

Chicago's Financial Difficulties

THE financial muddle in which the city of Chicago has become involved, affords a striking example of how not to do it. It is a sordid tale of incompetency, extravagance, mismanagement, corruption and graft, which finds its counterpart only, perhaps, in the history of nations in the past. Certainly no modern American city of metropolitan size, can exceed, if it even equals it in economic depravity and general rottenness. It is a story alike discreditable and illuminating.

Like in other similar situations, however, no one thing can be pointed out as the cause. Individuals under like conditions act pretty much the same, everywhere and at all times. The fault lies not entirely with officials, guilty as they may be, but even more so, with the uneconomic and inept laws under which they operate.

During the year 1926 there arose a demand for larger revenues both on the part of the school board and the city officials. How to obtain it was debated both by the aldermen and members of the board of education. Owing to limitation by statute of the tax levy for school purposes and corporate expenditures, as well as bonded indebtedness, the only hope seemed to lie in having an increase in the assessed valuation of real estate. This had become notoriously low and was kept down every year, notwithstanding well-known increase in real estate values, on account, mainly, of an ill advised law for raising revenues for state purposes.

The State of Illinois derives its revenues by levying a tax on the assessed valuation of each county of the state, as returned by the various county assessors. This naturally has had the tendency for the taxing officials in each of the 102 counties, to compete with each other in order to escape their proper share of state taxes. The state tax commission was supposed to equalize the assessed valuation between counties. They did not, for the reason that they could not, without making a complete revaluation of all the property in each county.

A survey was made of the central business district of Chicago in 1926 by the Manufacturers Appraisal Company, financed by prominent property owners. It was done to secure data for an appeal to the board of review. Another survey was made by the municipal authorities acting with the board of education, of all properties outside the main business center, having improvements of buildings containing six flats and over. The result of the survey of the business district, was a valuation of \$799,225,500 for the land and \$380,219,971 for improvements thereon. This showed a ratio of a trifle over 2 to 1 for land values as against building values, in the loop, so called. Outside the loop 8,000 properties were valued, resulting in a total full cash appraisal of \$196,636,446 for the land and \$512,283,516 for buildings, a ratio of nearly 1 to 3 for land. It must be borne in mind that this later survey did not include any one or two family dwellings. The indicated

percentages of the two findings, as compared with the taxing official figures for the identical properties were, loop 52 per cent., outside loop 38 per cent. A protest was made on these 8,000 properties by the municipal authorities to the board of review on the ground of under-assessment. The board of review, lightly disregarding the time and money spent on the surveys, dismissed the complaints on a trivial technical pretense.

The county commissioner then stepped into the fray and appointed a committee termed the "joint commission on real estate valuation." It was composed of the five members of the board of assessors, the three members of the board of review, three members appointed from the board of county commissioners, and fifteen well-known citizens representing various interests and groups.

The joint commission above mentioned got into action. Another survey was made. This time it was a comparison of sales or transfer values, with assessed valuation for taxing purposes. The result was astounding. Some 5,421 sales were investigated. The grossest inequalities were revealed. The assessed valuations varied from one to one hundred per cent. of the sales figures. Apparently valuations had been made according to vote-getting abilities of favored property owners, rather than actual values. It would seem that almost every influential politician and precinct captain in the city, had only to come to the board of assessors and say: "This is a friend of mine. Take care of him." And it was done.

Now another figure came into the picture. It was William H. Malone, chairman of the State tax commission. Appeals were made to his commission to order a revaluation of all the real property in Cook county. The quadrennial assessment of 1927 had not corrected many of the inequalities complained of. Some 150,000 objections to the assessments made had been filed with the board of review and about 40,000 taken into the county court. Mr. Malone thought it time to act. In January, 1928, he ordered the publication of the assessment list as provided by law. This had not been done for 27 years. The revenue law of the state among other provisions, ordered its publication after each quadrennial assessment. Real estate according to the laws of Illinois, is valued every four years. The publication was to be by voting precincts, each property owner to receive a copy for his district. The legal description was to be given which under the archaic system prevailing in the state, was all Greek to the vast majority of owners.

The state commission ordered the publication by house number and street, giving the size of lot, value of land and improvements in separate columns, owners' names and amount of taxes levied thereon. The assessing officials opposed this order. They claimed it was contrary to law. A very amusing argument coming from them. Besides they did not have sufficient funds and it would cost an immense amount. However, after much delay and stalling the list was finally published and at about

one-quarter the amount the assessors claimed it would cost.

