organization, nor would anyone have received stock valued at scores of millions of dollars for acting as a clearing house for the exchange of the pieces of paper representing the ownership of its various plants. If it possessed no special privileges, if it did not in part usurp governmental functions, it could not last a day, so top-heavy would be the mass of water in its securities that it would flood the owners and the whole combination would collapse, as it would not have the power to exact extortionate prices and therefore would be unable to pay dividends after paying interest on its bonds. Every dollar of dividend that has been or will be paid upon its stock is an enforced tribute from the American people, simply showing the enormous value of its special privileges—its tariff bounties; its patent rights; its railroad privileges and above all its land-ownership privileges—for its plant could be duplicated for less than the face of the bonds.

To those who assert "publicity" is the cure of the trust evil, I ask, "How will publicity lessen in the slightest degree the tariff bounties, the railroad favors, the patent rights, or loosen the monopolization of oil, coal, or iron-ore deposits of the Standard Oil Co. and the United States Steel Cor.?"

Every freight discrimination is an abrogation of the right to equal service to which all are entitled, this equality being involved in the very grant of the franchise under which the railroad operates. Not even so corrupt and boss-ridden a legislature, as that of Pennsylvania, would have ever dared to grant a franchise for a railroad, if those applying for it had even suggested the possibility of varying freight rates being charged to different shippers. All who have been parties to such discriminations either as grantors or beneficiaries, should be rigorously prosecuted, no matter how rich or powerful they may have already become. The vigorous prosecution of even one of these millionaire malefactors would do much to restore a respect for law among the mass of the people, and would of course prevent any repetition of such practices.

There is scarcely a monoply that does not get some of its power to plunder the people from these freight-rate discriminations. State railroad commissions may exist, interstate commerce commissions may have their powers broadened and extended, but these practices will not stop nor this form of robbery be thereby curtailed. Nothing short of national ownership of the railroads can secure equal service to all shippers.

Public ownership and operation of the railroads will destroy some and curb all trusts, but the fiscal solution of the trust problem will only come when the people abolish the most fundamental of all monopoly, the monopolization of land. Then and not till then will free competition really exist and men find their reward determined by the value of the service they render to their fellow-men.

THE ASSESSMENT OF REAL ESTATE*

ADDRESS DELIVERED AT DINNER OF BOARD OF REAL ESTATE BROKERS, MARCH 7TH, BY LAWSON PURDY.

Equality in the assessment of real estate is equity. Inequality is iniquity. The assessment may be the full value of all property, half if its value, or any other percentage of value. The percentage of value is immaterial provided all property is assessed as the law may rquire.

No law can enable us to dispense with the services of efficient men, but obstacles created by law can be removed and law can be so framed that incompetence or dishonesty will inevitably be exposed.

* The bill referred to was endorsed by the Board of Real Estate Brokers March 10th, 1908.

A serious obstacle to equal assessment is the temptation to undervalue property of one city or town so as to reduce state or county taxes. That obstacle has been greatly reduced in this city by the reduction in the direct state tax, but in every other county in the state the necessity for raising county revenue still tempts assessors to try to shift the proper burden of their own district to some other district. This evil has so impressed state officers in this and other states that great attempts have been made to raise all revenue for state purposes without resorting to a direct tax on real estate. In some respects I consider this remedy worse than the disease. But there is another remedy to which no objection can be made, and which is perfectly adequate. So much money as may be needed for the state in excess of the revenue from indirect sources should be apportioned to the counties in proportion to their local revenue, and the same principle should be applied to the raising of county revenue. There will then be no excuse for the undervaluation of property which assessors could honestly plead.

The adoption of any standard of value other than that required by law really takes away all standards; each assessor is a law unto himself, and assessment becomes a matter of his own secret and arbitrary judgment—arbitrary because when he is not held to a legal standard no one can order him to adopt any other; secret because he is liable to indictment if he declares that he has adopted any other than the legal standard. Disobedience to law inevitably results in a varying and fluctuating standard. Obedience to law is the first essential.

