

Reprint of a paper read at the Fourth National Conference on Housing in America  
at Minneapolis, Minn.  
October 7, 1915

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Taxation and Housing  
The Taxation of Privilege  
By  
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The housing problem is one aspect of the problem of the distribution of wealth. Howsoever deep the motive which impels the housing movement, its success can be achieved only through the operation of cold unfeeling economic law which shall govern and effect a more just distribution of wealth.

Only by its aid can capital, through improved planning and reduced cost of building, bring suitable housing within reach of labor's ability to pay.

The solution of the housing problem is bound up with the conciliation of labor in its alleged conflict with capital, a condition which cannot come about until the distribution of current wealth shall be between the two factors labor and capital, *per se*, instead of as now between these and a third factor, privilege, that is, capital allied with monopoly. In this way only can the fangs of privilege be drawn. Capital of itself has no fangs.

The burden of our contention is that privilege is the bane of the social situation, and that its abatement and gradual abolition should be sought. In proportion as the perquisites of privilege are transferred to the wage fund, in that proportion will the housing perplexity cease to perplex, and there is no point upon which it is more important that the public mind should be clear than upon this.

The *Century Dictionary* defines privilege as "A special and exclusive power conferred by law on particular persons, or classes of persons, and ordinarily in derogation of the common right." The popular conception of privilege is that it is the law-given power of one man to profit at another man's expense.\* The principal form of privilege is the appropriation by individuals or by public service corporations, without adequate payment therefor, of all or a large share of the economic rent of land, which rent is created by the growth, activity, and expenditures of the community. After this major privilege come the minor ones connected with patents, tariff, and the issue of currency.

\*p. 148. This and subsequent page references are from *The A B C of Taxation*, C. B. Fillebrown, Doubleday, Page & Co. 1909.

"But," you will ask, "how can the treatment of privilege contribute to the solution of the housing problem?" And we answer, "By the gradual abatement or abolition of privilege through

taxation." A tax upon privilege has everything in its favor, since it is conceded that such a tax can never be a burden upon industry, nor can it ever operate to reduce the wages of labor or increase prices to the consumer.

The immediate tendency of the taxation of privilege would be to transfer to wages that portion of the current wealth which now flows to privilege. In other words, it would widen and deepen the channel of wages by enlarging opportunities for labor, while increasing the purchasing power of nominal wages through reduction of prices. On the other hand, it would abate privilege by requiring the man who has a privilege to pay for it, the fair inference being that so far as privilege is paid for, it ceases to be a privilege. A betterment of wage necessarily follows the taxation of privilege. Fifty percent would be a conservative estimate of the betterment to wages which might be secured in this way.

The main approach to a fair distribution of wealth lies along the line of fair wages and fair prices. But what are fair wages and fair prices? Practically and substantially fair prices are prices unenhanced by privilege, and fair wages are wages undiminished by taxation. Under such a *regime* wealth that now goes to privilege will be gradually diverted to the wage fund so that eventually instead of the two channels of distribution, wages (counting interest as the wages of capital *per se*) and privilege, current wealth, that is wealth as it is created, will finally flow into the one channel of wages — wages of capital, of hand, and of brain.

Above and beyond the value of franchise privilege, which in a final analysis is itself a land value, there is one thing, viz.:— the private appropriation of the net rent of land (total ground rent less taxes) which constitutes the bulk of all privilege and which is of gigantic proportions. Various careful estimates agree that out of the total wealth of the United States much more than fifty billions of values are socially created but privately appropriated. On a five percent basis this would amount annually to \$25 per capita, or an average of \$125 per family of five, which of itself explains the constant increase in the cost of living. In large cities where reliable statistics are available, these figures run far higher. The people of the city of Boston pay for the use of Boston land more than fifty million\* dollars annually. The city now takes of this amount more than ten millions in taxation, leaving about forty millions net rent to be privately appropriated, every dollar of which represents labor value. This would amount to say sixty dollars per capita, or the very considerable sum of three hundred dollars per family of five.

\*p. 18.

So much for the thing to be done, but how about a *modus operandi*?

Not only have presidents spoken and written freely on the abridgment of privilege, but many proposed government measures have been aimed at its accomplishment. Without invading the field of politics, we may note that republican Wall Street and democratic Tammany, the chief exponents of nonpartisan privilege, were simply evicted from the Baltimore Convention, and many administrative achievements so far have been in keeping with that initial action.

