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LAND VALUES AND TAXATION
[a column in The Twentieth Century]
By George White

Ontario Not Yet Ready

AE. FRIPP, a conservative member of the Ontario Parliament, recently introduced a measure allowing municipalities the right to tax buildings, improvements, business or incomes at a lower rate than land values. Several strong speeches were made in favor of the bill, but it was withdrawn at the request of the Premier, Sir James Whitney. It will be introduced again at next session.

Exemption of Homes

The proposal to exempt all dwellings from taxation in New York State is again before the Legislature. In the tax laws at present in force is a clause providing for certain exemptions, to which it is proposed to add a few words, as follows: "All dwelling houses, but the amount so exempt shall not exceed three thousand dollars, nor shall the exemption apply to the land." In the Senate the bill was introduced by Senator Griffin, and referred to the Committee on Taxation and Retrenchment.

Manhattan Land Valuations

By some mischance this department was made to say in our last issue that assessed land values in the Borough of Manhattan, New York City, were "about 'half as high as Lawson Purdy's very efficient tax department can get them." The word "half" had no place in the sentence. The first essential in a system of property assessment for taxation from the point of view of the tax reformers, is to have the assessed values of lands carefully made and as near full capital value as is possible. It is safe to say both these requirements are fully kept in mind in Manhattan by both Mayor Gaynor and his subordinates.

Alleged Municipal Extravagance

Hon. George B. MacClellan in a magazine article calls attention to statistics which show that the annual costs of maintenance, or general expenditures, of 147 of our larger cities, increased, from 1902 to 1907, from \$16.10 to \$18.58 per capita, and he states as alternatives either "retrenchment so merciless as to be beyond practical consideration," or a collectivism hitherto undreamed of and possible of realization only "through the repudiation of public debt, and the confiscation of private property." The ex-Mayor of New York appears to place himself among those who view taxes as necessarily drafts upon the private property of citizens. If taxes are high per capita, or per thousand dollars of property assessed, therefore municipalities are extravagant and their citizens are in danger of impoverishment. This is the all too familiar burden of lamentation. That there can be such a thing as a natural source of revenue for municipalities, to collect which in full is the plain task set before statesmen, and legislatures and administrators, does not occur to those

who claim to be so concerned for the future prosperity of urban communities. By way of contrast, however, one can turn from New York to Vancouver, B. C. Here about \$20 per capita is being collected annually without taxing owners of buildings or personalty, and those responsible for the city's finances are said fully to realize that this amount of revenue from one source can not only be much increased, but also must be increased, in order that land speculation may be discouraged, and a real draft be made upon the "unearned increment." It is one thing, then, to tax citizens; it is another to ask them to contribute for services rendered and special values put into their possessions. It may yet dawn on some would-be civic expert that high selling values for land in cities connote negligence in obtaining rightful revenue with which to provide government and municipal improvements, and that the progressive city of the future will be one where the aggregate selling value of all lands in its limits does not much exceed one year's taxes or city revenue.

Some Practical Proposals

The report of a special commission on congestion of population in New York City, appointed by Mayor Gaynor, makes the following important suggestions :

"(a) That the rate of taxation upon all buildings be half the rate of taxation upon all land, and that this reduction be secured by an equal change in each of five consecutive years.

"(b) The question of recommending an unearned increment tax has been strongly advocated before the Commission. The principal argument advanced in support of the imposition of such a tax is that in nearly every instance where real estate values have increased, such increases have been due wholly to public improvements and to the general development of the city, and in no way to action on the part of the property owner. Some members of the Commission have strongly urged that this Commission should advocate such a tax to be levied annually on the increase in the assessed valuations of land—the proceeds of the tax to constitute a fund to be used exclusively for the construction of rapid transit undertakings. The Commission has refrained from making such a recommendation because they believe that the subject requires greater study and investigation than they have been able to give it, and because there is a division of opinion among the members as to the expediency of such a tax at present. The Commission, however, refers this question to the officers of the City Government, with the request that it be examined and considered by them, and that public hearings be had in order to determine what action, if any, should be taken by the City with respect to this tax.

"(c) That as a means of ascertaining the true price of land and of taxing it justly, the true price be required to be registered when the property is sold, so that the taxing officials may have definite information upon which to base their assessment."

