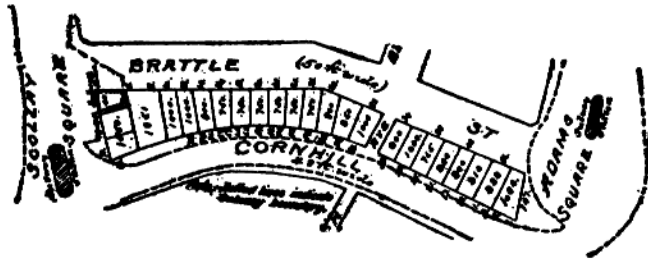


CHAPTER VI  
THIRD BOSTON OBJECT LESSON

CORNHILL AND THE SINGLE TAX\*



MAP OF BLOCK BOUNDED BY CORNHILL, BRATTLE STREET, SCOLLAY SQUARE,  
AND ADAMS SQUARE.

Total number of square feet . . . . .	21,419
Number of lots . . . . .	23
Average number of square feet to each lot . . . . .	931
Total frontage on Cornhill, in feet . . . . .	450
Average frontage per lot, in feet . . . . .	20
Average width of block, in feet . . . . .	45
Width of Cornhill, in feet . . . . .	48
Width of Brattle Street, in feet . . . . .	50
Width of subway underneath . . . . .	24
Land, assessed value . . . . .	\$1,220,700
Buildings, assessed value . . . . .	\$101,800
Land, assessed value, per foot . . . . .	\$57
Buildings, assessed value, per foot . . . . .	\$5

Between Cornhill and Brattle Street, Boston, and facing upon both streets, are found to-day twenty-three houses built by Uriah Cotting for the Cornhill

\* This chapter is adapted from an address at a banquet given by the Massachusetts Single Tax League to members of the Boston Merchants' Association in the Hotel Brunswick, October 22, 1901.

Company in 1817 (Figs. XIV and XV). More than one hundred firms and individuals are doing business in these contracted quarters, in which not one of their number would deign to live. These estates, as they stand, net the owners an income of probably 20 to 50 per cent on their original investment. With modern buildings they would net say 5 or 6 per cent on to-day's valuation of land and buildings.

Why, we ask, should there not be a board of business health to condemn buildings which, like these, are untenable for business? As a matter of fact, a proper system of taxation would vacate these untenable buildings without the aid of any such board. If the erection of the Exchange Building, the Tremont Building, and other modern office buildings could empty immediately hundreds of dingy and stuffy offices, why would not a hundred business palaces, as fast as they could be built, empty the same number of cramped and ill-appointed stores, workrooms, and attics?

If land and buildings stood on their respective merits, subject to equal competition, that is, accessible to capital and labour at the price each is worth for use, these buildings would quickly condemn themselves. Such unmerchantable material, if at sea, would follow the decayed frigate to some navy yard to be broken up. On land, if they had not been fastened to it, they would long ago have gone to the junkshop; but as they are fixed to the land, whoever uses the land must use them.

Under the best of conditions, it is sufficient for the city to maintain a street at the front doors of abutting lots, each one hundred feet deep. Here, on Cornhill,

are lots averaging forty-five feet deep, having one forty-eight foot public street, with all its public utilities, at the front door, and another fifty foot street at the back door, equivalent to one street for abutting lots, each twenty-five feet deep, making the one item of street cost, for the accommodation of these buildings, four times what the highest public welfare demands. On the other hand, it is probable that if the buildings in Cornhill were new and adapted to the situation, they could easily accommodate four times the business that is done in the present area.

With four times as much street as is needed, for one-quarter of the amount of business, is it not a simple calculation that Boston's taxes, on account of the business done on Cornhill to-day, are something like sixteen times as heavy as they need to be? One would naturally think that the owner not only should pay for the maintenance of the land value, by which he profits, but should also make the utmost of such public facilities. As a matter of fact, he does neither. Is it hardship to require him to bear the taxes? Is it possible to conceive of the adaptation of unlimited means to a smaller end than in this case of Cornhill? The object of all public service and good government is to provide people with home and business facilities. When, as in this case, neither of these objects is attained, is not the expenditure a public waste? Is it not money spent for nothing? Surely, there is no prosperity in vacant lots. These are, in one sense, worse than vacant, yet their value keeps on increasing. New buildings on the top of land increase its value, but a new subway with two new subway stations at public expense, under the land, will, as is here witnessed, sometimes

double its value in spite of the old buildings upon it. Is it for such buildings as these that Boston builds its subways?

