE THE PUBLIC SERVICE FORUM

CHARLES H. INGERSOLL, Director

BROADCAST OVER RADIO STATION WBIL, MARCH 5, 1939

BY WALTER FAIRCHILD OF THE NEW YORK BAR

Chairman, GRADED TAX COMMITTEE

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WOULD you be in favor of making a man pay a penalty for providing other men with work? That may sound like a ridiculous question, but that is just the way our present real estate taxes operate. In this day and age, when every government is using its greatest ingenuity in trying to put men to work, New York City continues to use an obsolete taxing system which penalizes the man who expands his business and provides more jobs. The real estate tax today operates in this way: If you give three men jobs for a year in the construction industry, paying them about \$1,500 each, you will have to pay an additional \$125 in taxes.

Perhaps you think that is not true. But here are the facts of the situation. For a lot that you buy in the suburbs for \$900 you pay a basic real estate tax of about \$25. You are going to build a house on it. The house will cost about \$4,500 for labor, materials and fees. This

is equivalent to providing three men with jobs for a year at an annual wage of \$1,500. As soon as the house is finished, your taxes jump from \$25 a year to \$150 a year—an increase of \$125, or \$40 a year for each man you gave a job. This is the penalty you pay under the present system of real estate taxation for wanting to establish your family in New York City. Tenants pay the same amount in their rent. Every time fifteen hundred dollars is spent to give a man in the building industry a job, the tenant or home owner must pay \$40 a year tribute to the government.

It sounds crazy, and it is. But it is the truth.

This is a tax on production; it is a destructive tax, and acts to prevent construction. Its effects, therefore, should and must be eliminated. The way to eliminate the evil effects of this tax is to eliminate the tax.

That may sound drastic to you. Perhaps the first thought to enter your mind is that nearly a third of the city's budget is raised from this tax on construction. If that tax is eliminated, how is the city to get the money to pay its teachers, firemen, police, etc. I intend to go into that quite fully. We propose an alternative which will bring no curtailment of city services and result only in a more equitable distribution of the tax burden. But first I seek your agreement that a yearly occupancy tax of \$40 per family, a tax which goes on and on and on just so long as you are a tenant or home owner, cannot be considered as giving you any incentive to provide more jobs. Every new apartment, every new home which is built, must pay that tax forever under the present tax regulations.

All of us would like to see the unemployed at work in private industry. We must, then, seek a way of stimulating industry to put men to work. A tax of \$40 a year for each man employed in the building industry is no way of stimulating the construction of homes.

If that tax were eliminated, if the tenants or home owners were not required to pay this building or labor tax, there is every reason to believe there would be more building. There would certainly be more incentive to build.

We come back to the problem of collecting enough taxes to maintain the existing city services, police, firemen, parks and schools. If we eliminate the tax on building labor, and do not replace it, the city will lose about 240 million dollars a year. To prevent that loss, I suggest a change from the ordinary real estate tax to what I call a real estate land monopoly tax.

I have already pointed out that home owners and tenants pay five times as much taxes on their homes as they do on the land those homes stand on. Although this is true for home owners and tenants, it is not true for the city at large. Taking the entire city, as much taxes are paid on the land as are paid on the buildings. The value of taxable land is about eight billion dollars, approximately the same as for the city's buildings.

We propose that the same amount of money be raised from the real estate monopoly tax as from the obsolete real estate tax.

Our idea of the real estate monopoly tax is based on the fact that the use of land is a monopoly privilege. Land is a natural monopoly. Only a limited quantity of it exists, and nothing we do can make it more or less. Man's privilege is to make the land produce. When a man buys land he buys the privilege to use that land in whatever manner he chooses. He buys the monopoly privilege to the use of that land. So long as he creates nothing which will harm or unduly inconvenience his neighbors—and local laws and regulations govern this—he may do whatever he pleases with the land. He can plant a flower garden or grow potatoes; he can build a bungalow or a mansion. The man who has title to land has the monopoly privilege of using that land.

But you wouldn't expect a man of sound mind to buy land in Times Square and grow potatoes there. He could do it if he wanted to, but that is not likely. When a man buys land, he buys it for one of two reasons: He either wants to use it for himself, for his business or his family, or else he wants to get a profit out of selling it at a later date. The first is a proper use; the second is abuse of a monopoly privilege. Houses cannot be built without land. People who use their real estate monopoly privileges to keep land from the market and to get high land prices are blocking revival of the construction industry.

To stimulate the construction industry, to stimulate employment, incentive taxation on the monopoly privilege of land exploitation is necessary. At the same time, the tax on building production, the tax which prevents construction, must be removed. Incentive taxes on the monopoly privilege of land use will encourage lower land prices and proper use of land.

