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Joseph Fels Fund of America  
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# The Taxation of Land Values

A Proposal for Economic and  
Social Reform



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From  
The Joseph Fels Fund of America  
Cincinnati, Ohio



THE JOSEPH FELS FUND OF AMERICA  
COMMERCIAL TRIBUNE BUILDING  
CINCINNATI, OHIO

*Dear Sir:*

*The enclosed pamphlet is being distributed by The Joseph Fels Fund of America. It is a statement of the purposes for which the fund was created and the results its contributors believe will flow from the taxation of land values, a reform that is commanding increasing attention, not only from economists and thoughtful men, but from the statesmen of Europe and the British colonies.*

*This statement is not issued for the purpose of soliciting subscriptions, but to emphasize again the far-reaching nature of the social and economic changes that would flow from the reform first suggested by Henry George more than a quarter of a century ago.*

*To this statement we ask not only a hearing, but your comments and criticisms as well.*

*Very faithfully yours,*

*The Joseph Fels Fund of America,  
Daniel Kiefer, Chairman.*

*May 10, 1910.*



## The Joseph Fels Fund of America and Land-Value Taxation



IN January, 1909, Joseph Fels, of Philadelphia and London, member of the Fels Naphtha Soap Company, contributed \$25,000 a year for five years to promote Land-Value Taxation in America. The control of this fund, which, with the subscriptions obtained in America, amounts to a total of \$250,000, has been placed in the hands of the undersigned committee. It is known as The Joseph Fels Fund of America.

This Fund is a propaganda fund. It was endowed to promote the adoption of the reform suggested in our states and cities. Already the Taxation of Land Values, or the Single Tax, has become a political issue of commanding importance in the Empire of Germany and in Great Britain, while the cities of the former country as well as of New Zealand, New South Wales and Northwest Canada have ushered in its partial application by the levying of a special tax on "unearned increment" or by the exemption of improvement values from taxation.

### *The Conditions That Confront Us*

It is not necessary to portray the industrial conditions that have made their appearance in America within the past few years. Two generations ago there was opportunity for all. In so far as poverty existed, it was accidental or temporary. During the intervening

years the public domain has been enclosed, the resources of the nation have been appropriated, and the difficulties of making a living have greatly increased. Opportunities for employment have not kept pace with the demand for employment. Recurring industrial crises and irregularity of employment have created a residuum of unemployment resulting in an army of vagrants, tramps and semi-criminals. Poverty has become a permanent condition to an increasing number, if not to an increasing percentage, of our people. Poverty has become a National problem.

The expenditures of Nation, States and cities have grown with great rapidity. The ordinary revenues of the Federal government approximate \$700,000,000. Those of the States, cities and local divisions aggregated \$1,038,347,023 more in 1904. The burden of taxation amounts to nearly two billion dollars, or twenty-five dollars per capita. This does not include the indirect cost of the tariff.

### *The Remedy Suggested*

The remedy proposed is the abolition of all taxes on personal property, on houses, buildings, farm animals and improvements, machinery, tools and goods of all kinds as well as all State and Federal taxes on consumption by means of excise or tariff duties. In lieu of the taxes abandoned, we propose a tax levied upon that value which inheres in land alone, on the value that exists because of the growth of population, the development of industry and the necessities of humanity. We do not propose to tax land, but rent; the economic rent of urban, suburban and rural lands; of



mines, of railways, and mineral resources, whose value is conservatively estimated at from two to four thousand million dollars a year. It is *not* proposed to tax *land as land*, but the *annual site-value or rent* of land.

The remedy proposed is within the realm of practical politics in our cities and States at least. It can be accomplished by abandoning the taxes now levied on personal property and improvements, and by levying all State and local taxes upon land values. Then the revenues of the cities and the State would be collected from economic rent. Here they would rest, for it is admitted by economists that land-value taxes cannot be shifted. They remain where they originally fall.<sup>1</sup>

### *Feasibility of the Proposal*

The separate assessment of land values and improvements is already an accomplished fact. New York City has separated its assessments since 1903. It values its land with ease and scientific accuracy. Boston has done the same thing for many years. Cleveland, Milwaukee, Detroit, San Francisco and many other cities separate valuations in the same way. Certain provinces of Northwest Canada have never taxed improvements. New

<sup>1</sup> Land-Value Taxes are different from all other taxes on wealth in this, they cannot be passed on to *some one* else as can taxes on houses, goods and other wealth that is used or consumed. "A tax on rent," says the British economist Ricardo, "would affect rent only; it would fall wholly on landlords, and could not be shifted to any class of consumers. The landlord could not raise rent." John Stuart Mill says: "A tax on rent falls wholly on the landlord. There are no means by which he can shift the burden upon *anyone* else. A tax on rent, therefore, has no effect other than its obvious one. *It merely takes so much from the landlord and transfers it to the state.*"

South Wales, New Zealand and other Australasian colonies have relieved improvements from local taxes altogether. The British Budget of 1909 proposes the valuation of city and agricultural land and mineral sites for the purpose of levying a special "unearned increment" tax, while the German cities have been collecting an average of 9.5 per cent of the profit of the land speculator since 1904. There is no longer any question of the simplicity of land valuation, nor of the feasibility of levying a tax on "unearned increment."

