

balance is largely made up of shipments to England in the form of pensions and other British remittances for which no equivalent is received. India is a tributary country. Hence its "favorable" balance of trade. Does that account also for the "favorable" balance of the United States? If not, why not?

The offer which the steel trust makes its employes is somewhat complicated, but its essentials may be easily understood. The trust employs about 168,000 persons. These are divided, for the purposes of the offer, into six classes. Class A includes all who receive salaries of \$20,000 or over, while class F includes all who receive salaries of \$800 or less. In the intermediate classes are those whose salaries run from \$800 to \$20,000. During the current month each may subscribe for shares of preferred 7 per cent. stock in the trust, at \$82.50 per share, in amounts ranging from 5 per cent. of wages in class A up to 20 per cent. in class F, the subscription price to be deducted from his monthly wages in such sums as he may specify, not to exceed 25 per cent. of his wages in any one month. The whole amount must be paid within three years. Interest at 5 per cent. is to be charged on deferred payments, but meantime the purchaser receives the 7 per cent. dividends which the stock carries, thus getting a profit of 2 per cent. If the purchaser discontinues payments he may withdraw those he has made, surrendering the stock, but retaining the dividends less interest on his deferred payments. When fully paid for, the stock will be delivered to him. Any purchaser who retains his stock, remains continuously in the employ of the trust, and shows "a proper interest in its welfare and progress" (certified by a letter from "a proper official showing that he has worked to promote the best interests of the company in which he has become practically a partner), may receive annually for five years \$5 a share as a bonus; and at the end of the five years he will receive a fur-

ther bonus to be made up of the \$5 bonuses (and interest thereon) which other purchasing employes may have forfeited. In addition to this scheme of stock purchasing a system of profit sharing, based upon minimum annual earnings of \$80,000,000, is to be established. One-half of the employes' share of profits under this system is to be distributed quarterly in cash, while the remainder is to be invested in preferred stock of the trust to be held for the benefit of the employes who remain continually in the employment of the company for five years. It is evident from a careful reading of the official circular that three motives have controlled in the formation of this complex arrangement, all of which come within the idea of "benevolent feudalism." First, a sincere desire to do the workmen good and regulate their lives benevolently; second, an equally sincere desire to head off strikes; and third, a lively hope that when elections come around in which the special privileges of the trust are possibly at stake, the employes can be appealed to effectively in behalf of the concern as "fellow stockholders."

In an official letter from the sultan of Bacolod, one of the Mohammedan regions of the Philippines, a letter which the United States war department has just made public, Americans are described as "a lot of hogs that eat hogs." What makes this description peculiarly offensive is "ye fact yt ye condemned savage" has so closely approximated "ye gospel truth."

The whole history of our Philippine relations, from the time when we began to "edge" Aguinaldo's patriot army back and again back from its place of vantage, all the while pretending to be friendly, down to our lawless declaration of war against the Filipino republic in December, 1898, and through all the destruction we wrought, the anarchy we bred, the loot we took, and the cruelties we inflicted, until the present time, when our paternal government in the isl-

ands is asking for authority to extend from 5,000 to 25,000 acres the limitation upon common lands to be grabbed by American capitalists—from first to last our national conduct has been such as to make it almost an affront to the morals and manners of the lowly beast of Mohammedan detestation to refer to it as a symbol of Yankee character.

## THE HOUSING PROBLEM AND THE TAXING POWER.\*

### I.

The philanthropy of municipal paternalism and the charity of rich individuals, may provide decent and comfortable housing for some of the working poor some of the time; but nothing can secure decent and comfortable housing for all of them all of the time, short of measures that would neutralize legislative and institutional hindrances to their providing such housing for themselves. This necessitates radical changes in taxing methods. It is a mistake to ignore the social potentialities of taxation. The power to tax is truly a power to destroy, and as truly a power to save from destruction.