One of the good things claimed for the single tax is that under it those genuine building syndicates which erect and improve buildings at their own expense for the benefit of the occupiers, may be expected to put a happy end to those alleged "land improvement companies" which exploit the land for the benefit of themselves, largely at the expense of the occupiers.

When the palaces which insurance companies\* build for their own investment are such shining examples of what the most carefully guarded capital can profitably do, how can these waste places in Cornhill be charged to capital? Capital would any day gladly undertake to pay annually for this whole square of land what it is worth for use, would pay for the present buildings their total worth, and would then equip the land luxuriously for business occupancy, asking in return only a secure title to its improvements. But when capital is asked to do this, as tenant, with no title either to land or improvements thereon, it declines to play against loaded dice, and business has to live in tents and log cabins because its best friend, capital, is forced to play the rôle of a seeming enemy. The malefactor, i. e., the evil factor, in the case, is the private appropriation of ground rent, which is like a check valve—the higher the steam pressure of public expansion and

\* It has been thoughtlessly alleged that the single tax would bring ruin to savings banks and insurance companies, by impairing the value of their land securities. Under any gradual adoption of the single tax this could hardly be a serious charge so long as investments are changed every three or five years, as is the custom of those fiduciary institutions.

the demands of business, the more securely the title valve is pressed down to its seat.

A title to land bought and paid for five or fifty years ago is not like other wealth. Title to land is simply a warrant to take indirectly at the annual round-up a certain proportion out of the wealth which other people's labour has produced upon that land. That is, it is a warrant to take the ground rent which public expenditure creates, leaving other people to go on paying the taxes with which to meet that public expenditure.

#### **Ground Rent a Reflected Value**

It may help to an understanding of the subject to remember that the site value of land is so to speak a reflected value, an intangible value, not value resulting from individually directed labour. The immovable land reflects the movables that are upon it. In great centres of traffic in movables, the land value is great. Withdraw all movables from Boston, New York, or Chicago, divert them to other centres, and land value would vanish as does your image from the glass when you step away from it. How plain, then, is the unwisdom of taxing the things which a community wishes above all else to invite and to hold; how plain the wisdom of taxing nothing that can evade taxation

#### **The Natural Basis for a Natural Tax**

The ultimate natural basis for the assessment of a natural tax upon land is manifestly the basis upon which the assessor makes all his calculations of land value, viz., gross ground rent, what the land is worth for use. Ground rent is something that every man

pays, and must pay, for the use of his land, and no constitution or statute, army or navy, can relieve him from this natural tax. He now pays this ground rent, and all other taxes besides. Our desire is to turn Ephraim from his petrified idols of taxation until he pays no tax except his ground rent, which he must pay in any event.

The inequality in the division of wealth effected through special privilege is caused by the failure to put a natural tax in the right place, and the subsequent aggravation of this unequal division is caused by the error of putting artificial taxes in the wrong place.

The single tax is not a new device, with a set of newly devised principles peculiar to itself; it must stand, if it stands at all, upon demonstrable scientific principles of political economy. These we are seeking to determine and apply, believing that the operation of such principles must bear the fruits by which they may be known and justified.

Other sciences — mathematics, chemistry, physics, astronomy — have long been showering the world with blessings. Is it not time that economics, the science par excellence of the fair distribution of all these blessings, should assume its high privilege and prerogative as quartermaster, commissary, and purveyor, to govern the issue of all these Aladdin stores?

In considering the possible ease with which the burden of taxation may be made finally to weigh, let the fact never be lost sight of that the selling value of land will, with the new purchaser, subsequently to the imposition of a new tax, slip out from under the burden like a globule of mercury from under the thumb. We find that the only place where the tax yoke will stay

put is squarely upon the shoulders of ground rent, what the land is worth for use, its gross annual value. Take, for taxation, a portion of ground rent, and you have a basis for assessment that is stable, in that it is a value not affected by taxation. The selling value, or the assessed valuation, is not the shoulders, but the rump, or the small of the back, that will "slip the yoke," as the farmers say, as soon as real estate moves.

By fact and reason we are, not led, but driven, to the conclusion that more than \$650,000,000 of capital invested in Boston land to-day escapes entirely the burden of the tax which is assessed upon capital invested in buildings; and the happy landlord of land and buildings bears no land tax burden, shifts his buildings tax upon his tenant, and thus himself entirely escapes the tax burden. This statement is a corollary, or consequent, of the accepted economic principle, that the selling value of land is reduced by the capitalised tax that is laid upon it.