In April, 1928, the state tax commission issued another order that a complete revaluation of all the real property in Cook county should be made. The quadrennial assessment of 1927 was declared null and void. The order outlined the manner in which this was to be done. Among other provisions the board of review, which hears complaints, were ordered to have a member of the board of assessors present at the hearings. This had never been done before. They were also to give the reasons for any reductions made. This was gall and wormwood to the board of review which had heretofore been practically a dual assessing body.

This precipitated a fight proper. Every obstacle was placed in the way of its enforcement. It required a special session of the state legislature, brought together mainly by the energetic efforts of Miss Margaret Haley, the business agent of the Chicago teachers federation, who was interested in getting larger appropriations for school teachers' salaries. The revaluation order was validated by the legislature.

After months of delay the work was finally started. A scheme was cooked up to have the major part of the pay roll on the work, to be under the control of the board of assessors. The county commissioners appropriated \$1,250,000 for the work. A "scientific" valuation was determined upon. An organizing force was secured from the staff of the Manufacturers Appraisal Company of Philadelphia, a company specializing in this kind of work. The minor jobs were left to the board of assessors to appoint. Some 2,000 were thus employed. If this was not agreed to, the board of assessors would not ratify the contract to give the work out. A job, by the way, they were elected to perform themselves.

The appraisal company after working two or three months at the job and getting the work started, were practically forced out by the politicians. A remnant of their force, however, remained and are still on the job. The method employed was to inaugurate a card index system of every one of the 1,400,000 parcels of property in the city. Improved properties were minutely described as to character of building, size, condition, etc. Estimators determined the square or cubic foot unit which was to be used, as the case might be. Large buildings were all cubed.

In fixing the land values the city was divided up into 44 districts. Two real estate men were appointed in each district to estimate the values. The result has been the same competitive under-assessment on land, as in the state tax between counties. While the inequalities between individuals was largely corrected, there has been substituted an inequality between districts, so far as pertains to land values. Different appraisers for different districts, animated by cupidity, desire to protect their clients; differences in judgement or what not, will not bring about a fair assessment. Upon uniformity of valuation depends

equity in taxes. The remedy is to organize a corps in an assessing body, specializing in land values alone. Have them cover the entire field, exercising the same judgement throughout. Provide tentative land value maps for each district covered. Send these to all taxpayers in a district. Call meetings in each district to discuss valuations so put down. Have the assessing corps ready to defend their valuations. Alter no figure without reliable data to sustain the contention. Having gone through such a crucial test, the land values should be settled and no appeal should lie. The taxpayer has had his day in court. Then was the time to make changes if any.

During this whole period, revelations of padded pay rolls, corruption in office, and general misrule cropped out. The Chicago sanitary district board was accused of misappropriating \$15,000,000. The school board faced a deficit of several millions. Even the water department, with a revenue-producing municipal plant, was behind. Tax anticipation warrants were issued in 1928 to the amount of \$116,000,000 and the money all spent. In 1929 another batch of warrants amounting to \$140,000,000 were issued and the proceeds are now all gone. Warrants for the 1930 taxes to the amount of \$74,000,000 have been bought by the banks, by the sale of an equal amount of 1928 warrants to the taxpayers.

At this writing no tax bills have been sent out for the 1928 taxes. The state, city, county, school board, library, parks, forest preserve, the seven major taxing bodies have received no funds from taxes since 1928. They have been living on borrowed money. The revaluation, it has been estimated by the city efficiency expert, will cost \$3,000,000. Figuring in interest charges and extra costs due to the delay in collection of taxes for two years, he estimates the total added cost to the taxpayers will be in the neighborhood of \$7,000,000.

Now what has been the result of all this? In the first place the strangle hold of the politicians has been somewhat bent if not broken. The city has been gone over with a fine tooth comb and practically every improvement assessed at near its full value. This will prove disastrous to building operations, many of which were grossly under-assessed in previous years. Heavy taxes are bound to discourage many projects which escaped during the past. Illegal though it may have been, the city prospered under it. If the illegal were legalized, the city would continue to grow and expand as in the past. The new regime, while it will retard it, will not stop Chicago's growth.