### *The Growth of Land Values*

These assessments enable us to ascertain the colossal growth in urban land values. The land values of New York City amounted to \$3,057,161,290 in 1904. Two years later the valuation increased to \$3,391,771,526. By 1907, the value had increased again to \$3,557,591,504, while in 1908, it had still further grown to \$3,843,165,597. *In four years' time, land values alone had increased by \$786,004,307, or nearly \$200,000,000 a year.* The total ordinary expenditures of the city during these years were about \$600,000,000, all of which could have been met from the speculative increase alone, leaving nearly two hundred millions for the landlords. The land underlying the metropolis was originally bought from the Indians for \$24. To-day it is worth 166,000,000 times its original cost.<sup>1</sup>

<sup>1</sup>All growing cities show a similar condition. The land values of Boston increased \$168,240,145 from 1892 to 1900, or \$42,060,036 a year. The total expenditures of the city averaged less than \$18,000,000 a year. The speculative increase in land values in San Francisco averaged \$9,218,254 a year from 1885 to 1904, while a study of the



Everywhere land increases in value, and at much the same rate. Nowhere is the rise in value due to the enterprise or thrift of the owner. Land values are a social growth, an "unearned increment" that is created by society and contributed to the owner of the land. The Fels Fund Commission contends that land values belong to those who produce them.

The land values of New York City carry an annual ground-rent roll of nearly \$200,000,000 to their few thousand possessors. The ground-rent roll of all America is not far from \$4,000,000,000. This exceeds by two thousand million dollars all of the revenues of the Federal Government as well as of the States, counties and municipalities. The progress of civilization has

City of Washington showed an increase in land values of ten per cent per annum, or upwards of \$10,000,000 a year. In each case, the speculative increase exceeded the total budget of the cities.

The census valuation of the entire United States for the year 1904 shows the land values of the country to be approximately forty billion dollars. Statisticians have placed this land valuation at from sixty to eighty billion dollars. In town and country, land values mirror the birth rate. Every man, woman and child adds from \$700 to \$1,000 to the value of the land.

The Secretary of Agriculture has stated that agricultural land values increased from fifty to one hundred per cent during the period from 1900 to 1905, due to the "exhaustion" of land and "the consequent pressure of new demand."

The Census Department shows that the value of a little less than one-half of the acre property of the country increased by one and one-half billion dollars from 1900 to 1904.

Other American cities and foreign countries confirm New York's experience. In Berlin the value of the land increased by \$875,000,000 from 1870 to 1890. The examples cited by the Chancellor of the Exchequer, during the recent Budget debate in Great Britain, show a similar condition in that country.

produced an annual fund far in excess of the present or prospective expenditures of society.

The Fels Fund Commission contends that the taxes now levied discourage enterprise. They tax thrift. They obstruct business. They check employment. Taxes on land values, on the other hand, encourage enterprise and thrift, they stimulate employment and reduce the cost of living. They are a natural form of taxation.

### *The Land-Value Tax As a Social Reform*

But the single tax is least of all a taxing measure. This is but incidental, though essential, to a larger social ideal ; an ideal as far-reaching in its consequences as Socialism, but far simpler in its application. Its benefits depend on no revolution, but are realized as fast as the tax is applied. And it is of the Land-Value Tax as a social philosophy that we ask your criticism and suggestion.

### *Taxation of Land Values Will:*

#### First, Put an End to Idle Land Holding.

It will destroy speculation. It will make it impossible to hold land out of use. As the British Chancellor of the Exchequer said : "It will make the dog in the manger pay for his manger." The owner will have to use his land, and use it in the most productive way, in order to pay the taxes. That increasing land-value taxes check speculation and stimulate use is a commonplace of experience.

## Second, Cheapen Land.

First. Many owners will sell their unused land in order to be relieved of the burden of taxation. Second. The taxation of rent will lessen the value of land, for economists agree that the selling value of land is its untaxed value. For taxes levied on land values reduce rent. They fall on the landlord and cannot be shifted. Economic rent is what is left after the payment of taxes. Thus, the competition of sellers and the reduction of rent will cheapen land and throw upon the market idle holdings that will be available for industry, agriculture and home-building.

## Third, Solve the Housing Problem.

The Housing Question is a land question, not a house question. It exists only where land values are prohibitive. If we cheapen land we open it up to use; if we tax it heavily enough we compel it to be built upon. Idle land holding is only possible where the tax rate is low. Increase the rate and the land is put to productive use. Moreover the removal of taxes on improvements will encourage improvements just as the present taxation of improvements discourages them. Under the Land Value Tax he who built would be rewarded, while he who refused to do so would be fined. The house tax is like the old French window tax, which caused the peasant to close his cottage to the sunlight.