When taxation hinders industry and diverts the full and regular flow of wealth from the producers of wealth, the working poor are prejudicially affected, and housing problems result. Taxation of that kind is destructive of normal social life. Conversely, a tax that would encourage industry and promote the free and regular flow of wealth to its producers (if any such tax there be), would operate favorably to the working poor, and abate housing problems by conserving and fostering normal social life. Methods of taxation, therefore, are a primary consideration with reference to the problem of housing the working poor.

### II.

In that view of the matter it is imperative to ascertain at the outset whether existing methods of taxation do obstruct industry, discourage

\*By Louis F. Post, editor of *The Public*, in the Fall number, 1902, of *Municipal Affairs* (New York). Reproduced here by special permission of the publishers of *Municipal Affairs*.

production, and divert the natural flow of wealth from its producers. Whatever helps to make the problem must be eradicated or the problem cannot be solved.

That existing methods of taxation have that effect is more than an inference. When William Pitt told the British parliament that there is a method of taxation whereby "you can tax the last rag from the back and the last bite from the mouth without causing a murmur against high taxes," he was guilty of no exaggeration; yet precisely that method is in operation in all our cities to-day.

If it does not yet tax away the last rag and the last bite from the working poor, it has, at any rate, taxed great masses of them down to the last rag and the last bite, and into squalid homes in the midst of influences physically and morally degenerative.

Pitt's allusion was to indirect taxation. He said it would be a dangerous experiment in a free country to levy a high direct tax, for it might excite revolt. But by taxing articles of daily use and necessity so indirectly that the people will pay the tax and not know it, you may tax them to the ultimate and they will only grumble at hard times, quite oblivious of the fact that it is oppressive taxation that really afflicts them.

When we speak of indirect taxation, however, we are apt to think only of customs tariffs. Though these do belong in that category, and do play an effective part in making housing problems, they are outside the sphere of municipal control and therefore beyond the scope of the present discussion. But customs tariffs are not the only indirect taxes. Nearly all taxation for municipal purposes is indirect. There is hardly an exception other than license taxes (which are inequitably apportioned), betterment assessments (which are crudely adjusted), franchise taxes (which are lightly levied), and so much of the real estate tax as falls upon the value of sites. Approximately, all but these are imposed upon such articles of daily use and necessity as have the magical quality of stealthily shifting the burden of the tax, in the comparatively innocent disguise of high prices, from the nominal tax payer to the final buyer of the article taxed.

Their influence in hindering the efforts of the working poor to house themselves decently and comfort-

ably, is incalculable. Since houses are taxed over and over again, first with a bewildering complexity of taxes on building material and then annually so long as they stand, and inasmuch as these taxes enhance the cost of building operations and maintenance, the prices and rents of houses, regardless of site, are increased to the extent of the taxes plus the accumulated profits upon the amount of taxes advanced. This whole increase, in addition to the natural cost of building operations and maintenance, must be paid by the working poor for the quarters they occupy. What is thus true of the bare housing of the working poor is true, also, of everything necessary to turn their bare houses into family homes—of their furniture, their clothing, their food, their ornaments, of all their necessaries and all their luxuries.

Further, this burden of taxation upon the working poor, when they are compared with the more fortunate classes who suffer from no housing problem of their own and whose means are larger and their benefits from the expenditure of public revenues greater, is appallingly disproportionate, whether the proportion be calculated with reference to the principle of taxation according to individual ability to pay, or of taxation according to public benefits received. Brotherly sympathy is not alone in pleading for the working poor of our cities; it is reinforced by the principle of fiscal justice.

But the depletion of their actual incomes is not the most serious burden which indirect taxation forces this tax-burdened class to bear. The resulting pressure upon industry is more serious still. By enforcing excessive economy, which puts a check upon normal demand for good housing, indirect taxation reacts upon demand for workers in the housing industries, making it less. This restricted demand for workers at house-building, cripples house builders in purchasing-power and checks demand for goods in general and consequently for workers in all occupations. Yet the workers increase, and with the march of invention their productiveness expands. They supply products easier than ever, but their own effective demand relatively diminishes. As an inevitable outcome, keener and keener competition for "jobs" increasingly gluts the

labor market and continually reduces wages.