How Not To Do It

The tradesman, business man, or other must obtain a variety of licenses and pay a variety of taxes in order to conduct his business within the legal limits established by the municipality of Rio de Janeiro. When he takes a lease for a building he must pay one or more taxes in connection therewith. He must have a special license for even slight interior modifications. He must secure a license in accordance with the kind of business he does, and pay a special extra tax in connection

therewith for the ambulance service, for registration of scales, and for a special permit to use same. He pays also a tax for sanitary measures. The small provision merchant or shopkeeper with a capital of, say, \$2,500, stocking all kinds of provisions and liquors for retail trade, as is the custom here, pays not far from \$200 per year in licenses and special taxes.

Booker T. Washington's Belief

"The work I am doing can at best but reach the few. It leaves the mass of my people untouched. It helps the individual colored man, and through him there is a dispersion of the benefits of industrial education. But the disease that retards the growth of the black man is social rather than individual, and it can be cured only by the application of a remedy that will teach society as a whole. I believe land value taxation to be the salvation and the only real salvation of the South."

The Land Tax Wins in College Debates

In the annual triangular joint debates between Brown University at Providence, Rhode Island, and Williams and Dartmouth colleges at Williamstown, Mass., and Hanover, N. H., the subject debated was "Resolved that in American municipalities a tax on the rental value of land (exclusive of improvements) should be substituted for the general property tax." Each college was represented by two teams, the home team in each debate upholding the affirmative, and in every case the affirmative won.

LAND VALUES AND TAXATION

By George White
July 1911

Taxation in New Jersey

PROGRESSIVE Republicans in New Jersey at Newark recently adopted a new platform. It declares that the reform legislation put through the last Legislature, with Governor Wilson's active and most valuable assistance, must be considered as providing only the means by which certain definite ends may be more easily accomplished. The platform contains several references to taxation. It favors state laws giving municipalities or taxing districts the power to exempt from taxation, in whole or part, buildings or personal property, under conditions which will ensure that the localities adopting new plans shall pay the same share of county or state taxes as if such exemptions were not put in force. A plank in the platform, however, calls for the annual assessment for taxation for local purposes of all tangible property (except railroad rolling stock) of all water, gas, electric light, telephone, telegraph, railroad, pipe line and sewer companies, and all franchises of such corporations granted by municipal authorities. It also calls for the annual assessment and taxation by the state for state purposes, of all other property of such corporations, including railroad rolling stock and all franchises granted by the state.

The reason for endeavoring to exempt tangible property of private persons and companies from taxation, while keeping up or increasing the taxes on the property of public service corporations

appears to be the conviction that, under present laws, these corporations are monopolies difficult or impossible to regulate and control, so that to exempt them from taxes would not result in reduced charges.

"The Capacity of Flight"

"The New York state tax commissioners have advised the more vigorous taxation of personal property, under the general property tax," says the Times. "This would drive from the state even larger values than have fled from the inheritance tax. Nothing is better settled than that it is impossible to collect taxes from property which has the capacity for flight. It follows that the true policy regarding such property is to adopt a policy that will attract it. Every dollar of personal property driven away detracts from the value of the real property remaining. Every fugitive dollar which can be attracted to the city helps alleviate the burden on realty, both by enabling it to earn taxes which it must pay and by increasing its capital value. It is odd that the wealthiest state should be distinguished for its savage attitude toward wealth. The true policy is the opposite of this."

Toronto and Improvement Values

Some of the city fathers of Toronto, the second largest city of Canada, have for some time cast longing eyes at the values added to those of adjoining lands by street improvements and extensions. As a result of representations from these officials at the last session of the Provincial legislature, a new clause was inserted in the city bill or charter, as follows: "Clause 12.—The said corporation may acquire by purchase, with or without the consent of the owners thereof, or of any persons interested therein, and may enter upon, take and use not only land actually required for the opening, widening, extension or straightening of a street, or the laying out and establishing of a park or playground, but also any land within two hundred feet of the limits or sides of such street, park or playground, and shall pay such compensation for any land so taken or injuriously affected by the exercise of any powers conferred by this section, as may be agreed upon, or in default of agreement as may be determined by arbitration. Provided, that the corporation shall sell and dispose of so much of the said lands as is not required for such improvements within seven years, or within such further time as may be fixed by the Lieutenant-Governor in Council."