This view is in literal harmony with the substantial agreement of the economists, that the only direct tax (with the possible exception of taxes on incomes and inheritances) — the tax which cannot be shifted or evaded — is a tax, not upon the assessed valuation of land, nor upon the selling value of the land, but upon ground rent, or its capitalised value, the gross value of land.

Chambers of commerce, merchants' associations, manufacturers, and dealers are constantly seeking to find or make the best and largest market for their commodities. The best market, it is fair to say, is the largest number of persons who are able to buy the wares they want. The greater the number of people

who want every good thing that is made (and are able to have it) the better it is for trade. Thus, an equitable distribution of wealth is a vital requisite in the case.

Make taxation equal, impartial, "reasonable" to the poor man, "proportionate" to the rich man, and the distribution of wealth will then be as equal as justice can make it, for it will be in proportion to the skill and industry of the hands and brains producing that wealth. "Equal opportunities for all, and special privileges to none." The equitable ideal is to-day unrealised because, while a comparatively equitable distribution of a portion of wealth is going on through the one universal channel of wages, congestion of wealth is constantly occurring through the second and only remaining channel, the channel of special privilege, which is invariably a privilege of the private appropriation of ground rent, always and wholly a social product.

The single tax aim is, on the one hand, to widen the channel of wages by opening the way to equal opportunities, and by increasing the purchasing power of wages through reduction of prices, and on the other hand, to narrow the channel of special privilege by making the man who has this privilege pay a tax proportioned to his privileges.

#### **Another Illustration**

The St. Paul's Church property on Tremont Street, Boston, standing between two large stores (Fig. XVI), furnishes another good illustration of what we have been saying and reiterating.

Less than ten years ago \$1,500,000 was offered for



this property for business purposes, and the offer was declined. Since then the assessed valuations of the adjacent Tremont Street estates between Winter Street and Temple Place have increased more than 75 per cent. In view of these facts it should be very conservative to estimate to-day:

The value of St. Paul's Church property at . . .	\$2,000,000
For this value the St. Paul Society paid in 1820 . . .	100,000
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The people of Boston have since contributed by their aggregate and particular activities, industries, and expenditures . . . . .	\$1,900,000
An annual contribution for 87 years of much above . . . . .	20,000
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But, in recent years, this increase in value has been at the annual rate of not less than . . . . .	\$75,000
Church property being exempt from taxation, the people of Boston have to make up the amount of the exemption. This, in the case of St. Paul's is \$22,500, and for all church property in the city is \$385,000, a year.	
If then to the above average annual contribution of the public there be added these taxes for 1907, more than . . . . .	22,000
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The total annual contribution amounts to . . . . .	\$97,000

An amount equal to the 5 per cent ground rent of almost \$2,000,000 worth of land, or to the taxes, at \$15.90 per thousand, on \$6,100,000 worth of property! Ten out of the 354 cities and towns of Massachusetts — Everett, Hyde Park, Melrose, Milton, North Adams, Revere, Salem, Taunton, Waltham, and Watertown — and the whole county of Barnstable, have each an average land valuation of \$6,000,000. Thus the cost of St. Paul's to the people of Boston has been far greater than would be the average income at the

Boston rate of \$16 per thousand, from taxation upon the land of any one of the above named ten cities or one county of the state for the year 1907.

Under the single tax such conditions could not prevail. Prevailing, as they do, nothing but the private appropriation of a public ground rent can perpetuate them. Nothing but the taxation of ground rent can correct them.

The St. Paul's illustration seems extreme on account of the total exemption of church property, but what has been said of it is from two-thirds to nine-tenths true of all vacant land, or of land slightly improved, as is the case with a large part of the business section of Boston.

Granting all that St. Paul's may claim for religion and sentiment, we yet maintain—and its forty-one proprietors will doubtless admit—that an impartial distribution of the cost of religion and sentiment to the one hundred and twenty thousand families of Boston at this rate of more than \$2,000 each, amounting to a total of more than \$240,000,000 a year, would be an undreamed of union of Church and State.

The object of this illustration is not to cast any invidious reflection upon St. Paul's Church, but rather to impress upon your minds the enormous dimensions of the reservoir from which the single tax proposes to draw all public revenue.