Chicago presents a good example of the evils which spring from systematic and long-continued disregard of legal standards. In 1894 the Bureau of Labor Statistics of the State of Illinois made an extremely thorough investigation of taxation in that state, in the course of which thousands of pieces of property were examined. Their report shows that finally discrimination was made between classes of property, and that is not uncommon in the city of New York. Discrimination between individual parcels is bad enough, but when there is a system of wrongdoing, it becomes far worse. The law of Illinois required that each tract or lot of real property should be "valued at its fair cash value, estimated at the price it would bring at a fair voluntary sale." This law had been disregarded for so many years that it had become the practice in theory to assess property at 25% of its true value. Investigation showed that they did not even assess as high as 25%, and sometimes the assessment fell as low as 4%. Investigation proved that unimproved property was assessed at less than 5% of its true value, expensive residences at less than 8%, business and office buildings under 10%, and cheap residences at nearly 16%. I will put this in a form in which it can perhaps be more easily understood. If a piece of land worth $5,000 were assessed at $5,000, then a cheap residence worth the same price would be assessed at nearly $16,000. It is incredible that property of the same value could be assessed at three times as much as the other would sell for, but this discrimination was common in Chicago for many years. Finally the law was changed, so that in one column is set down the full value of the property, and in another column 20% of the full value, and the assessment is based on the 20% valuation. It is generally considered that there has been great improvement in Chicago.

In Boston for many years they have lived up to the legal standard, with the result that the recent Tax Commission in Massachusetts says that assessments of real property are fairly made, and I have been informed that assessments rarely vary more than 10% from the actual selling value of the property.

While, as I have said, it is theoretically a matter of indifference whether the standard of assessment is full value or some percentage of full value, it is, nevertheless, true that when the standard is full value, discrimination is more

obvious, and, consequently, more easily corrected. Suppose, for example, that assessments are made at 50% of true value. If a piece of property worth $10,000 is assessed $10,000, the owner is very likely to despair of obtaining redress and will make no complaint. If he does complain, the first question that is asked him is whether his property is worth less than $10,000. He cannot truthfully assert that it is. The probabilities are that property in the immediate neighborhood is of the same general character as his own, and is over-assessed to approximately the same extent. If the tax rate is 2%, this man would have to pay $200, which would be $100 more than his share, the average assessment being at 50% of the true value. He has to pay just double the amount he ought to pay. Now, if the standard of assessment is 100%, to produce a corresponding injustice, that man's property must be assessed at $20,000, the tax rate would be 1%, and he would pay $200 when he ought to pay $100. In the first place, such a discrimination as this could hardly happen, and, if it did, it would be easy to secure a reduction by the tax commissioners, and, if refused by them, satisfactory proof of over-valuation could easily be made in court. We are so prone to speak of percentages when we talk of assessments, that it would commonly be said that the discrimination against a $10,000 property would be 50% when it is assessed at its full value, and the average is 50%. In reality, this discrimination is 100%. The property is assessed at twice as much as it should be. Such discrimination is far more apparent and more easily remedied when the legal standard is the real standard.

It has been my duty to examine about twenty assessments, and out of the twenty I have only found one that was excessive. All the others I believe to be at the value required by law. In the case of the excessive assessment, I believe there will be no difficulty in obtaining a reduction. For many years this same property was assessed at about 80% of its true value, and I have not the slightest doubt but that it was much too high as compared with the average, and I do not believe any reduction could have been obtained by an appeal to the courts. In another case which I have investigated the assessment was more than doubled. The owners of that property have been paying less than their share for many years past. The increase startled them at first, but they are satisfied that there is no ground for a request for reduction. They will pay their share, and no more. The change in this city from a variable, go-as-you-please standard to that which the law requires, marks the greatest advance toward equality that has ever been made in the city of New York. Formerly every man was at the mercy of the assessor, and especially the owners of property of small value. They were the ones who generally paid more than their share.

In establishing the legal standard as the actual standard of assessment in this city, we have taken the first step toward securing equality, but much more can be done. We have a great deal to learn from the experience of other cities and states.

The bill prepared by the New York Tax Reform Association, which has been endorsed by the Chamber of Commerce, was recently introduced by Senator Elsberg, at the request of the Mayor. This bill requires that the value of the land shall be separately stated, and that the assessments shall be published. The requirement that the value of the land shall be separately stated in the assessment has been in successful operation in several New England States, and in the city of Buffalo, in this State, and has received the commendation of boards of tax commissioners of this State.