Reflection will show, then, that indirect taxation deprives the working poor of their natural powers of decent self support in at least two ways. To the extent that it enhances rents and prices which they must pay, it takes from them part of what they actually receive for their work. To the extent that it enforces abnormal economies and thereby diminishes demand for workers, it restricts their incomes by contracting their earning opportunities. In both ways indirect taxation contributes to the development of slums and helps to make the housing problem.

To forestall misapprehension, perhaps I should digress at this point to note the astonishing contention, buttressed by statistics, that the incomes of the working poor, so far from falling, are steadily rising, not only in terms of money, but also in purchasing-power. Even the best of these optimistic statistics fail to prove their case. Though they were quite free from defects in detail, and they are far from that, they altogether ignore the manifest and determining fact that absolute necessities in the civilized life of our time are more numerous and in the aggregate more expensive than those of a generation or two ago. It is not quite legitimate, for illustration, to compare the purchasing-power of a money unit in times when car fares and store clothes are universal necessities in cities, with the purchasing-power of the same money unit when the working poor could walk to their work and their wives and mothers made their clothing. But whatever comforting story the statistics of wages may be made to tell, it should be enough here to note the fact in reply that the perplexing problem of providing housing for the working poor grows in magnitude and forces itself upon the attention of society with increasing persistency. This in itself is eloquent testimony to a stubborn decline in the purchasing-power of wages.

That the decline is explained in part by the heavy taxes the working poor actually but unwittingly pay, cannot be reasonably questioned. That it is further explained by the pressure upon wages of competition in a glutted labor market, due to economizing as an immediate result

of indirect taxation, is demonstrable. But in greatest part it is explained and the housing problem probably chiefly accounted for, by a collateral effect of indirect taxation which William Pitt did not suspect and which yet remains to be considered.

### III.

The rentals of city real estate are determined partly with reference to sites, and partly with reference to structures. In both respects they are made excessive by indirect taxation. But the excess thereby produced in so much of the rentals as is determined by sites irrespective of structures, is peculiarly burdensome. It is doubtless the most influential factor of prevailing tax modes, in producing, perpetuating and expanding those industrial and social conditions which have culminated in the perplexing problem of housing the working poor.

For the obtrusive fact must not be ignored, as it so often is, that needs for housing imply needs for sites, and that housing sites must not be too remote from bread-winning localities. Alluding to this fact, Walter A. Wyckoff, the distinguished labor writer, observes in a recent magazine article, referring to the London housing problem, that "the demand is not simply a demand for dwellings," but that "it is a demand for dwellings near, or measurably near, the places of work;" and that "consequently the rentals of such houses were certain to rise, and with rising rentals there has been a contraction of living space on the part of many workmen's families." Why so acute an observer should have overlooked the difference between a rise in house rentals and a rise in site rentals it may not be important to inquire. But the difference itself is important. What Mr. Wyckoff observed was in reality a rise not in house rentals, for appropriate houses of a given cost for construction are no dearer in one place than in another. It was a rise in site rentals, which are determined not by cost, for sites cost nothing to construct, but by scarcity with reference to location.

Now, scarcity of sites is artificially promoted by indirect taxation. To the extent that houses and other products of industry are taxed, the necessity for taxing sites is lessened. Consequently, in most if not all the cities of the United States, building sites—both improved and unimproved—pay in taxes annually only a fraction of their potential an-

nual ground rent. In the cities of Great Britain they pay even a lower rate, if, indeed, they pay anything at all. Wherever definite amounts are raised by taxation, direct taxes upon sites are of course lessened by the amount of indirect taxes upon structures and personal goods. This favors the owners of the valuable sites upon which our cities stand, and enables them to withhold their vacant sites from the market, for higher future prices. It thereby creates an artificial scarcity of that kind of property, which gives to it an exorbitant value.