As far as land values go, there has been a large increase. The assessed valuation for 1927 for the city of Chicago for land and improvements thereon, was \$3,247,359,299. The figures given out for the city for 1928 under the new re-assessment is \$7,300,000,000, full value. It should have been the assessed value but the board of assessors without warrant in law, but by a uniformity decision of the Illinois state supreme court, arbitrarily fixed 37% of this amount as the assessed valuation for taxing pur-

poses. This was done to keep down taxes and to adjust Cook county state taxes to the other counties in the state. Land values were increased in outlying and suburban areas, but remain about the same after the above stated reduction of 37%, with many glaring irregularities between the districts. On the whole, however costly as it has been, the revaluation of Chicago property for taxing purposes has been a good thing. The tax bills for 1928, it is now announced, will be out May 15, 1930, two years late.

Under the Single Tax, by assessing land values only, the work which will cost \$3,000,000, could have been easily accomplished for \$50,000. Oh, the folly of it all! An honest people can survive dishonest laws; a dishonest people can evade honest laws, but dishonest people can not prosper under dishonest laws.

—GEORGE C. OLCOTT.

Columbus

IT was some ten years after Ohio had become a state of the Union that the present site of Columbus was selected for the capital. Land speculation figured in its selection, and it has been a dominant factor in the growth and development of the city ever since, as it has in nearly all other cities.

When the site was selected it was forest land with no population, land that the government had sold for \$1.25 an acre. This same land with little or no other change, is today worth many millions, has many millions of dollars of improvements and more than three hundred thousand population upon it.

The syndicate that induced the Ohio Legislature to locate on this site gave ten acres for a penitentiary and ten acres with a capitol and state office buildings to the value of \$50,000.00.

Then on June 18, 1812, began the sale by the syndicate of lots adjoining the State property. These lots were sold for \$50.00 up to \$500.00. In less than five years, many of these lots, 63½x187, sold for more than twice the price paid for them.

Thus from the beginning of Columbus land speculation has proven enormously profitable and while some of its citizens have accumulated wealth through their industry and service to their fellowmen, yet a considerable portion of our wealthy citizens have gained their wealth through the labors of their fellow citizens. The land owners, as such contributing little or nothing to the growth and development of the city, but collecting more and more toll from those who by their industry, service and increase in numbers made the capital city a more and more desirable place in which to live and do business.

The city now has a population estimated at three hundred and twenty-two thousand and their wealth distributed as follows: The figures are quoted from a publication of the Columbus Chamber of Commerce and are not income, but net worth.

\$5,000 to \$50,000	6,008
\$50,000 and over	2,463
\$100,000 and over	833
\$250,000 and over	296

According to this only about one person in thirty-two is worth \$5,000.00, yet Columbus is reported as one of the wealthiest cities, per capita, in the United States.

Statistics show there has been less unemployment here than in other large cities of Ohio. This doubtless is due to the great diversity of its industries and the high character and civic pride of its people, 94% of whom are American born. This is further shown in state and local elections; while elsewhere local and state elections usually ballot forty or fifty per cent. of the registrants in the primaries, Columbus has kept her ratio at eighty to ninety per cent. during the annual elections of the last five years, yet economic conditions have been very unhappy in this city; during the past winter thousands unemployed and dependent on charity. The City Charities Department used up their 1930 appropriation within the first few weeks and were obliged to take some \$30,000.00 from refuse and other funds and doubtless will be obliged to make further appropriation before the end of the year. Probably but few have suffered or will suffer from cold and hunger, but the mental anguish of those who are dependent upon charity and those who see their small possessions growing less and less as the need for shelter and sustenance demands the consumption of their accumulations. The suffering of the latter is intense and wide spread as indicated by the business failures and sheriff's sales of homes. Every week more than one hundred foreclosure sales are advertised by the Sheriff and cover more than two full newspaper pages.

Three daily newspapers open their columns to "Letters from the People" and many letters on "Unemployment" have been published, but the larger number have "Religion or Prohibition" as the subject treated; a few on "Taxation;" among the latter are occasional good Single Tax letters from Howard Holmes of Cleveland, but most of the "taxation" letters are inane and show absolute ignorance of the incidence of taxation.

Heretofore, the Ohio constitution has required taxation of all property by uniform rule at its full value in money. Last fall an amendment to the constitution was adopted that permits classification. It is not much of an improvement and while taxes on personal property may be reduced to a low rate, new taxes will be evolved to make up for this reduction. We have more than one hundred different kinds of taxes in Ohio. The amendment was put over by the real estate interests who have inserted in the amendment a fixed low rate on real estate.

The Public Utilities are somewhat aroused for fear of increased taxation upon them, and justly so, for while they are only tax collectors, the increased cost of their service curtails the use of the service. The insurance companies collect annually more than six million dollars