I have already referred to the fact that assessments in the city of Boston are fair and equal. For many years the assessors of Boston and throughout Massachusetts have been required to state separately the value of land and of the improvements. The assessors are also required to give much more in-

formation, which is annually published in the report of the board of assessors. This information is useful in itself, but I believe its chief value lies in the fact that assessors are obliged to use greater care, and it is impossible for them merely to copy the work of a previous year.

In the State of New Jersey discrimination in assessments was so bad that in 1891 an act was passed authorizing the State Board of Taxation, where the board deemed it necessary in order to obtain a correct assessment of property in any city, by rule to direct that the assessor should determine the true value of each lot of real estate in his district without the buildings and improvements, and note the same, and separately determine and note the true value of the improvements. On the 8th of March, 1892, the State Board of Taxation by rule directed that the assessments made in cities of the first and second class should be so made, and in their annual report for that year they said: "The effect and wisdom of the statute and the rule adopted and promulgated may be judged from the following facts gathered from the assessors, and the result of their work in those cities to which the rule was made to apply."

"The assessments in the city of Trenton have been made by separate valuations of the land and improvements for several years, and the assessments as actually made in the city of Trenton, as developed on appeals, in which the city of Trenton has been a party, together with the testimony of the board of assessors, amply demonstrate to our satisfaction that such a system is the only proper one for the assessment of real estate in our municipalities. By such a system the mere mechanical copying of the duplicates by clerks and calling it an assessment of property for several succeeding years is impossible."

"OFFICE OF A. B. CARLTON, COMPTROLLER,
"CITY HALL, ELIZABETH, N. J.,
"December 23, 1892.

CHAS. C. BLACK, ESQ.:

DEAR SIR—Referring to our recent conversation in regard to the new method of valuing real estate separately from improvements I have to say that our valuations increased from $13,128,650 in 1891 to $13,923, 239 in 1892, and in my opinion fully one-half of the gain was due to the rule adopted at the suggestion of the State Board, by which a separate assessment was made on land. Although in our city the Ward assessors heretofore valued the land distinct from buildings on their own books, no separation was shown on the duplicates returned to this office, and hence the full effect and force of the practice was not felt. I am sure that is the only proper way to assess real estate.

Yours truly,
A. B. CARLTON, *Comptroller.*"

"The universal opinion of those with experience in the assessment of real estate in our cities is to the effect that the assessment should be made by separate valuations by the assessors. We recommend that such mode of assessment have the sanction and force of positive enactment of the Legislature to that effect. Experience proved separate assessment the only fair method."

In the report of the State Board of Taxation made in 1895, they say in regard to separate assessment of land and improvements: "This law has been in practical operation in first and second class cities for the past three years, and has proved satisfactory. From observation and experience the State Board is thoroughly satisfied that this is the only fair and just method to be pursued in the assessment of property in municipalities, and we recommend that this method of assessment be extended by statute to municipalities in the State having a population of five thousand or more inhabitants, and that the State Board have power to require such assessments to be made according to that method

in any other taxing district, when such a proceeding may seen to them necessary in order to obtain a fair and just assessment of the taxable property in said taxing district."

In 1897 a special commission was appointed by Governor Griggs to investigate the subject of taxation in the State of New Jersey, and they recommended that in the assessment of real estate, land and improvements shall be separately assessed.

The New York State Board of Assessors, in their report for 1878, said: "We would earnestly recommend that all assessors, in order to arrive at the full and true value of the real estate, be required to assess the value of the land and buildings thereon separately. Until this is done, correct assessments will not be made."

In 1879 they said in their report: "Whether lands are assessed every year or once in three years, in order to ascertain their correct value, it is indispensable that the land and the improvements on the land, in city, village and country, should be assessed and valued separately. The law should require this of all assessors and tax commissioners. Every man should know what his house, store, building of any kind, is assessed at, and what his lot and land are assessed, separate from the improvements upon them. This is now the rule of assessment in the City of Buffalo, and in some other places in the State. It ought to be the sole and uniform rule; then would assessments be more equal and just, and good cause for complaints against assessors cease."

In 1880 they said: "We would again urge upon all assessors the separate valuation of all real estate, and the improvements upon it, in the towns, villages and cities of the State. It is the only way to arrive at a correct and satisfactory assessed valuation."