Just as the coal trust closes vast fields of anthracite deposits, to force its own terms for mining upon working miners, and its own prices upon consumers of coal, so city site owners withhold vacant building sites from the market—close them against present use—to force their exorbitant terms upon builders and tenants. The advances in site values are usually great enough, decade by decade, to encourage this, yielding as they do sufficient for ordinary taxes and a considerable profit over (1).

How enormous and steady are these advances in city site values was vividly illustrated in 1894 by F. R. Chandler, a real estate expert of long experience and high standing in Chicago, who tabulated the unimproved values, from 1830 to 1894, of the quarter-acre site at the southwest corner of State and Madison streets (2). In 1830 this quarter acre-site was worth \$20. Under the influence of a local land "boom," it had leaped in 1836 to \$25,000. The succeeding depression carried it down as low in 1842 as \$1,000. But in 1843 it rose to \$1,100, after which it went on rising year by year, until 1894, when it was worth \$1,500,000. At present it is even more valuable.

Few instances of rising site values can be so exactly described in figures, but this one is typical. Perhaps the most notable phenomenon of city life, next to the evolution of slums, is the enormous growth of site values, from corner lots in business centers like Mr. Chandler's Chicago example, down to little home sites on the city frontiers.

Within certain reasonable limits

(1) A select committee of the House of Representatives found upon evidence in 1892, that the minimum annual increase in Washington sites was ten per cent.—Fifty-second Congress, first session, Report No. 1469.

(2) Illinois Labor Report for 1894, p. 277.

the increase of city site values is normal, and under certain circumstances beneficent. But beyond these limits it is a deplorable result of that dearth of cheap city sites which light taxation of sites promotes. This dearth makes site rentals exorbitant. That in turn checks demand for good housing, thereby discouraging building operations and lessening opportunities for work. Lessened opportunities for work glut the labor market, and that reduces incomes from work. Lowered incomes force or induce lower stages of unwholesome economies, and these in turn again check demand, which further gluts the already glutted labor market and once more depresses incomes from work. So the process of action and reaction goes on, not only in the building trades but in all trades, until it meets a temporary check in one of our periodical depressions. An economic spiral is thus created, around and down which the working poor are chased by mysterious conditions that beat and baffle them and finally plunge them helplessly into the physical and moral degradation of the slums.

### IV.

Other explanations of the housing problem there are, but none that explain it so convincingly as indirect municipal taxation. With its discouragement of housebuilding and encouragement of site forestalling, its discouragement of industry and encouragement of land speculation, its obstructions to income earning, its pressure upon incomes earned, and its depletion of incomes received, it is the principal and most effective cause of the wretched conditions that invite society so urgently to solve the problem of providing decent housing for the working poor. Were indirect municipal taxation abandoned in favor of taxation in proportion to site values, all other causes of the housing problem could be easily combated and overcome. The working poor themselves could overcome them. For site monopoly as well as tax extortion would largely disappear.

The weight of the load that would thus be lifted from the working poor of cities is incalculable. But its magnitude is not invisible to him who, having eyes, is nevertheless not blind. Look over any city, and though you see nothing else, you are sure to see two thought-provoking conditions.

One is crowded slums for the working poor; the other is an abundance of vacant building sites. A New York publisher of insurance maps testified in 1883 before the United States Senate Committee on Labor and Education, that half of Manhattan island was then vacant, and that a large proportion of the remaining half was much under-improved. Yet the working poor of New York were densely crowded even at that time. One of the East side wards was said to be so thickly populated that if turned into a cemetery it would not furnish ordinary burial space for its inhabitants. Doubtless there are fewer vacant building lots on Manhattan island now, though there are plenty still; but the values of those that remain have risen enormously and exorbitantly, and the crowding tendency is greatly accelerated. The addition to the city of large areas might have been expected to modify the congestion, but this expectation has much more perfectly served the purpose of exorbitantly enhancing site values.

