

CHAPTER V

SECOND BOSTON OBJECT LESSON

WASHINGTON STREET AND THE SINGLE TAX*

IN VIEW of the nature of ground rent as already considered there is one way that promises to simplify and equalise taxation, viz., by beginning at once the gradual transfer of the burden to shoulders by which eventually it will not be felt, thus tending to correct the distribution of wealth, abolish strikes, silence the clamour against monopoly and special privilege, and sweep from before the halting wheels of social and moral progress much of the degradation, distress, and vice precipitated to-day upon society by want on the one hand and surfeit on the other.

Men who have large selfish interests often prove themselves just as open to conviction of fairness and soundness as those who have small selfish interests. So far as the case is made plain to them their judgment generally will be impartial. No business interest, for instance, is more keenly sensitive to crooked taxation than is the real estate business; none quicker to take alarm at the sound of hostile legislation. No one would claim, and few would allow, that to justify a reform it should be shown to be to the pecuniary

* This chapter is adapted from an address at a banquet given by the Massachusetts Single Tax League to Representative Real Estate Men in the Hotel Brunswick, Boston, October 8, 1900.

advantage of any one class of men over another; yet it is not difficult to conceive how, in the relief of houses and stores and factories from taxation, the real estate business would get a large share of betterment from the change.

Herewith is offered a collection of facts and definitions, coupled with a few simple statements, calculations, and deductions, criticism of which is invited. These take the form of observations, purposely disjointed in order that a connection dropped may not be a connection lost. It is hoped that in the consideration of these points a sufficient vantage ground of agreement may appear from which to begin at once gradually to supplant the bad with the good, the crooked with that which is straight, the unattainable and indefensible with that which is practicable, simple, and near at hand.

The assessed valuation of Washington Street, from Adams Square to Eliot Street, 3,495 feet, or two-thirds of a mile in length, with an area of 745,003 square feet, $17\frac{1}{8}$ acres, comprising 179 estates, was in 1907:

Land	\$61,135,900	\$77.00 per square foot
Buildings . . .	10,793,200	\$13.50 per square foot

This is an increase in valuation, over the year 1898, of land, \$20,438,400, or 50 per cent; of buildings, \$1,955,100, or 20 per cent. In 1899 the valuation of the buildings was $21\frac{1}{2}$ per cent that of the land; in 1907, only $17\frac{1}{2}$ per cent.

The property, land and buildings, yields to the city, in taxes at \$15.90 per thousand, \$1,143,672. By an increase of \$2.80 in the rate, with all buildings

exempted, the land alone would yield the same amount, (\$61,135,900 at \$18.70 equals \$1,143,672).

Some Pertinent Illustrations

There are on this street, between Adams Square and Eliot Street, 179 buildings, twenty-one of which have been erected in the last twenty years. At this rate Washington Street is confronted with the happy prospect of buildings of modern beauty and convenience in only a trifle more than one hundred and seventy years, provided only that none of them grows old meantime. Has not fifty years been the limit of a useful life for the average building of the past? If so, Washington Street should have three full crops of new buildings, instead of one, in the one hundred and seventy years.

All nature renews itself and comes out in a new dress once a year. The more the land is enriched, the more fertile the agricultural crop. Why is there not found the richest economic crop of buildings on land richest in value? Is not something "rotten in Denmark"? If so, what is it?

The human body, as man's habitation, is renewed once in seven years, cuticle and all. Of Boston's 87,300 buildings 1,657 were erected in 1907. If one-half, or 828, of these are due to a natural growth of less than 1 per cent annually (the annual increase in population is over 2 per cent), and only one-half are to renew old buildings already enumerated, then it will take at this rate upwards of one hundred years to scrape off the surface scurf, and give to Boston a fresh and healthy cuticle. It will require these one hundred years even if every new building is proof against decay.

Meantime, where is the builder's occupation gone? Is this health for a body politic? If not, will some wise physician furnish a prescription?