In 1881 they said: "In this connection we take pleasure in commending the assessors of the City of Buffalo for the care and vigilance exercised in their assessment of real estate. Each lot in the city is valued separately from the buildings upon it, as follows:

Name	Street and Number	Size of Lot	Character of Building	Value of Lot	Value of Building	Total Value
John Doe	200 Main	20 x 100	4 Story Brick	$10,000	$20,000	$30,000

This is a decided improvement on the present general practice of assessing the building and lot together. A first-class lot on a good business street, or an eligible lot on a prominent street of residences, with an old building of little value, is often assessed at less than a lot adjoining of the same size, if the latter happens to be covered with a fine building, the old building being used to depreciate the value of the lot.

The assessors of Buffalo have practiced this method of separate valuation since 1876, and have become well satisfied that it is the only true manner by which a correct and satisfactory assessment can be made. If local assessors could examine those rolls they would be greatly benefited.

A provision of this character should be by all means embraced in the new tax law soon, it is to be hoped, to be adopted.

In Massachusetts, New Jersey and a number of other states, the law requires the statement of the value of the land, of the improvements thereon, and of the total value of the real estate. It is unnecessary to add two columns to the assessment-roll, for if the value of the land and the entire value of the real property is stated the value of the improvements can be ascertained by a simple subtraction.

There is a positive objection to the requirement that the value of the improvements shall be stated because assessors will be confronted with the ne-

cessity of actually setting down the value for improvements which are valueless, or by making a direct statement that they are valueless. In the City of New York a large proportion of the lots are covered by buildings which add nothing to the market value of the property. In assessing such property the deputy must go through the mental operation of determining the value of the land and whether in the given case the building is of such a nature that a buyer would pay anything for it. He certainly would not pay anything for it unless he expected to preserve it for a number of years. If the deputy concludes that no one would buy the property unless he intended to put a new building on it, the deputy must assess the property at the sum for which the land alone would sell. No deputy who really makes an appraisal can do so without going through this mental process. If he cannot go through the mental process it is high time that fact is found out and the deputy discharged. Incompetence will be exposed in a way that is impossible when the deputy is not obliged to show the steps by which he reaches his conclusion as to the value of the entire property.

The amendment provides that the deputy tax commissioners shall state, "the sum for which in their judgment each separately assessed parcel of real estate under ordinary circumstances would sell if it were wholly unimproved; and separately stated, the sum for which under ordinary circumstances the same parcel of real estate would sell with the improvements, if any, thereon." This direction avoids the objection which can be made to the Massachusetts and New Jersey law and gives such a plain direction to the deputy that he cannot mistake its meaning. The language of the amendment preserves the language of the old law so that there can be no occasion for judicial decision as to its meaning.

It is obvious that if the deputy tax commissioners are obliged to state the value of the land irrespective of the improvements, they cannot very well discriminate so far as the assessment relates to the value of the land. Deputies will be required to use more care; they will be unable to copy slavishly the previous assessment roll; it will be easy for tax-payers to make a comparison between the assessment of their own property and that of adjacent owners. In the event of legal proceedings being instituted by any tax-payer there will be better evidence to substantiate his claim if it is equitable, and better evidence to uphold the assessment if the valuation was correct.

It is physically impossible for the tax commissioners themselves to examine personally the assessment of over half a million parcels of real estate. In spite of the best supervision that can be given by the tax commissioners, there will be discriminations unless there is adequate publicity. When a deputy is obliged to show how he arrives at the assessed value by setting down the value of land and the total value, his work can be checked easily, especially when the assessment is published, and all assessments are scrutinized and compared by hundreds of owners and brokers. Dishonest assessments will be practically unknown, and incompetence will be fully exposed wherever it exists.

Publicity in assessments will make the supervision of the tax commissioners more effective, and will safeguard the interests of the tax-payers. This bill insures publicity in a way that is practical and thorough.

"I SEE," said a friend to a prominent socialist, "your party had 400,000 votes in the recent election. How many do you expect in 1904?" "Not less than twice as many and perhaps more." "You may if Pierpont Morgan keeps on." "Oh, yes," said the socialist cheerfully. "We call him 'Comrade Morgan' now, you know."