Congressional Trust bills have sought not to curb business but to curb privilege. The fall of New York, New Haven & Hartford from 279 to 43 in the Wall Streets of the country means little to the traffic or the travel of the people who use the road. The railroad still remains and its

legitimate

business remains. It does mean everything to the stock market, the dealers in privilege, to speculators in and forestallers of labor and skill and brains. Administrators keep right on "running the road" however many the millions that may have been filched from widows and orphans, or however many manipulators of privilege, posers as benevolent patrons of enterprise, may go to the wall. Every curb to privilege means relief to labor from payment of dividends on water. Every abridgment of privilege means just so much carried to the credit side of the wage account, and this it is that has immediately to do with the housing problem.

The record of the National Administration so far affords striking indorsement of the Jeffersonian principle of "equal opportunities for all, special privileges to none." This is what states and statesmen ought to mean by "equality before the law." Without this, "equality before the law" is a juggling phrase. Only so far as privilege is expunged from the statute can there be any approach to our vaunted "equality before the law."

People are awakening to the fact that for enormity of proportions, for unconscious, unintentional but aggravating injustice, the private appropriation of ground rent is more devastating than all other privileges put together, and is "against public policy." Think for a moment what have been the extensions, accelerated exploitations, ramifications, and encroachments of privilege in the brief period of fifty years; how it has batted upon the fruits of labor which ought in justice to have gone to the nourishment of labor. What is needed is a distinct change of tendency. Agitation in this direction has been under way for some years, and during the twelve months past it has penetrated or inoculated almost every business field, up to the dead line at which every reform halts, viz.: the land, which seems to be the sacred stopping place in the advance upon every social enemy. The significance of this fact appears to have escaped the attention even of non-privilege presidents. When people outgrow the pagan fetish that the rent of land should go to the few instead of to all, when they realize that, taking Boston for an example, the worship of this fetish costs its people annually not less than three or four hundred dollars per family — five or ten times more than the worship of the true God — then monopoly's line of battle will vanish like the morning dew.

Under the tax laws of today every Boston man as occupier bears an equal yearly tax burden on the house he lives in at the rate of \$18 per thousand. Why should not the owner of Boston's land bear the same tax burden at the same rate of \$18 per thousand upon his investment now confessedly free of the burden, thus putting the house man and the land man on the same basis, that is to say, proportionately reducing the income of each. To the above extent taxation may be applied for the solution of your housing problem at once, and without a shadow of injustice to the land owner.

Such impartial rate on house owner and land owner, of which a generation of even limited foresight might easily have given us today full realization, would mean twelve million dollars more of economic rent (or say \$80 per family) to the good of the people of Boston. Fifteen or twenty years would be ample for the gradual accomplishment of the rectification of things, and land owners would scarcely be aware of the change, more especially since it would usually be more than offset by the natural advance in the value of the land.

Let it be borne in mind that we have been speaking of the ultimate possibilities of the taxation of economic rent, "the taking by the community for the use of the community of that which is the creation of the community." It is claimed for this process that it will gradually effect the lockout of privilege while unlocking to labor the doors of opportunity. Reflect for a moment what it would mean to labor if Boston should make an intelligent and earnest start to renew the imperfect housing even of its business, to say nothing of its people. We are trying to present to your prophetic eye the final beneficent results which a just tax system can be trusted to work out without any overturn to person or institution or society. No sudden shock is contemplated, but rather respect for the feelings of the land owners, from whom as a class a full share of help may be counted upon. This general plan, if adopted, will, it is believed, directly set in motion two tendencies (i) the reduction of harmful monopoly to a point of innocuous "privilege" (2) the enlargement of the wage fund to a point of fair proportional distribution. Just at what point these opposing tendencies will meet in stable equilibrium only time can tell. The vital thing is to lose no time in beginning. There is no reasonable excuse why a start should not be made directly in this year 1915. A generation ought to work wonders. We are sometimes met, however, by the sober question, "Where is the housing capital to come from?" Naturally it should come out of a superabundance of its own by which it would be self-constrained to broaden and extend its field of investment to include the humblest of housing. As fast and as far as capital's field of investment is narrowed through the restraint of privilege, just so far will it have to find a way, or, what is more in keeping with its responsibilities, make a way to occupy itself in the very necessary dividend paying but now neglected work of housing the millions, the easy accomplishment of a generation or two. We may confidently look to a new incidence of taxation to enable the millions to pay the actual ground rent of the land and interest on their houses. Today they are not able to bear monopoly charges and needless taxes upon houses.