Do the \$231,600 worth of nearly worthless buildings shown in Fig. IX represent those business interests of Boston for which a Washington Street subway is being completed; for which a Tremont Street parallel subway was completed only a few years since, and but one square away? These subways add nothing to the value either of these old buildings or of the new ones which might replace them. Yet they soon will have doubled the value of the land.

It is submitted in all honesty and seriousness that this Washington Street, from Adams Square to Eliot Street, is a veritable economic monstrosity. Whenever any section of a city is in a state of transition, like the West Street and Temple Place of a generation ago, or like the Summer Street of to-day, altered fronts and other makeshift devices are for a time natural and inevitable. But here in Washington Street, for a couple of centuries the main business artery of a great city, there are not on its whole length more than three or four buildings which you could point out with special pride to the visitor from Chicago, or Kansas City, or Marblehead, or Cape Cod. For this condition there must be a cause, and this cause is the private appropriation of a public value; a value publicly created, and publicly maintained. If this is not the cause, we ask you to help us find what is.

QUERY. Is it the Old Corner Bookstore (Fig. VIII), now almost two hundred years old, valued at \$2.62 per square foot, that needs a new Washington Street subway? Is Washington Street land at \$50 to \$300

per square foot a proper place for this and a hundred other similar tombstones?

The economic, or ground, rent of this estate is not (probably) what the present tenant pays for the use of the land with its worthless buildings, but is what such use would command in connection with an up-to-date building. This gross ground rent is at least 5 per cent on \$730,000 (the assessed valuation), \$36,500, plus present taxes on the land, \$2,035, or \$38,535. Whatever the user receives in return for the annual payment of this ground rent or natural tax (be it \$38,535, or more or less), he receives from the city and people of Boston. The owner, as owner, to whom this rent is paid, gives him nothing in return. Ought not the owner at least to pay the taxes?

Question. Why do these worthless Washington Street buildings withstand the march of improvements? Labour wants to put up better buildings. Capital wants to invest in better buildings. Business wants to occupy better buildings.

Answer. The reason is that a building investment involves labour and business risk, while land investment does not; and further that people are not only permitted to hold this land practically unimproved, but are actually paid handsomely for doing so.

QUERY. Is it not a fact that the business of Washington Street would be better accommodated to-day if every alternate square were covered by an up-to-date eight or ten story block, with open parks or even market gardens in the intervening squares?

Ground rent is whatever amount a user pays, or would be willing to pay, annually, for the use of the

land itself. It is whatever is paid for the use of a whole property, land and buildings, less taxes, insurance, and repairs, and a fair interest on the value of the buildings. When new buildings, or extensive alterations are made by the tenant which are to revert to the landlord at the end of say a twenty years' lease, then one-twentieth of this outlay becomes a part of the annual ground rent, because it forms a part of the price paid for use of the land. Ground rent is simply "a premium paid for the advantage of location; it is the value of the special privilege of the occupancy of a particular spot of land to all of which all men have an equal right, but from which all but one are and must be excluded." To tax this value of land is no burden upon the user, because he can get a better living by using this land, after paying the rent, than by using some other land that nobody wants, and that hence has no rental value.

The Transit Commission took the estate, northwest corner of Washington and Boylston Streets (Fig. X), by eminent domain for subway purposes, and the expert estimates of its value ran as high as \$625,000, or \$587 a square foot; the Commission conveyed the property back, allowing the owner as compensation for the reservation of the basement and part of the ground floor for transit purposes, \$150,000, a sum only \$17,000 less than the assessed valuation of the whole estate, besides interest and an allowance of \$10,000 toward necessary reconstruction of the building. While this is a very complicated case, and the owner, a well-known Boston merchant, claims that the sum received by him for damages does not compensate him fully for the diminution in the value of the estate, the facts

certainly show that the property was greatly under-assessed.

Boston's Ground Rent \$55,000,000

In the estimate, offered in Chapter I, page 18, is clearly shown the all-sufficiency of ground rent to bear the whole burden of present taxation. Criticism of these figures, with fair consideration of the process and steps of the calculation, will be welcome.