This is the first time in the Province of Ontario that a city has been allowed to appropriate land for the special purpose of securing any added value given by public works.

Whose Prosperity is Shown?

"In the last four or five years down-town property in Chicago has undergone great and rapid changes," says the Record-Herald. "Values are as solid as those in the business center of any large city of the world. A recent sale of a lot 20 by 100 feet in Philadelphia for \$300,000 caused much local comment. This was at the rate of \$15,000 a front foot. State street property is worth \$25,000 to \$40,000 a front foot, and a recent offer of \$40,000 a front foot for a prominent corner was refused. Nothing shows more clearly the prosperity of a city than the average value of its real estate."

Mr. Hearst on Taxation Principles

In a set speech before the New York Legislature, William Randolph Hearst explained his ideas on taxation very carefully. Some of his statements follow: "The income tax is a matter of elemental principle. The first principle and the only just principle of taxation is that a man shall pay in proportion to what he possesses or enjoys. Taxation is merely an assessment to maintain the conditions which make possible the possession of property, the accumulation of wealth, the enjoyment of income. Certainly the contribution to maintain these civilized conditions would be in proportion to the benefits derived under them—in proportion to the property possessed, the wealth accumulated, the income enjoyed. ... In taxation to maintain government the man who benefits most is the man who possesses most."

Mr. Hearst did not refer to the possibility of there being some property to which citizens are joint owners, and some incomes which are not earned.

Some New Zealand Facts

During a campaign on the question of exempting improvements from taxation in the township of Gisborne, New Zealand, this spring, it was shown that in ten years land values had increased from \$740,000 to \$5,600,000. Gisborne is a community of about 7,000 persons, many of them farmers. The election was carried by the advocates of exemption. Since 1897 eighty counties, cities and towns have voted to tax unimproved values only.

German Taxation on Value Increment

As the details of German plans for taxing increments in land values become better known it is likely that tax reformers in the United States will find less and less encouragement in them. To tax profits actually made by landowners, and exempt landowners who lose money or gain nothing by mere landholding, may appear to some to be a plan less radical than to increase taxes on land values generally, but there is an essential difference in the results and effects to be expected of the two plans, and an increment tax may be so arranged that it becomes nothing more than a sort of special occupation or business tax. It gets money into the public treasury, it is true, but its effects are not general and may be even harmful as leading to infrequent changes in ownership, stagnation, and successful efforts at evasion.

The bill which the Reichstag and Federal Council passed not long ago is not even a fair example of what those who favored increment taxation desired. It satisfies few or none. Owners of lands used for agricultural purposes are practically exempted; no taxes are levied on property transferred by inheritance. This latter provision may prevent the imposition of any increment taxation for generation after generation, manifestly. The rules for determining the amount of tax are peculiarly complicated. From the selling price of a piece of improved property, for instance, may be deducted the cost of selling it, the interest on original investment in vacant land from the time of purchase to time of erection of buildings. From the total so obtained may be deducted the original purchase price, the expenses connected with original purchase, any expenditures or taxes for roads or sewers, the cost of buildings plus a profit of five or ten per cent, sundry items of

allowable interest at 1 1/2 per cent on the investments made, and finally, when all this is figured out, the remainder may be taxed at a rate depending on the ratio of profit shown. It may be ten per cent and it may be more. Numerous other complications prevail. All vacant land with a selling value of less than \$1,250 is exempt, and all improved property of less value than \$5,000, provided the seller and his wife have in the previous year had an income of less than \$500 and are not engaged in real estate operations.

Straight Talk to Farmers

"You farmers are deeply interested in the question of taxation. The recent delegation to Ottawa to protest against our protective tariff is sufficient evidence that you are alive to the injustice of taxing labor and the products of labor. Those among us who have watched and waited were glad to see that in presenting your demands you stated that you were prepared to adopt the taxation of land values as an alternative to the tariff.

"Land value taxation is the only logical alternative to the tariff. Protection is a great wrong. It is a system of organized greed which robs the toilers and enriches the spoilers. Land monopoly is a greater evil than protection, and is the cause of far more poverty and hardship than the tariff.