In other cities, too, the working poor are crowded though there is vacant area enough and to spare if it were not held at prices so high that it cannot be profitably utilized. The average population to the acre in New York is less than 19. In Chicago it is less than 17. In Philadelphia it is barely 18. In San Francisco it is hardly 14. In New Orleans it is less than 3. In St. Louis it is 15 and a fraction. Boston alone of all these crowded cities has as high an average of inhabitants per acre as 21. Why should there be crowding where sites for building are evidently so abundant?

Is it not reasonable to infer that, in large part at least, it is because high indirect taxation, which enhances the cost of building and therefore the rental of houses, permits low site value taxation, which fosters exorbitant prices and high rentals for sites? And is it not, then, a reasonable conclusion that the reversal of this destructive fiscal method, by means of direct taxation of municipal site values for municipal purposes, would solve the problem of housing the working poor? More correctly, perhaps—certainly more desirably—would not this fiscal change leave them economically free and strong, according to the nature of man, to solve the problem for themselves?

V.

As to the objection that direct

taxation of sites would increase rentals, only the unthinking insist upon it. There is nothing more certain in human experience than that taxes estimated on the rent or value of land cannot be shifted to purchaser or tenant in higher prices or rentals. The reason that site value taxation does not increase site rentals, while house value taxation does increase house rentals, is not far to seek nor difficult to find. As we have already seen, taxes that are imposed according to the value of buildings and building materials tend, by augmenting the cost of construction and maintenance, to lessen the market supply of houses. Not so with taxes imposed according to the value of sites. By stimulating site owners to seek buyers, and making it less profitable to buy except to use, they produce a rising instead of a falling market supply of sites. The higher you tax house building the dearer you make houses; but the higher you tax site-appropriating, the cheaper you make sites. Site value taxes, therefore—unlike house value taxes—cannot be added to rentals. They are direct, staying where they are first placed, and owners of sites must bear the burden.

Not only could the owners of city sites be compelled by ad valorem site value taxation to bear the tax burden which is now unfairly and destructively distributed through indirect taxation, but they ought to bear it. All the value that sites acquire they derive from the complex energies of the community as a whole, and not from any industry, investment or other useful service, of their owners. When you tax houses, you confiscate part of the individual toil of their tenants; but when you tax house sites, you confiscate no one's toil—you merely exact for current public use a value which the public currently recreates.

Whatever may be thought of the right of individuals to own land in general, the current right of a city to the current value it gives to the building sites within its jurisdiction, and to all of that value, would seem in justice to be incontrovertible. No other conclusion is admissible when the alternative is not only the confiscation from the public by site owners of these public values, but also the depletion of individual earnings by indirect taxation, the consequent narrowing of employment, the resulting depression of wages, the

necessity, therefore, of submitting to unnatural economies, and the crowding thus engendered of the working poor into slums.

But in substituting site value taxation for the general property tax, it would not be necessary to exact the full current value of sites. Taking New York, Chicago, Philadelphia and Boston as representing extreme variations, we should probably find that two per cent. of site values would yield in each of them more revenue than they now derive from the inequitable and destructive general property tax. Though exact figures are not available, enough is known to make reasonable estimates possible. Allowing 11 building sites to the acre, inclusive of streets, parks and other public places (3), the following table affords a basis of estimate:

	New York.	Chi-cago.	Phila.	Bos-ton.
No. of sites.	2,168,320	1,341,120	908,160	322,720
Present general property tax valuation (real and personal) per site .....	\$1,749	\$280	\$1,015	\$3.86
Present income from general property tax, per site...	\$36	\$14	\$21	\$6
Rate of site valuation tax, if sites were valued at no more than the present general property tax valuation (real and personal) and the same income were secured, per cent. ....	2.05	5.00	2.07	1.7