The \$55,000,000 ground rent of Boston is the natural tax which the people of Boston pay for the occupancy and use of their land. This, it is submitted, is tax enough for them to pay. But, since only \$10,382,628 of this natural tax is taken for public purposes, while \$44,617,372 is permitted to be absorbed into private incomes, by the "private appropriation of ground rent," the people of Boston have to pay an additional tax of \$13,038,914 on buildings, personal property, and polls, with the result that the occupancy of their land, with its benefits of good government and public service, costs the people of Boston to-day in round numbers:*

The natural tax of	\$55,000,000
An unnatural tax (on buildings, personal property, and polls) of	13,038,914
	\$68,038,914
Total burden of taxation	\$68,038,914
Of its ground rent, estimated as above at	\$55,000,000
Boston now takes in taxation less than two-tenths, or	\$10,382,628
While Boston's whole tax is much less than five-tenths, or	\$23,421,542

* Credit for this simple formula of great convenience in dealing with taxation in any locality is due to Mr. James R. Carret, a Boston lawyer and conveyancer.

The assessed valuation of the Ames estate (Fig. XI) is: land, \$654,500, or \$115 per square foot; buildings, \$469,500, or \$75.32 per square foot. The tax upon the land is no burden upon the owner, because he purchased only the equity after payment of tax. (See Chapter III.) Neither does he bear the burden of the tax on the building, because he can shift it upon his tenants, who do. This fact no one disputes.

Howland Street (Fig. XIII)—thirty-two well-to-do homes—has an average assessed valuation: land (8,275 feet, at 51 cents per foot), \$4,220; houses, \$6,371, 77 cents per foot; houses and land, over \$10,000.

The valuation of the land and office building of the Ames estate is equivalent to that of the land and houses of about three Howland Streets. The latter would pay taxes on \$1,015,500, at \$15.90, or \$16,146, while the owners of the Ames estate escape the burden of the tax on both land and buildings, neither of which can they be made to bear.

The estate, corner of Cambridge and Charles Streets (Fig. XII), taken by the city of Boston in 1899 for an approach to the Cambridge bridge, was at that time assessed, land \$69,600; buildings, \$3,400. The commissioners' award was \$170,000, or \$97,000 in excess of the assessed valuation. This award was based upon the income of the property, which was claimed to be \$8,000, or 5 per cent on a value of \$160,000. The income of \$8,000 was 11 per cent. of the assessed valuation of \$73,000. Allowing Mr. Edward Atkinson's full claim, that the single tax—local, state, and National—would take 4 per cent of assessed land values, 7 per cent would still be left in

this instance for the landowners. This may be an extreme illustration, but it goes to show the viciousness of the present system, and points unerringly to the sufficiency of ground rents for all purposes of taxation.

Few persons now call in question the right of the owner of any Washington Street lot to tear down his building and hold his lot vacant. If one owner may do this all owners may do the same. Must there not be some fatal weakness in an apportionment between the rights of individuals and the rights of the people that would make possible such an impolitic condition? But the fact that modern buildings would be worth \$50 to \$75 per square foot instead of \$13.50, the value of present buildings, is proof that most of this land, though not held entirely vacant, is held practically three-quarters to nine-tenths vacant, or, in other words, put only to one-quarter or one-tenth of its legitimate and most economical use. A public economy that turns a landowner from a public friend into a public enemy, whether he will or no, cannot be wise.

If Boston should take the \$4,383 received for taxes from the marble Sears Building on Washington Street, and the \$7,465 from the Ames Building, and spend these amounts in the improvement and repair of the worthless buildings of Washington Street, the owners of the Sears and Ames Buildings would complain, and very justly. Exactly what the City of Boston does is this: It spends these same taxes in the "improvement and repair" of the land value that is under these and similar buildings. But is this really less unjust? This is one more way of looking at the unequal incidence of a tax on buildings.

Why should the Boylston Building and the old Masonic Temple and the old Public Library have come down in their youth and beauty while these Washington Street buildings are allowed to remain standing in their decrepitude? There must, we say, be some sufficient reason. If the reason here suggested is not the real one, we ask the reader what it is.