The proprietors of St. Paul's are a body of Christian gentlemen of discernment and philanthropy; none are more likely than they to see the inconsistency of their situation; none more likely to welcome its correcting; none more likely to see that they will get a full share of betterment from a new and improved order of

things; that a religion and a church worthy of justification have no need of such alms as these from the people whom they seek to save. Brought face to face with a true apprehension of the problem, seeing the unequal operation of a tax exemption that gives the least to those most needing aid, and most to those who need it least, it would not be surprising if they were themselves to instigate and inaugurate the remedy.

#### **Some Objections Answered**

It is objected to the single tax, that it is confiscation. But what is taken from the owner? No land is taken. The single tax is not land nationalisation. No right of occupancy or improvement or sale or devise is taken from the owner; nothing except the right to collect natural taxes from other people, and to be himself exempt. In the aggregate the new tax would be compensated for by the exemption of an equal value of buildings and personal property. The landlord who thinks himself discriminated against by such a tax has only to improve his land to escape the burden.

Both land value and house value require to be maintained. The public creates and maintains the value of the land. The owner, directly as builder, or indirectly as purchaser, creates and maintains the use value of the house.

The maintenance of the use value of the land by the public gives outright to the owner a fund the interest of which will pay his land tax. The maintenance of the use value of the house falls upon the owner, and he must recover his house tax out of the house rent increased so as to include the tax. This will be true,

because, unless the owner can get a rent sufficient to pay interest on the cost of the house, over and above taxes, no more houses will be built, until they become so scarce as to force rent to a point that will cover the cost of maintenance.

How can taxation be confiscation? Etymologically the words have nothing, and colloquially almost nothing, in common. To confiscate is, according to the Century Dictionary, "to adjudge to be forfeited to the public treasury by way of penalty" — the meaning is inseparable from the idea of forfeiture. To tax, on the contrary, is "to levy money or other contributions, as from subjects or citizens, to meet the expense of government."

Is it just to allow the landowners' investment, now exempt, to remain exempt? Does either legal equity or ethics require that the land should be exempt from an increased tax, or that its owner should have even partial, much less total, immunity from the burden of taxation? Because a new tax upon land would reduce proportionately the selling price, should owners of land for that reason continue to go scot free?

The advance in Boston's tax rate per thousand for 1907 (\$15.90) is \$3 over that of 1897 (\$13.00.) The capitalised value of this increase, \$650,000,000 multiplied by \$3 per thousand, multiplied by twenty years (the number years purchase), is \$39,000,000. Do we hear that Boston has confiscated \$39,000,000 worth of her citizen's land in the last ten years?

Boston has to-day some \$560,000,000 of new land value, which it did not have fifty years ago. Meantime the tax rate doubled from \$8 in 1856 to \$16 in 1906. The capitalised value of this \$8 increase in

rate amounts to say \$90,000,000. Is it charged that Boston is to-day confiscating \$90,000,000 of the land of her citizens?

All taxes are expended in maintaining the value of land. How can any vested right, or statute law, or hoary custom make it confiscation for the community to tax a value of its own creation, especially since, through the capitalisation of an established land tax, it is now, or soon becomes, to the owner of the land, a burdenless tax?

#### **What Is Meant by the Single Tax**

At the eleventh Dinner-Discussion of the Economic Club of Boston, the club was addressed by Professor E. R. A. Seligman, of Columbia University, upon the topic:

*Resolved:* That it would be sound public policy to make the future increase in ground rent a subject of special taxation.

On that occasion there was printed and placed at each plate a statement of the meaning of the single tax, which, slightly revised, was as follows:

1. It means the abolition of all taxation (not regulative or restrictive) except that upon land values.
2. It means the gradual transfer to land of all those taxes now raised from buildings and other improvements, personal property, etc.
3. It means that Boston would raise its whole tax in the same way that less than one-half of it is now raised, viz., by a tax upon the value of its land.
4. It means to provide for common needs out of ground rent — a common product — instead of out of wages — an individual product.

5. It means that out of its ground rent of fifty millions or more Boston would collect its whole tax of twenty millions instead of only ten millions as now.

6. It means that Boston could raise the amount of its existing taxes by taking a trifle more than two-fifths of its ground rent (the annual value of land for use) in taxes instead of less than one-fifth as at present, thus making it possible to remit all other taxes if desired.

7. It means the taxation of unearned incomes, instead of hard-earned incomes.

8. It means a tax that is non-repressive, because, being wholly a tax upon special privilege, it can never be a burden upon industry or commerce, nor can it ever operate to reduce the wages of labour or increase prices to the consumer.