Here it appears that the present income of New York, Chicago, Phila-

(3) In New York, 11 lots to the acre, after making all deductions, is a low estimate. The usual estimate is more than 12. But in Chicago it is less. Not only is the conventional lot in Chicago larger than in New York, but allowances must be made for alleys. Chicago building plots are usually laid out in five-acre areas, or squares, the boundary line running along the middle of the street on all four sides; and this allows for 48 sites. By crowding some of the sites, 60 to the five-acre square are usually obtained, and it is generally assumed that, inclusive of streets, Chicago sites average 10 to the acre. Allowing also for parks, they would average fully 11 to the acre. For all the purposes of this article, however, an estimate of 11 sites to the acre for all the cities mentioned will not be misleading. Where the average is larger, the argument of the article will be strengthened; where it is smaller, the difference in site value taxes could be more than made up from such neglected or undervalued sources of site value taxation as street car rights of way and the like, sources that this article does not take into consideration.

delphia and Boston, from the general property tax, could be fully realized from a site value tax of 2.05 per cent., 5 per cent., 2.07 per cent., and 1.47 per cent., respectively, even though the sites were worth no more in the aggregate than the present aggregate valuation of real and personal property. But that valuation is absurdly low, not merely with reference to all property, but even with reference only to sites.

Of course there are sites in New York worth less than \$1,749, as there are sites in Chicago worth less than \$280, in Philadelphia worth less than \$1,015, and in Boston worth less than \$3,808. But in all these cities there are many sites of much higher values. With the barely possible exception of Boston, the average would doubtless be greatly higher than it appears in the table.

In Chicago, for example, a commission, composed of three well-known real estate experts and two builders (4), appointed by Mayor Swift to compare actual with assessed values, reported in 1896, with reference to the district bounded on the north and west by the Chicago river, on the south by Twelfth street and on the east by Lake Michigan—a district comprising only about one square mile, though the most valuable square mile of the 190½ square miles of Chicago's area—that the sites were then worth, exclusive of improvements, of exempt areas and of railroad rights of way, no less than \$337,342,880. In the light of that report it is evident that the site value of all Chicago must average much more than \$280 per building site of 11 sites to the acre; and that the present general-property-tax revenue could therefore be raised by a site value tax of much less than 5 per cent.

According to the report last referred to, the land values in the district described are more than 75 per cent. of the total real estate value (5).

(4) Illinois Labor Report for 1896, pp. 123-24.  
(5) While the report in question is regarded in Chicago as authoritative as to its land value estimate, its building value estimate is discredited, because buildings were valued at cost of reproduction, a method which recognized as valuable many structures that are really an incumbrance. The true value of the land in the estimated area is probably a considerably larger proportion of the whole realty value than 75 per cent. Taking the city as a whole, however, good judges estimate the proportions of realty values at one-third for structures, and two-thirds for sites. Positive information is not available. The proportion in Boston in 1896 (Circular No. 5, United States Department of Agriculture, division of statistics, p. 9) was 42 per cent. structure values, and 58 per cent site values.

This would not hold good throughout the city; but 66 2-3 per cent. is regarded as the true proportion, and 50 per cent. would certainly be a low estimate. Now, the present tax valuation of Chicago real estate is \$259,254,598. On that basis, then, the site valuation of Chicago, half of \$259,254,598, would not be far from \$130,000,000; and under the one-fifth rule of assessment in force in Chicago this would indicate that the true value is at least \$650,000,000. Accepting that as the true value, though it is doubtless an underestimate, the revenue now obtained by Chicago from the general property tax could be secured by a site value tax of less than 3 per cent.

For Washington it has been proved by Congressional investigation (6) that one-quarter of the annual site-rentals, potential as well as actual, would support the city government; and that this would be less than 2 per cent. of the selling value.