"The protected manufacturers chastise us with whips; but the land speculators chastise us with scorpions.

"Land value taxation is the true system of free trade finance. Richard Cobden recognized this as long ago as 1841, when he stated that the repeal of the corn laws and the decreased taxation of the food of the people should be accompanied by a revaluation of the land of England and increased taxation of the landlords' rents.

"The British chancellor, David Lloyd-George, has made his name immortal by introducing the principle of land value taxation into his famous Budget of 1909.

"Land value taxation will eventually destroy both the tariff and land monopoly."

These were among the pungent sentences of an address by F. J. Dixon to the Farmers' Convention, held at Brandon, Manitoba. They indicate how far some Canadian farmers are willing to go in tax reform.

Progressive Land Taxes

The Federal Government of Australia has brought into operation an act to tax all land above the value of \$25,000. This tax increases progressively as the amount of land owned by an individual or company is over certain values; for instance, the rate on a holding worth \$100,000 is higher than the rate on a holding worth \$50,000. This progressive taxation of lands, however, is working out as might be expected. Either the law is evaded by nominal subdivision of estates among members of a family, or the estate is broken up by sale into portions too small to be reached by this form of taxation.

Land Values as Community Losses

"I was at a meeting of our volunteer fire department, the other evening," said Smith, "and at it we disposed of 'concessions' at a fair we are going to hold during several evenings upon fenced grounds. One Jones offered \$50 for the privilege of exclusively selling cigars, and we promptly accepted his offer. We wrote out a contract. It was signed and Jones went away the sole owner of that special privilege.

"Between now and the fair Jones may sell his contract at a profit. If so, it will be because we did not charge him enough. His contract has no value above what it cost him if we charged him what the 'concession' is worth. If it has an additional value, it must be in proportion to what we failed to get from him. His gain will be our loss.

"So," said Smith, "with the selling value of lands. It depends always substantially on what the community has failed to require annually from the owner. The more fully we collect in full from those who have as 'concessions' the special privilege of using or not using locations, the less selling value will there be to the privilege. Thus the selling values of lands or locations are capitalized annual losses of the community. And yet we catalogue these values in our census reports, and the greater they are the more wealthy we consider ourselves. Queer, is it not?"

PUBLIC UTILITY PROBLEMS

By George White

IT IS much to be desired that, as the problem of controlling or supplanting public-utility-providing corporations is being worked out, some definite essentials shall be agreed upon for acceptance by and the guidance of those who take part in the agitation for improved conditions. A great variety of views appear to be held by those who, by speech or writing, are endeavoring to contribute to the progress which is being made, and necessarily serious divergencies and inconsistencies are to be found between such various views when critically examined.

In the limits of this short article the ground cannot be fully covered, and much necessary explanation must be omitted, but some suggestions can be offered, as follows :

1. What is the ideal arrangement for the providing of public utilities and the transportation of persons and products? Surely it must be that the facilities afforded shall be as effective and extended as possible, and furnished at the lowest possible price to consumers or users.

2. What is the lowest price? This is not easy to decide. Between running a street railroad free of fare charges, as proposed by the lamented Tom L. Johnson, and "charging all that the traffic will bear," or making rates of fare on railroads such as will cover all imaginable expenses and fixed charges and interest or profits on watered stock, there is a wide margin. Mr. Johnson, however, made a most important contribution to progress in dealing with public utilities when he pointed out the connection between low car fares, or no car fares at all, and the values which would be given to lands reached by the street-car lines. It may be fairly stated, as a general principle, that

no solution of the problem of public utility providing can now be held to be complete unless it embodies the taking advantage of the public right to obtain and use much of the land value caused by the establishment and maintenance of a public utility or transportation enterprise.

3. Chief Justice Waite, of the Supreme Court, in the Illinois grain elevator cases said: "When one devotes his property to a use in which the public has an interest, he in effect grants to the public an interest in that use, and must submit to be controlled by the public, for the common good, to the extent of the interest he has created." Thus, in the nature of the case, and in addition to the right to control springing from the giving of franchises or legislative grants, we should have full right to decide on the character and extent of facilities furnished by private corporations and also as to the rates or charges to be made, providing no unreasonable or impossible demands are made on them. The establishing of public-service commissions, with ample powers of regulation, seems to be entirely a wise and proper provision. Such commissions should have full access to financial and some other details of the corporation business, and might even have the right to represent the public interest by participation in the management of the public-service enterprise.

