

## Assess The Benefited Area

HON. EDWARD POLAK, Register of Bronx county, New York City, has addressed the following letter to the members of the Board of Estimate and Apportionment, and the members of the Board of Aldermen:

GENTLEMEN:

The newspapers report that the City of New York has a plan for the construction of subways to cost about \$250,000,000.00, exclusive of equipment. If this is so, may I be permitted to call your attention to the law which provided for the payment of the cost of subway construction by an assessment levied on the area benefited thereby. This method, if adopted, would relieve the city from the expense of subway construction and would not, therefore, interfere with lending the city's credit for the construction of much needed schools and other necessary public improvements.

By the process referred to above, the cost of building subways would fall very properly where it belongs, on property owners who receive the greatest benefit from transit improvements, and not, as heretofore, be distributed over the entire city.

The legislature in its wisdom when it passed this law must have been of the opinion that the method of building the subways referred to herein is the most equitable way of paying for them, and in this opinion very many concur.

It seems to me, therefore, that the city should take advantage of this law and place the burden of taxation where it rightfully belongs, on the property benefited.

All street improvements are paid out of the assessments levied on the property benefited. Why not subways, which benefit property more than street improvements and create a value which street improvements cannot even approximate.

I am taking the liberty of enclosing a copy of the law, and sincerely trust that, when considering other plans for building subways, you will give this plan for financing them your most earnest consideration.

## The Folly of The Wise.

DESPITE Biblical injunctions and the dictates of common sense, men still try to make their descendants rich and thus take away from them ninety-five per cent. of their chances to lead busy, happy and useful lives. By making it easy for them to get whatever may be purchasable in the world, they limit narrowly their sources of enjoyment. A frank and faithful study of the fate of millionaires' children would be a book of the greatest social utility and might do something to reconcile the poor to their poverty.

The latest example of the desire to disregard all human experience and make his descendants rich even to the third and fourth generation is the late Judge Neville, of Omaha, who has attempted to provide for keeping his property intact through two generations of heirs. At the present

time the property is estimated to be worth \$2,000,000.00. At the time when it may be expected to be distributed, 75 years hence, it is expected to be worth \$100,000,000.00, according to newspaper computation. As the real estate is improved it may well be questioned whether any such increase will come. The time is near at hand when cities as a matter of self-defense will take in taxes a large part of the annual increment of the land value. When that time comes it will be difficult for short-sighted progenitors to handicap their progeny by making it easy for them to slide down the incline to that place which the ingenuity of the human race may have decided to substitute for hell.

## The Goal of Tax Reform

A MOST interesting address for students of tax tendencies was that delivered to the Convention of Ohio Real Estate Boards by Fred. Rogers Fairchild, Professor of Political Economy at Yale University. It is published in the *Bulletin* of the National Tax Association for December, 1921.

Beyond certain objections to double taxation manifested in the attempt to tax intangibles, Professor Fairchild may be defined as purely utilitarian. The final test of a tax is, does it raise the money? If it does it is a good tax, otherwise, not. He heralds the complete breakdown of our old bogie man, the general property tax, on which we think the claim may be fairly made that the first and most effective attacks were made by Single Taxers. Certainly its disappearance will justify their adding a new notch to their rifles.

In one paragraph the Professor admits an early flirtation with the Single Tax heresy. How else shall we construe the phrase. "There has always been something appealing in the idea of a Single Tax which should accomplish these purposes, but the idea is an illusion. The tax problem is not as simple as this. Any practicable scheme of taxation must involve the use of a variety of different taxes." There is no argument here; probably speaking to a group of realtors no argument on the subject was necessary, but we do wish that instead of brushing the matter aside as though the question were one of a youthful infatuation, he had devoted to it some of the painstaking elucidation which he devotes to other and more "practicable" taxes.

To him the foundation stones of State and local taxation are the income tax and the property tax. The income tax should tax all incomes down to the point where it ceases to be profitable to collect and the property tax should be on all physical wealth presumably down to the same point. Nowhere do we find any recognition of the idea that there are such things as public created values and that these values should be taxed up to 100% before any values personally produced are touched.

Nevertheless, for an orthodox economist, Professor Fairchild is quite lucid. By an orthodox economist, we mean one who reasons from his conclusions backwards. The purpose of this procedure is to preclude the possibility of arriv-

ing at a conclusion which would even throw a doubt upon the righteousness of things as they are. Professors of economics are circumscribed in a way in which other professors are not. A man may be socially unorthodox and hold a chair of engineering or philology but in economics he must be sure to make no discoveries which are unsettling. This feat can only be achieved by keeping ethics out of economics and it is almost always successfully done.