But it is not necessary to go further into detail. The notoriously great site values that prevail in all cities, at the rate at some points of \$8,000,000 and more to the acre, are a sufficient assurance that city revenues from the general property tax could be fully replaced with a site value tax of little if any more anywhere than two per cent.

Even this low rate, accompanied as it would be with the exemption of houses and commodities, would appreciably relieve the working poor. It would take nothing in excessive house rents and excessive prices for necessities from the earnings they actually receive, as does the general property tax; and to the extent that demand for labor is diminished and wages thereby depressed by economies due to high rentals of houses and high prices of necessities caused by indirect taxation, it would considerably modify that condition. It would tend, also, to reduce site rentals and thereby to relieve the greatest necessity for crowding, while lessening the great glut of the labor market which is caused by dearth of cheap building sites; for site owners would find it distinctly more difficult to lock up vacant building sites under a tax of two per cent. than under the present one of less than one per cent.

Should it become necessary to increase this rate as site values declined or civic necessities expanded,

(6) Report No. 1469 of Fifty-second Congress, first session (1892).

so much the better. The nearer the tax came to making it absolutely profitless to monopolize building sites except to utilize them appropriately and immediately, the more completely would it enable the working poor to solve their own housing problem.

## VI.

No actual experiments in site value taxation have been made with the express object of solving the housing problem, but the system is coming in use in Australasia simply for the purpose of raising municipal revenues.

Under the "optional local taxation" law of New Zealand, for instance, nearly 60 localities have adopted it. That law provides that the taxing authority of municipalities must, if the tax payers at any time so decide, exempt all improvements and thenceforth levy taxes on the "unimproved value" of sites. Votes had been taken under it, up to the 9th of July, 1902, in 53 localities. As some of these are counties, the votes have controlled 65 municipalities, for a county vote decides for all the subsidiary taxing divisions. Out of the 65 municipalities affected by the votes thus far, the site value tax was adopted in 58. The city of Auckland rejected it; the city of Wellington adopted it. After five years' experience with this law, the premier of New Zealand, R. J. Seddon, writes of the local site value tax (7) that "it has proved a success, and the opinion of the government, which is generally shared throughout the colony, is that it should be made compulsory." He adds that popular opinion is so strong in favor of the tax system the law permits, "that the repeal of it is out of the question." The same system is in successful operation in other parts of Australasia.

Permission to adopt it in Glasgow is being asked of the British parliament by the city authorities, supported by popular vote; while a large number of other British cities have followed Glasgow's example. Although this British movement is not exclusively nor specifically for the purpose of solving the housing problem, it has become related to that problem in England as a factor, if not the factor, in its solution.

Prominent Liberal leaders have declared that the taxation of site values must precede any decent solution of the problem; and the British Royal Commission, which first reported on

(7) Report of the Revenue Commission of Colorado, 2 ed., p. 49.



the housing question in 1885, recommended site value taxation to the consideration of parliament in these suggestive terms (p. 42):

At present, land available for building in the neighborhood of our populous centers, though its capital value is very great, is probably producing a small yearly return until it is let for building. The owners of this land are rated, not in relation to the real value, but to the actual annual income. They can thus afford to keep their land out of the market, and to part with only small quantities, so as to raise the price beyond the actual monopoly price which the land would command by its advantages of position. Meantime, the general expenditure of the town on improvements is increasing the value of their property. If this land were rated at, say, four per cent. on its selling value, the owners would have a more direct incentive to part with it to those who are desirous of building, and a two-fold advantage would result to the community. First, all the valuable property would contribute to the rates, and thus the burden on the occupiers would be diminished by the increase in the rateable property. Secondly, the owners of the building land would be forced to offer their land for sale, and thus their competition with one another would bring down the price of building land, and so diminish the tax in the shape of ground rent, or price paid for land which is now levied on urban enterprise by the adjacent landowners, a tax, be it remembered, which is no recompense for any industry or expenditure on their part, but is the natural result of the industry and activity of the townspeople themselves.