Question. How, then, are we to know just when old buildings should give place to new ones?

Answer. When the single tax shoe begins to pinch, that is, when, under the single tax, the old buildings cease to be profitable: in other words, when, upon land with buildings unsuited to the situation, a tax seems heavy which, upon the same land with proper buildings, would seem light.

The Honourable Henry Winn, a well-known advocate of the multiple tax, says: "Why does a man owe a tax? First, because society protects his person; second, it supplies and keeps in order streets for his passage; third, it lights his way by night; fourth, it furnishes parks and libraries; fifth, it schools him and his children; sixth, it protects his property; seventh, it keeps courts open to redress his grievances; eighth, it provides a government to make and enforce laws; ninth, it supports him if he falls into poverty; and tenth, chiefly because he has been placed here by God to serve and improve, not himself alone, but mankind in general, and as that can only be done by maintaining government, order, and civilisation, he owes his tax as he owes his life, to support that government."

"Amen," says the single taxer; and these are exactly the things for which every man is paying when

he pays his ground rent, the natural tax. Why ask him to pay for the same things a second time?

The people of Boston, as hereinbefore alleged, actually pay in single taxation a natural tax of \$55,000,000, coupled with an unnatural and "double" tax of \$13,000,000, a grand total of \$68,000,000. They receive in return benefits amounting only to \$23,000,000. The failure to pay all public expenses out of this natural tax of \$55,000,000 is the cause of gross inequality in the division of wealth, an inequality greatly exaggerated by the additional \$13,000,000 unnatural double tax.

The single tax stands for the recognition of a scientific principle of taxation. When or how it is to be introduced is not for us to say. All that is here asked is that you shall study the problem, adopt the single tax principles, and then begin to apply them. The complaint is against a condition and never against an individual or a class.

The man who, when paying his water rate, or his city gas bill, or city electric light bill, pays in full for a public service rendered to him, is not paying a tax. How, then, could a land owner, who, in paying his single tax, would pay to-day not in full, but only fifty cents on a dollar for the communal service rendered him, say that he was paying a tax, or that he was the victim of confiscation?

The proposal of the single tax is gradually to abolish the present complex, unequal, and systemless method of taxation, and to defray all public expenses from a tax upon land values alone. This surely would be a simple process. It would be to distribute the public burden with invariable justice, because in

accordance with a natural economic law, instead of a variable and impossible statute law. This is all there is in the single tax of complexity, absurdity, or impracticability.

The City of Boston is lavish of its millions in order that Washington Street space may yield proportionately more business, more profit, more convenience, and more satisfaction to people. Enterprising syndicates of men and capital are ready and watching to make the most of the situation. It is the unequal advantage enjoyed by the owners of lots small or large that hinders this realisation of the city's good intentions. This is the canker that destroys the city's harvest from its planted millions.

The people tax themselves \$100,000 to build a beautiful Milton, Dorchester, Newton, Cambridge, or Lynn boulevard. Then straightway the same people again pay interest on the same outlay in the form of ground rent, before they can establish their homes and enter into the enjoyment of their own benefactions. In other words, they deposit \$100,000 in the ground, and then pay 5 per cent annually for the privilege of appropriating the interest thereon.

Why should a city which creates the enormous value of its land, be powerless to insure, or even to facilitate, the use of it by the provision of suitable buildings thereon because paralysed and checkmated by unequal rights vested in the dead hand of corporations, trustees, and institutions.

German cities exercise themselves about the municipal "housing of the poor." Why should not American cities cast about to remove the municipal

impediments which prevent poor and rich alike from housing themselves, both in private and business homes?

The nature of the problem is the same in the case of a store on Winter Street as in the case of a house on Salem Street. Every argument in favour of municipal initiative in the renovated housing of the people has no less force in connection with the renovated housing of the people's business.

If all men are to have equal rights, then the right of the landlord, the storekeeper, and the customer should not be in conflict but in harmony.