The real estate monopoly tax would not lessen the amount of taxes collected from real estate. It would shift the tax from the buildings to the land. It would essentially abolish the tax on buildings and almost double the tax on land. It would be fair because all sites would be taxed in accordance with their value. Under the present system a land monopolist pays only one-third, or less, of the taxes paid by nearby owners. Under the real estate monopoly tax, the payments would be more nearly equal. The land monopolists would pay higher taxes and the tenants and home owners would pay less. Higher taxes would be paid only by those property owners who exploit the labor of the community in order that the land they hold, or use improperly, may sell at a higher price.

Nine out of ten people who live in New York City would benefit by this modern form of taxation. Its essence is contained in two bills now before the City Council, the Belous-Quinn Graded Tax bills. This is how they would affect you in dollars and cents.

Whether you are a tenant or property owner you pay in real estate taxes about \$30 a room a year. Five dollars of that pays for the land tax; \$25 pays for the building tax. If the building tax were eliminated but your land tax doubled, you would have to pay only \$10 tax for each room yearly—a saving of \$20 a room. In other words, if you rent a three-room apartment, the landlord could afford to reduce your rent \$5 a month. If you are the average home owner, with a six-room house, you would save about \$120 in taxes each year.

It is high time tenants and home owners awoke to the fact that they are being burdened with an undue part of real estate taxation. They are paying too-high taxes because unproductive land speculators are not paying their fair share of taxes. The high tax payments of tenants and home owners help make more valuable the land monopolized by speculators who pay low taxes. Home owners and tenants are paying taxes which should be paid by the land monopolists.

Throughout the nation people are coming to the conclusion that the way to increase our national income is to produce more goods. But, if we want to produce more homes, if we want to give jobs to many hundred thousand building workers, we must have land. And the land we need for those homes is being held for high prices by land speculators. They hold more than half a billion dollars worth of vacant land in New York City, in addition to many acres of land worth millions which is improperly used and therefore improperly taxed. Every penny of taxes paid by home owners and tenants helps make that vacant land more valuable. As that land becomes more valuable, speculators become more miserly and refuse more definitely to let their land be used in return for a reasonable price.

But we can help those land exploiters change their minds. We can provide them with an incentive to let their land be used in return for reasonable payment. We can do this by passing the Belous-Quinn Graded Tax Bills. These would result in the land taxes being almost doubled. When land speculators have to pay three millions in taxes for their vacant land, they will do everything within their power to get a return from that land through use of it. And what land they themselves cannot use, they will be glad to sell at a reasonable price to someone who wants to use it.

The passage of the Belous-Quinn Graded Tax bills will stimulate the building revival. With lower land prices it will become more possible to build low cost, and therefore low rent housing. Lower land prices combined with elimination of building labor taxes will spell the end of the slums. Lower land price plus the real estate monopoly tax will result in large-scale building and re-employment of building trades workers now on the relief rolls; and for every two building trades workers

who get jobs it is good to remember that three others in related industries also get jobs.

However, what may interest you and me most is that passage of the Belous-Quinn Graded Tax bills will mean that we will pay \$5 less each month to the landlord.

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H. G. S. S. S. Activities

ANOTHER of the scheduled programmes of the School's Public Forum was held on Sunday, May 7. A very interesting lecture was delivered by Mr. Walter Fairchild on the "Economic Aspects of Land Titles." Mr. Fairchild is well qualified to discuss that subject because of his various affiliations with organizations interested in promoting a wider dissemination of a simple solution to the examination of land titles. He is a member of the New York Bar and President of the New York Torrens Title League. He is also an experienced lecturer, being connected in that capacity with Cornell University, Yale School of Law, New York University Law School, Brooklyn Law School and St. Lawrence University. Mr. Fairchild's lecture at the Public Forum was accompanied with about 100 natural color slides, showing contrasts in development of apartment houses, old tenements, large commercial buildings and rookeries. Parks, play grounds and vacant lots were shown to emphasize the contrast between the beauty and the blight of a great city. All the slides depicted conditions within the confines of New York City. The Forum was well attended and many remarked upon the exceptional artistry of the photography as well as Mr. Fairchild's presentation of the subject.

There are no lectures scheduled to be held during the summer months. For the coming fall season, there is now in contemplation a programme providing for Forum meetings, one each week, instead of monthly as heretofore. All of the Public Forum meetings held thus far have been so well attended and so well received, that it is not at all surprising that the demand for more frequent meetings should be so universal. Mr. Herman Ellenoff, under whose direction these meetings have been held, deserves a great deal of the credit, not only for their inception, but also for the high standard he has set in the subjects for discussion and the quality of the lecturers.

It is also of interest, though belated, to speak of the very successful social function held on April 22 at the Palm Garden, 306 W. 52d Street, New York City. This affair took the form of an entertainment and dance, which was sponsored by a committee of the school's graduates, headed by Mr. Burt Levy as chairman. The Master of Ceremonies, on the stage, was Mr. A. B. Thomson, who,