The conflicting policy, supported quite intelligently and not unnaturally by landlord interests everywhere, contemplates the purchase of sites at public expense and the building of workmen's dwellings upon them. It may be that some slum conditions do not admit of the delay necessary to secure authority to alter municipal tax systems. Where that is so, improvements should of course be made by the city at the expense of general taxation. This must be done even if in relieving congestion at one point it does make it worse elsewhere, as has been the case with the London experiments, regarding which Mr. Wyckoff writes that it is "part of the irony of the situation that the very remedies which are applied to the evil at one point result in its intensification at another."

But as a solution of the problem, the purchase of sites at public expense under the prevailing system of indirect taxation is an impossible one. In order to raise the necessary funds, taxes on housing would be increased and housing be made dearer even though supplied by the municipality. The economic friction upon house-building would consequently be greater, and, by reducing demand for labor would make the downward pitch of wages steeper. Moreover, the largest financial benefits at each stage in the process would go increasingly to neighboring site owners, for it would add to the desirability of their holdings. With site values thereby stimulated and sites becoming richer prizes in the market, house-building would be progressively obstructed and every improvement would increase the cost of sites for the next. Altogether each forward step along this line of policy would intensify the evil in general which it was designed in part to relieve, and make the housing problem progressively harder to solve.

Any solution, to be generally, progressively and permanently effective, must recognize the primary necessity of lessening the rents of city houses by exempting houses and house-building from taxation, and of reducing the rents of city sites by taxing site values. To ignore these conditions is to lay the foundations of the housing reform in a bed of quicksand.

## NEWS

Although the news dispatches of last week reported that Venezuela and the invading European powers had virtually agreed to submit the case to The Hague tribunal (p. 614) no definite agreement as to terms of submission appears yet to have been made. President Castro's formal reply to the arbitration proposals was received at Washington on the 31st. Its contents have not been divulged, but it is described as satisfactory; and hints have been thrown out that while Castro agrees to the conditions of arbitration exacted by Great Britain, Germany and Italy, he demands in return that certain conditions imposed by Venezuela be accepted by them. The receipt of Castro's reply in London and Berlin was reported from both places on the 2d, and the joint response of

England and Germany was handed to the American ambassadors at Berlin and London on the 6th. The response of Italy was delivered at Washington on the 7th. Nothing more definite and probable about all this diplomatic correspondence has been published than the following from the report of the receipt of the joint response to Castro's reply, which was sent out from Washington on the 6th by the Associated Press:

The notes in substance state that if Venezuela wishes a conference with a view to submitting the differences between the two countries to arbitration the allies will accede. The conditions attached vary slightly from the original proposition, but in the judgment of officials here the differences between the allies and Venezuela in respect to arbitration are much diminished, and there is warrant for the expectation that the case will now surely go to The Hague.

The British-German response was promptly forwarded by the American state department to the American minister to Venezuela, by whom it was submitted to President Castro on the 7th.

It is the evident purpose of the European powers to maintain their blockade (p. 614). An announcement to that effect emanated from Berlin on the 5th. It came through the Associated Press, which stated that Great Britain and Germany had come to an understanding four days previously, to enforce the blockade of the Venezuelan coast precisely as though negotiations for arbitration were not going on. In connection with the blockade a force of 150 marines was landed from the German warships at Porto Cabello on the 3d, for the purpose, it was explained by the German commodore to the American consul, of making the blockade more effective by clearing the port of all small vessels. As soon as that could be effected they were to reembark. They took immediate possession of the custom house and the wharves.

Notwithstanding reports that Castro is hemmed in by the foreign fleets on the coast and revolutionists in the interior, the only definite news regarding the revolution is in Castro's favor. His troops were reported on the 5th to have come into collision with revolutionists under Gen. Ramoé (p. 614) at Guatire, and, after a four hours' battle, to have driven the revo-