The habits and limitations of capital are patent even to the casual observer. Its first preference is for land speculation, including natural resources, franchises that are addicted to extra dividends, and the watering of stocks. Already an oleaginous hand of the capital octopus is plainly apparent in business consolidations. The first direct attention of capital to the housing problem is of comparatively recent date and has resulted, in Boston, in the seemingly complete solution of the problem of "office" housing — in a complete hegira of tenants from chambers and garrets that were out of date even in ante bellum days, to quarters of perfect modern comfort and utility. But at this stage capital seems to have halted for rest and refreshment. Here, again, Boston has a ready explanation in that office buildings offer a tempting rent roll at comparatively small land investment.

Up to now, capital, it may be said, has had little to do in the way of looking around for jobs. Individuals have had to do the searching. When the New York, New Haven and Hartford Railroad and many other wide open doors to big investments and big profits begin to shut by legislative compress, then capital, by pressure of its own accumulation, may, after the housing of general business, turn to the humbler employment of the housing of its artisans and laborers. The increased taxation of land will operate as a double incentive. It will invite capital to a sound investment at a fair rate of interest; it will also constrain it to make improvements in order to secure income from the land out of which to pay the land taxes.

The housing of Boston's general business, which requires comparatively less capital but still more brains, is just now beginning to receive attention. Chicago has one model department store, Marshall Field's, model because it has room. There are but few notable model department stores in the cities of the United States because room cannot be had except at exaction prices in dealing with one or twenty estates. Nine-tenths of Boston's mercantile business is still literally fighting for room to expand.\* Much of Boston's business is still housed behind, as it were, portable or shifting galvanized outsides.\*\* In the apartment and tenement housing is found a parallel to the housing of business.

\*p. 150.

\*\*pp. 60-61.

After providing the well-to-do apartment house (without children) and the moderate tenements, capital shies at working down to the foot of the list, but leaves the finishing stroke, the housing of the humblest laborer, as a problem for society and the social worker to solve. There is one rule that capital may be trusted to follow, viz.: that while it can get a double or treble rate on its present investments, it will lack the incentive to supply a new housing which demands a double investment at half the rate.\*

\*pp. 58-9-60-70-77.

For the satisfactory solution of this problem, the housing of the millions, there is required the same kind of money, but still more brains, coupled with public spirit and civic pride which, by the gentle compulsion of a rectified self-interest will force capital into the role of a model landlord in providing for tenants at lowest possible price the best accommodations and facilities appropriate to the situation that money can buy, example of which is found in the hotels of the D. O. Mills foundation in the city of New York. In this consummation, the landlord will find in taxation a valuable ally since, with purchase prices of land reduced by the increased taxation, he can do a larger business on the same amount of capital.

The proposal of a method of just, scientific, and natural taxation is so simple and unpretending, that eager social reformers cannot believe it possible that it contains within, itself a cure for the evils of our time. They point to the unequal distribution of wealth, the growth and power of monopolies, the watered stocks and bonds, the bribe-bought franchises, the usurped privileges, the stolen lands, the wholesale appropriation of public property to private use; and they ask how it can be possible that "a mere fiscal reform" can bring relief from all these evils. Nevertheless, we have tried to show that it can.\*

\*Thomas S. Shearman, Chap. XIII, Natural Taxation, Doubleday, Page & Co., 1911.

A liberal contribution to the solution of the housing problem may be looked for in the reclamation of the people's rights to their alienated public lands. The public domain has now been practically absorbed into private hands. The Supreme Court has just confirmed a railroad's title to three or four billions of dollars' worth of California land, but no Supreme Court can exempt such land from equal taxation under any general system. Taxation is the wide open avenue to the recovery of a nation's or a state's squandered natural resources.

With an antiprivilege president on the congressional bridge, and the National Housing

Association at the wheel, the Ship of State may beat steadily into the coveted haven of every nation's destiny — the welfare of its millions.