4. The requirement of payments on gross receipts or net earnings, taxes on franchises, or taxes on any tangible property, or lands, roadbeds, freight yards, or the sites of terminals, tunnels, or on any buildings or equipment of public-service corporations is indefensible in principle. No such taxes or payments would be thought of if municipal, state or national ownership existed, and the only effect of such taxes or the requirement for such payments by private corporations is to increase the rates or charges to consumers or users beyond the rates or charges which municipal or other public ownership would make possible, or beyond the rate or charge which might be fixed by a rate-making public-service commission if no taxes were levied or payments required. It is true that taxes on public servant corporation property, franchises or earnings bring money into public treasuries, but this must always be at the expense of users or consumers. If rates or charges are too high, users are, in a sense, robbed. To take money from the robbers by any form of taxes or payments is not to put a stop to the robberies. It is only such an expedient as might be adopted in a community where burglary could not be prevented. As a compromise the burglars might be persuaded to send to the municipal treasurer one-half the proceeds of their adventures.

5. If it be possible to reduce rates and charges to users of municipal or state-owned and operated public utilities by resort to the taxation of land values proposed by Johnson, municipal or other public operation can accomplish results with which private corporations cannot begin to compete on their own resources. Possibly they could be required to render service and charge rates which would intentionally cause a deficit, to be made up by contributions from the public treasury, supplied by taxes on land values on the Johnson plan, and if the plan itself is equitable there would seem to be no objection to such a course, whatever the difficulty might be in getting popular consent to what would appear to be a subsidizing of private companies. It has, however, been proposed in some of our cities to build subways or lay out street railroads, meet the original cost largely by assessment on lands benefited, and then turn the subways or street railroads over without charge to operating companies, which would have then to take care only of maintenance and operating expenses. If this can be done for new enterprises, perhaps it could be done for old ones. Private corporations could be reimbursed by municipality or state for original outlay in construction, or for rights of way, and then be required to re-make schedules on a new and lower basis.

There are thus three important factors to be taken into account in solving public utility problems. We have first the possibility of municipal, state or national close control of rates and charges; then the possibility of lower rates and charges if taxes and payments by private corporations engaged in public service are abolished; and then the possibility of making still lower rates by drawing upon land values at least for the original cost of establishing the service.

Some of this runs counter to the expressed views of many well-informed and undoubtedly public-spirited citizens. Thomas G. Shearman, in his admirable work, *Natural Taxation*, proposed to tax franchises as rights in land, figuring large possible public income to be obtained by taxing rights of way such as those of railroads. Many earnest citizens agitate incessantly for fuller taxation on property of water or gas companies, and elections in cities and counties often have as a burning issue the demand for "equal taxation," by which is meant that taxes shall be laid as heavily on railroad and canal property and franchises as on the property of private citizens. Tunnels are taxed even before they are completed, and detectives are hired to find out how many tons of iron pipe have been bought by a water company, in order that the assessor may list the value of every ounce of it. The "Progressive Republicans" of New Jersey, too, who have distinguished themselves by putting out a platform calling for legislation permitting the exemption of personal property and buildings from local taxation, showing that their leaders have enlightened convictions on the subject of taxation, in the same platform call for taxes to be laid presumably more fully or heavily on the property and franchises of public-service companies. Nevertheless, if such corporations are really public servants, having dedicated certain property to public use, there appears to be no more reason for taxing such property than to lay taxes on public parks or fire department equipments. Again, if we fail to tax the land values caused by the establishment and proper operation of public utilities, we certainly neglect an opportunity to arrange for the best public service at the lowest possible cost to users and consumers. To assist public utility providers by supplying part or all cost of original construction or rights of way would not only secure lower rates and charges, but also give us a stronger claim to supervise and closely control both the service and the cost to those who use it.

