

DESTRUCTIVE TAXATION IN NEW YORK

denude land of capital already fixed on it. What it does do is to prevent the replacement of that capital as it wears out. Taxation has this effect so far as it falls on the value of the improvement. The first requisite of any reform of taxation is to distinguish between the value of the land and the value of the improvements. For that purpose it is desirable that there should be a valuation which shows the value of land apart from improvements, and here the recommendation for an Open Register of land values, periodically revised, is much in point.

While it is desirable that taxation on improvements should be abolished, it is highly undesirable that the value of land itself should be relieved of taxation.

P.E.P. on Local Rating

The proposal that local rates should not be levied on land as such is just the reverse of what should be done. Local rates ought to be levied upon the value of land, and the buildings and improvements should be disregarded.

P.E.P. does not indicate where the revenue is to be obtained if the local rates are abolished. The suggestion is heard from time to time that there should be a local income tax. It is, however, quite preposterous to suggest that the machinery of the income tax should be duplicated for local purposes. In any case it is impracticable to define a local income. What is the locality to which an income from an investment in government stocks is to be assigned? If it is the ratepayer's domicile, then those who are wealthy will establish their domicile in places where the rates are low. It is unnecessary to spend time on this idea, which is rejected by almost all practical people.

If the idea is that in place of the rates, the whole revenue shall come as grants from the National Exchequer, then the entire principle of local self-government and autonomy disappears.

The Right Attitude

What is wrong with our present system of local taxation is precisely that it does not fall on the land (or rather the land value) as such, but falls predominantly upon the buildings and improvements. One striking feature is that unused land, no matter how valuable it may be, makes no contribution to local expenditure; yet its value exists and is maintained by reason of the activities of the community, and particularly by the public services which make life in a community possible. Neither does unused land contribute to national taxation (for the income tax, Schedule A, does not affect it) except that it may become liable to death duties if held by an individual and not by a company or corporation.

This exemption of land value from local and national taxation encourages speculation and the holding of land out of use; and this in its turn leads to the creation of speculative values. Speculation is the main cause of unhealthy fluctuations in value, which P.E.P. rightly deplures; but the way to prevent speculation is not to exempt land from taxation, but to tax its value, and that whether the land is used or not.

IN OUR December issue we criticized a proposal that all immovable property should be assessed for Income Tax Schedule A on the basis of its selling value, a proposal which, on examination, has nothing in its favour except that it would increase the assessment of unused or under-used land and exact more taxation from that. Counterbalancing the anticipated effect of "forcing vacant land into use" would be the levy of the tax on the selling value of all buildings and improvements, an opposing factor, working to destroy any inducement to develop. As we said, "it is well known that the burden of the taxation so levied upon improvements is such that the building of them is frequently discouraged and sometimes they are pulled down," and we repudiated the idea that a proposal of the kind (even though it "taxes vacant land") has anything whatever to do with the taxation of land values. Factual confirmation of the economic and social injury done by taxing buildings, whether on annual rental as in Great Britain or on capital value as in America, which is still worse, is given in the following statement that has been sent us by Mr Harry Weinberger of New York. In that city, local taxation is at the rate of 2½ per cent of capital value. Granted that this means a tax of, for example, £275 a year on a piece of vacant land worth £10,000; but, if to develop that land as it should be (or would be) developed, a building worth £20,000 would be erected, where is the inducement to do so if the tax on the building is £550 a year plus the tax of £275 on the land? It is only in good times and in circumstances of a pressing demand for building accommodation and ready tenants that the enterprise would be undertaken. But in slack times, with a possible—and an escapable—burden of £550 a year on a building that may stand empty, what is likely to happen? Mr Weinberger illustrates the operation of taxation of that nature.

At Broadway and Murray Street, New York City, there stands a framework of a building, part of the steel structure of a bank torn down very many years ago, to save taxes. It faces beautiful City Hall Park, stares into the busy office of the Mayor—who runs so fast and does so many jobs that he will not take the time to look and seek to understand the skeleton haunting his front door.

Just as a bone of some prehistoric animal gives its secrets to the anthropologist, so does this skeleton at City Hall disclose its case history to the observing passer-by. The rest of the buildings on that Broadway block facing City Hall are little more than minimum taxpayers. Each lot owner hopes to have his holding bought at a fabulous price to be assembled, perhaps for a new Woolworth Building.

This year, the owner of the lot on which the skeleton stands is seeking a buyer for the site which is 25 feet on Broadway by 103 feet on Murray Street. It is assessed by the city for \$15,000. Now, the owner, having torn down the building, is waiting for Park Commissioner Robert Moses' projects and the additional growth of the city to give him unearned increment on his land. And Mr Moses, the genius and the greatest creator of city land values,

cannot see that this public creation of values is given into the pockets of the owners of the land in and around his park improvements, and that those lot owners often hold their land out of use or without proper improvement, waiting for fabulous prices and often pulling down the buildings to save taxes meanwhile.

City or State legislatures sometime get a glimmer of understanding and exempt improvements to old buildings from taxation. Or when there is a tremendous shortage of homes as in 1920 they pass a law exempting new buildings for ten years. If the people of the United States were permitted to build houses, or repair them, build factories or barns, office buildings and all other improvements without having their taxes increased, there would be hardly any unemployment, even after the war.

Look around City Hall Park and see the private office buildings—most of them decrepit places—with here and there a building having its face lifted to hide its age and obsolescence. Back of the skeleton is a small automobile parking lot, which formerly bore a building that was also pulled down to save taxes. This lot is a symbol of what is happening in all parts of this city, a trend that is turning parts of New York City into areas as blighted as "ghost towns" in the mining regions.

Untax all buildings and take the full rental value of land and there will be no skeleton at City Hall or anywhere else. Land everywhere would be used in all probability to its fullest economic extent, and people would cease razing buildings to save taxes, leaving gaping holes, or erecting hot dog stands, gas stations, or parking lots. This argument also applies to farms and farmlands and farm buildings. Proper and full use of the earth will be insured by the non-taxing of improvements on land, and it will help abolish unemployment.

Does anyone know a greater tragedy than the destruction of the Hippodrome Theatre on Sixth Avenue and 43rd Street to make way for an unsightly parking lot? The old Hippodrome was the home of plays, operas, public mass meetings. Yes, there could only be one greater tragedy—to have Carnegie Hall torn down to save taxes.

From a broadcast address by Dr. David de Sola Pool, President of the Synagogue Council of America, in the Transatlantic Discussions series: "When the fever of war subsides and leaves us in a state of utter economic exhaustion and demoralisation, we shall have to issue not national declarations of independence but a world declaration of interdependence. For the Bible reminds us that the heavens are the heavens of the Lord, but the earth is given to the children of men. Though the earth is the Lord's, and the fulness thereof, he has given it and its resources, not to the few, but to all the children of men. All men alike must eat of the gifts of the table of God. With our newly achieved vision of the world as a whole, we can, if we will, achieve a co-operative sharing of the world's economic riches, which will unite mankind. We can make the whole world man's *Lebensraum*."