The taxation of land values would cut like a surgeon's knife at the root of city land monopoly. Shacks and tenements would be improved, while new structures

would increase the housing capacity of the city. The tenement and the slum would disappear. No longer would thrift be penalized and the idle speculator be rewarded.

Rents would fall in consequence of the increased supply of houses. Building materials in transition from the mine, the forest and the factory would be free from taxes, as would houses, office buildings, machinery and factories. All of these forces together would solve the housing question in a few years' time. They would solve it by the law of competition.

#### Fourth, Destroy All Monopolies Bottomed on Land.

The United States Steel Corporation has capitalized its iron ore and coal fields at \$800,000,000. Twenty-five years ago they were farming lands of little value. The anthracite coal combination is capitalized at hundreds of millions by virtue of its ownership of all the anthracite coal in the East. The Standard Oil Company is a monopoly because of its railway and land privileges. Direct land-value taxes upon these resources could not be shifted. They would be deducted from monopoly profits. More than this, idle mineral resources would be forced into use, while labor would be given new opportunities for employment. With the tax sufficiently high, the Nation would regain the splendid resources that have been in large measure filched from it by stealth and illegal means. The rent, which now goes to monopoly, would be converted in taxes to the state.

### Fifth, Improve the Condition of Capital and Labor.

What would labor gain in the new dispensation? Obviously, cheap land means high wages. The history of all new countries proves this. And if the city, suburban and agricultural landowners were taxed on the opportunities held out at use, they would use their land or sell it. A demand for labor would arise: a demand for miners and agricultural workers, for masons, carpenters and builders. All other industries would be awakened into life in the process. All business would be stimulated. In a short time—a very short time—there would be more jobs than men seeking them. Now, the entire continent is appropriated, yet it peoples but twenty-three persons to the square mile. America could home ten times its present population were the natural resources opened to use. This the taxation of land-values would do. It would increase opportunity, as did the discovery of the continent four hundred years ago.

### Sixth, Effect a Just Distribution of Wealth.

Even a slight increase in land-value taxes would stimulate the use of land. A doubling of the present rate would usher in an era of industrial prosperity. Were the tax increased to the full rental value, there would be but two claimants to the wealth produced—Capital and Labor. The landlord would disappear and labor and capital would each get the full value of its product. There would be plenty of alternatives for employment in this country. Wages would rise to the full product of men's toil. The opening up of new opportunities all



about us, and the increase in wages, would awaken other industry. It would flood mills, factories, mines and railways with business: for the wants of mankind know no limit.

Industry would reflect the changed conditions. For prosperity means increased demands for all those goods which labor and capital produce. Were the incomes of the salaried, professional and working classes doubled to-morrow there would arise an era of prosperity the like of which the world has never known. For the purchasing power of America would be doubled in consequence. And in the last analysis, prosperity depends not on the cheapness of labor but on the amount of money which the consuming classes have to spend. Industrial prosperity depends on the well-being of the great mass of the people rather than of the few. Through the same influences child labor would disappear; vagrancy would be reduced to a minimum and crime would be checked at its source. For child labor, vagrancy and crime are not to be found among those who are well-to-do. They are the costs of poverty.

#### Seventh, Reduce the Cost of Living Despite Increased Wages.

The Federal revenues, amounting to \$700,000,000 a year, are collected from consumers. They increase the cost of living. It has been estimated by Professor William G. Sumner of Yale and John A. Hobson of England, that the indirect cost of the tariff, due to the monopoly prices it makes possible, is approximately a billion and a half dollars a year. This is equivalent to



\$100 a family. The abolition of indirect taxes alone would reduce the cost of living to that extent, while the abolition of the taxes now levied on houses, improvements, tools, machinery and all other labor products would reduce it still further.

### *Land-Value Taxation Is a Social Philosophy*

Land-value taxation would socialize from fifty to seventy-five per cent of the wealth of America. It would require no new machinery to do this; no State control of industry would be necessary. It would open up the resources of America to those best fitted and having a natural right to use them. It would eliminate the speculator and the land monopolist as toll-takers in distribution. It would destroy private monopoly. It would create opportunities for tens of millions of workers, and would stimulate the production of wealth beyond our present dreams. It would equitably distribute the wealth produced and would increase many-fold the amount available for distribution. We believe it would bring about the rapid evolution of a society in which want and the fear of want, poverty and its attendant evils of vice, disease and crime would disappear.

That these results are desirable all agree. Would they follow from the reform suggested? Is the logic in harmony with experience and the teachings of political economy? We ask your comments and criticisms.

The Fels Fund has been endowed by its contributors in the belief that the taxation of land values is not only a natural and just method of raising all public revenues, but an adequate cure for the social and indus-

trial evils which confront us. A similar conviction has united hundreds of thousands of persons in this country, in England, Germany, Switzerland, Denmark and Australasia, for carrying it into execution.

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