

## Who Pays the Fare?

By Dr. Eugene Friedberg

A candidate for mayor in New York may win or lose according to his attitude toward the 5c subway fare, because a great many New Yorkers feel that it is their sacred privilege to ride the city's subways to any destination for one nickel.

During recent years, however, the subway transit system has been running at a loss. Besides this, its equipment has been deteriorating and millions of dollars are needed to restore it to an efficient running condition. For many years the city has made up the deficit but now there has arisen a strong opposition to this practice and a demand that the deficit be made up by a 2% sales tax instead. Those favoring this suggestion are for the most part politicians who fear that tampering with the 5c fare would militate against their chances at the polls and real estate owners who feel that it would relieve the pressure on real estate taxes. In neither case do they base their proposals on justice and sound economics.

The proper way to find the right solution is to proceed from an accepted premise and utilize fundamental economic principles. In New York the subway system is owned and controlled by the city and may be considered in the same category as the Department of Education, the Police Department, or any of the other civil service departments. It is one of the services the City of New York renders to its people, paid for in whole or in part by taxes on real estate. The efficiency of these services is reflected in land values. In a community where services are few, or inefficient, land values are comparatively low, while in communities where services are numerous and efficient, land values are comparatively high. If, therefore, a publicly owned transit system operates efficiently at a 5c fare, land values will go up, directly benefiting land owners. The use of a sales tax to make up the deficit would only preserve the advantages which now accrue to the landowner at the expense of the non-landowner. If, instead, the increase in land values produced by the low fare were to be appropriated by the city for the subways, then the entire public would benefit. It is also quite conceiv-

able that the transit system could be run free of charge as the other services are now operated. The attraction of a free transit system would make living in the city

much more desirable and consequently cause a rise in land values which, if taken by the city, would pay for the cost of operation.

The ever-current defense used by landowners is that they are already being "soaked." The facts prove just the opposite. In spite of an increase in assessed valuation of real estate taxes of \$57,000,000 for the current year, the present rate of taxation is \$2.67 per \$100, or the lowest since 1937 when the rate was \$2.64 per \$100. On the other hand, the 2% sales tax is bad because it would be truly "soaking" the public. Like all taxes on production and service, this tax would be unfairly levied; it would hit the poorer classes hardest and it would re-

strict production. All in all, levying taxes indiscriminately, without regard to fairness, will only create problems instead of solving them.

New York, N. Y.