There remains one other consideration. One may lay emphasis upon the desirability of reducing to the lowest point the cost to the consumer of public utility services, and yet fully recognize a certain peculiarity in the conditions which confront us. A great daily newspaper recently editorially calculated that something like a million dollars a year is saved to the people of Cleveland, Ohio, by the three-cent fare now in force as compared with the car fares collected before Johnson begun his fight for lower rates. This sort of calculation is extremely superficial. It ignores the patent fact that land values and rents have been increased by lower fares. Land-owners have, by the operation of a natural law, gained as much as or more than has been saved by street-car passengers. It may easily be that the bulk of these passengers are rent-payers, who lose in higher rent all that they gain by cheap fares. Here again is indicated the social crime involved in creating and carrying on public utility services without publicly appropriating the land values produced thereby. The least we can do for the people is, by the exercise of the power of taxation, to get into the public treasury, for common use, the location premium which is brought into existence by economical and efficient providing of public service.

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Sanitation on Public Revenues

IN a recent issue American Medicine called upon sanitarians to learn and ponder upon the arguments being advanced in favor of municipalities absorbing by taxation more and more of the annual rental values of land. The subject, it says, is brought into the sphere of practical sanitation, and members of the medical profession must study the question in order to determine whether or not they are justified in joining in the movement which promises revenues not hitherto attainable, and sufficient to cover the expense of methods of disease prevention desirable but impossible under present circumstances.

County Petitions in Oregon Following is the text of a bill included in an initiative petition now being circulated in one of the counties of Oregon, county local option having been made possible by amendment of the constitution of the state :

Section 1. That all business, labor, trades, occupations and professions, and the right to conduct, work at or practice the same; and all forms of personal property; and all improvements on, in and under all lands shall be and hereby are exempted from taxation for any purpose within Clackamas county; and no tax shall be imposed upon any trade, labor, business, person, occupation or profession under the pretext of a license or the exercise of the police power within said county; but in its application to licenses and permits this is intended only to prevent the raising of revenue from such licenses or permits, and to prevent the exaction of fees therefor greater than the cost of issuing the permit or license, and is not intended to impair the police power of the county, city or state.

Section 2. All taxes within Clackamas county shall be levied on and collected from the assessed values of all lands, water powers, deposits, natural growths and other natural resources, and on and from the assessed values of public-service corporation franchises and rights of way. This act does not affect corporation license fees and inheritance taxes collected directly by the state, nor such lands as are used only for municipal, educational, literary, scientific, religious or charitable purposes, already exempt from taxation by law.

An Australian Decision On the ground that it is only a tax in appearance, but really a measure of land tenure policy, which the Federal Parliament has no right to enforce, a test case regarding land taxation has been carried in Australia to the highest court. The decision of the court was unanimous and against the land-owner who brought the suit, no doubt by arrangement as a representative of his class.

Sentiment in Washington State Recent magazine articles and other information as to what is

being done in Canadian municipalities have aroused considerable interest in Washington and Oregon. Albert Nock's comparisons of the tax systems of these states with the plans in force in British Columbia created such an impression on C. M. Fassett, one of the commissioners in Spokane, that he publicly urged upon the members of the Chamber of Commerce careful consideration of the plan of exempting buildings and personal property from local taxation.

"A Very Serious Depreciation"

There occurred the other day near Newark, New Jersey, two assaults on young girls who were passing along suburban roads, within a thousand feet of their homes. The assaults were at different places, and one was not apparently committed by any person connected with the other. This sort of thing, the local daily says, should give serious concern to citizens and property owners. It further says: "If the policing of the highways is so extremely lax that a young girl cannot, without peril, walk alone near her home, there will be an abandonment of homes in the suburbs, a very serious depreciation in land values." Thus does the editor perceive that land values are dependent upon, and therefore are substantially caused by, the efficient performance of municipal services, and he can hardly in reason object to claims that land values should primarily and to a full extent be drawn upon for local public revenue. exempt from taxation, or except the rights of way of public-service corporations. No property of this kind is to go untaxed.