## The Donkey and The Carrot

NEEDLESS to say we sympathize with every sincere and intelligently directed movement tending to permit adequate, sanitary and dignified homes to be erected, especially in the city sections of the nation. Candor compels the statement that few such movements exist, because of the universal failure to recognize the obvious fact that the first problem to be solved is the land question.

The Lockwood Committee appointed by the New York Legislature to deal with the housing situation in New York deserves much credit for its foresight and courage in recommending the Tax Exemption Law, which, *because of the high tax rate and full value assessment of real estate in New York City*, is working admirably there. But no sound economist will dispute the fact that it is the burden on real estate, especially unimproved real estate, that is making it possible for the Tax Exemption Law to be as effective as it is. If we had a low rate and underassessment of vacant property, as so many cities have, the Tax Exemption Law would merely result in a land boom.

Indeed, in some areas in New York, it seems to be having that effect at present. Nevertheless, the Lockwood Committee is entitled to more public recognition than it has received.

But as usual there is a fly in the ointment, and that fly bears the name of Samuel Untermyer. Mr. Untermyer is a very able and successful man and endowed with a quality of mind which enables him to gauge to a nicety the cowardice of his antagonists. Such a quality is almost as valuable as a high order of courage. He has made a great deal of money and raised a most creditable crop of enemies in the practice of his profession. With the ordinary type of man, this condition usually results in a fatal inertia. But Mr. Untermyer is no ordinary man. He is ambitious. He desires a place among the men who serve the nation. He would set his light upon a hill. The road to this goal lies through public service, but it must be spectacular public service. Hence he has attacked combine after combine engaged in extorting high prices for labor and building materials and they have fallen before his onslaught like so many houses of cards. Heavy fines have been imposed and some offenders sent to jail. The fact that we are living under a social order which makes combinations among producers as inevitable as among laborers or professional men never seems to have dawned upon Mr. Untermyer. That such combinations will continue to exist in fact does not perturb him. He has extracted as much glory out of

their prosecution as he could get out of their actual suppression.

Now he appears with a scheme which dwarfs all his previous bids for public applause. People have been saying "all this investigation is very well and we have had the satisfaction of seeing many citizens heretofore deemed respectable, branded as criminals, but where do we come in? Rents are as high as ever and rising wherever a vacancy is created. Landlords are just as obdurate as ever." So Mr. Untermyer launches a project which by its specious stupendousness elicits the praise of even his critics. The project is that the Metropolitan Life Insurance Co. shall invest one hundred millions in the construction of cheap tenements to be rented for not more than \$8.00 per room per month. All hats go up in the air. Surely, here is the millenium. Contractors rush in offering to do the work at cost, but an analysis of what is meant by cost will show that the offering may not be so generous as it sounds. Mechanics are to reduce wages on the job, with the understanding that they are to have first choice of flats when the work is done. The Insurance Co. is to limit its interest on the money invested. In other words, the whole project is to be developed in an artificial economic atmosphere.

Now let us examine for a moment the normal reactions of the scheme. Not many will stop to consider that if it is carried out in full it will not add more than 1½% to the housing supply of New York. Speculative builders who now have plans under way will stop—at least long enough to consider where this promised new supply will leave them. Plans have been filed for dwellings to cost \$6,000,000. in the aggregate, every week since March 1, 1921. The tendency of Mr. Untermyer's plan will be to check this movement. If the Metropolitan Life Insurance Co. were to lend this money in the usual manner to intending builders it would result in the investment of \$170,000,000. instead of \$100,000,000. It will seriously interfere with the ability of the private builder to get loans. The private builder cannot hope to have his work done for cost, which will make him still more fearful of competition of the Untermyer project.

And when the whole job is done, a rental of \$8.00 per room may be either too high or too low. It will probably be lower than similar accommodations can be had elsewhere. Here will come the task of choosing the families to be accommodated.

As we said at the outset, we shall hail with joy any increase in the house supply of New York but the Untermyer path is beset with difficulties and may in the long run do more harm than good. The old proverb that "the road to hell is paved with good intentions" is never better exemplified than in those quasi-socialistic schemes which seek to substitute mere human intelligence (and we underline the word "*mere*"), for the operation of natural law. If we taxed only land values in New York and exempted all improvements, old and new, we would need no artificial stimulants to get us over a crisis that would never have arisen.