Building Taxes and Congestion

The New York proposal to allow the gradual exemption from taxation of one-half the assessed value of buildings, embodied in a bill before the Legislature at Albany, was opposed quite actively by certain real estate interests, and as actively supported by many individuals and organizations. Mayor Gaynor's committee on congestion was responsible for the bill. Three objections were raised against the measure. First, it carried fifty per cent of Henry Georgeism. Second, if half of the value of buildings were exempt from taxation, it might be claimed that this half, not then being taxable, must be excluded from the city's valuation totals on which its power of borrowing is based, thus reducing its borrowing power very much and drying up the source of needed funds for improvements. Third, the capital value of land would be decreased by additional taxes made necessary by the partial exemption of buildings, and this reduction of capital value would lead to wholesale foreclosures, or at least to increased difficulty in securing mortgage loans. Another ingenious objection was invented, viz., that the exemption of half the value of buildings being a bonus upon or encouragement of building, congestion would be increased both by the erection of larger and taller buildings and by the closer building up of districts not yet fully improved. The bill caused considerable valuable discussion, was quite freely commented upon by daily papers, and must be considered a step taken in the advance which is being made in New York toward adoption in some form of the proposition to exempt buildings partly or wholly from taxation.

Tax Reform in Missouri

The voters of Missouri will this fall, in all probability, have an opportunity to adopt or reject new methods for obtaining public revenue. The Initiative and Referendum League and the Single Tax League of that state have drawn up an amendment to the constitution which will divide property into four classes for the purpose of taxation. It is considered very possible that petitions enough will be signed to insure the placing of the proposition on the ballot. The carrying of the proposal is another matter, although a great deal of missionary work has been done in the past year.

The first class of property is to include every kind of personal property which does not belong to public-service corporations. No property of this class will be subject to taxation after 1913.

The second class comprises all improvements on real estate. After 1913 all owners will be entitled to an exemption of \$3,000 on the value of their improvements, and by 1922 a sliding scale will drop out all taxes on improvements.

In class three go all lands except those would pay a smaller tribute. What ground, then, could there be for a claim by the latter class for compensation by the state or municipality? Certainly none, and the situation is not altered because payments are to be obtained by a process of taxation instead of by voluntary contribution. If land-owners are required to pay more taxes when the unimproved or location value of their holdings increases, and less taxes when values decrease, they should be entirely satisfied. Furthermore, land-owners in principle have no more right to the present values of their locations than they will have to future values, either larger or smaller, and, if the truth is to be stated, any plan of merely calling for taxes on future increases in value falls far short of being a single tax measure. It must inevitably, too, be a poor substitute for that same.

Class four includes the property of public service corporations. This property, both real and personal, is to be assessed at its true value and a levy on one-half that value is to be made. But, whenever these corporations become subject to regulation as to their charges, and only a reasonable return is made upon the actual value of their physical holdings, further exemptions may be made.

The poll tax is abolished and no license is to be collected from any business not requiring police regulation.

Unearned Gains—and Losses When it is proposed to lay heavier taxes upon land values for the specified reason that land-owners into the public treasury, and if it industry of owners, the increment in value being unearned, the retort is forthcoming that if society is to take increases in value it should reimburse owners whose lands decrease in salable price. This contention, even, finds acceptance occasionally among those who favor taxes on "the unearned increment," the concession being apologized for as one of not much moment. "It would be an easy matter to make this reimbursement," says one author, if society appropriated by taxation a considerable share in the increase where increase occurs. Nevertheless, the proposition to reimburse owners whose lands decrease in value is absurd. It could find sanction only among those who fail to

understand the real basis of the demand for land value taxation, or among those who oppose the plan and are willing to seize upon and interpose any plausible objection or suggestion.

The Basis of Single Tax If one reads *Progress and Poverty* carefully he will see that the foundation of the single tax proposition is the theory that, if all are equally entitled to a location on the earth, any premium whatever which attaches to locations cannot equitably be reduced to private and individual ownership. The necessity of individual exclusive holding of locations is conceded, but the location value — its economic rent — equitably should voluntarily be paid by land-owners into the public treasury, and if it were so paid and fully paid, the advantage of the location would be balanced by the payment and no selling value would exist. Thus the phenomenon of selling value — great or small — is produced by the failure of owners voluntarily to do justice, or of the state or municipality to require the doing of justice, and is a mere capitalization of the community's annual loss by its failure to collect what is due it. If payments were voluntarily made by land-owners, those whose locations became more valuable would make larger annual contributions; those whose locations became less valuable ...