

APPENDIX II

THE SUFFICIENCY OF THE LAND VALUES TAX

Is a land values tax adequate for the needs of the nation, the States, and the local authorities? Thinking only of farming lands, many people assume that it is not; they believe that it is necessary for the government to disguise its sources of revenue in order to secure sufficient funds to maintain the state.

It is not in the rural districts that land values are greatest. The land values of New York City alone are equivalent to the values of 100,000,000 acres of ordinary farming land. The land values of all our cities are equal to the value of one-half of the land under cultivation in the United States. And this does not include the colossal values of the mineral resources, of the railways and the transportation agencies. Land values are a far different thing from land, and the taxation of land values is a far different proposal than the taxation of land.

We can readily see the sufficiency of the tax proposed from a consideration of the values already existing. The total revenues collected by all of the agencies of the government in 1902 amounted to \$1,709,136,540.¹ Of this sum, \$670,789,517 was collected by the Federal Government, and \$1,038,347,023 by the States, counties, cities, and local divisions. Most of the local revenues came from the general property tax on land and improvements, and

¹ Census Bulletin, "Wealth, Debt and Taxation," p. 963.

at least one-half of the revenues came from land. So that if we deduct the taxes already collected from land values, it leaves the sum of but \$519,173,511 to be shifted to that source for local purposes, as well as \$670,789,517 of Federal revenues now collected by consumption taxes through the customs and internal revenue systems.

As we have seen, the pure land values of the country are at least \$35,000,000,000. They undoubtedly amount to twice that sum. But even if we assume the former figure, the annual economic rent, measured at five per cent., amounts to \$1,750,000,000. It is probably nearer \$3,000,000,000. As we have seen, the total revenues to be shifted from indirect taxes and improvements amount to but \$1,189,963,028, which, assessed against the rent, or land values, would still leave over half a billion dollars in the hands of the land-owners.

We can see the adequacy of the land values tax in some great city where the land is valued separately from the improvements, and is valued with some degree of accuracy as it is in New York and Boston. The untaxed land values of the former city amount to nearly \$4,000,000,000. The annual rent from the land alone equals \$200,000,000. All of the needs of this most extravagant city could be assessed against this fund, and leave untouched for Federal, State, and other purposes the sum of \$100,000,000 a year.¹

¹ The total revenues of New York amount to about \$170,000,000 a year. The city's proportion of the State tax amounts to about \$25,000,000. The proportionate part of the Federal revenues which should be assigned to the city is about \$30,000,000. If all these revenues were collected from the rent of the land of the metropolis, there would still be left for the land-owners something like \$30,000,000 a year. For already \$60,000,000 is being taken from the land each year under existing taxes for local purposes.

The speculative growth in land values is enough in itself to meet the needs of almost any growing city. Thus in New York the growth in the value of the land, as shown by the annual reports of the Commissioners of Taxes and Assessments for the years 1904 to 1908, amounted to \$786,004,347. This is equivalent to \$196,501,086 a year, or \$26,501,086 more than the revenues of the city. The same thing is true of Boston, Philadelphia, Washington, and San Francisco, where similar studies of the subject have been made.

Mr. C. B. Fillibrown, of Boston, has made a most careful study of this subject, and in a paper read before the National Tax Association in Columbus, Ohio, in 1907, said:

“The following Boston estimate indicates the gigantic proportions of the factor, ground rent, and its sufficiency to meet all reasonable costs of government, economically administered, not only without impoverishing the land-owner, but without subjecting him at any time to a tax more burdensome or more continuous than that borne by every man that has lived in a house since a house tax was invented.

The gross ground rent of the land of the city of Boston is, by careful estimate, not less than	\$50,000,000
Of this amount there is already taken in taxation	<u>10,000,000</u>
Leaving to the land-owners of to-day a net ground rent of	\$40,000,000

“The fact that this sum amounts to \$68 per capita, or \$340 per family, will help the mind to grasp its magnitude as a factor in the distribution of wealth.

State and local taxation upon improvements, buildings, personal property, and polls amount to something over another	\$10,000,000
If this additional amount were taken from rent, there would still remain to the land-owners a balance of	\$30,000,000
—\$51 per capita, or \$255 per family.”	

How readily all of the revenues of the nation could be met from rent in its various forms is seen from the policy pursued by the government in its treatment of the lands of the Indian tribes in Oklahoma, referred to elsewhere. Minnesota has demonstrated the same thing in a small way. That State was fortunate enough to retain some of its school lands. Upon them iron ore was discovered. There were but fifteen iron ore deposits in all, but through the imposition of a royalty of twenty-five cents a ton on the ore mined, the State has come into possession of a fund of over \$16,000,000. Had the Federal Government pursued this policy from the beginning, as it is now proposed by the President in his recent message on conservation to Congress, all of the revenues of the Federal Government could have been met by a royalty charge of one-quarter of the value of the mineral output of the country, which, according to the Geological Survey, was worth the sum of \$2,069,289,196 in 1907. Five hundred millions of dollars could have been realized from this source had the nation reserved but 25 per cent. of the value of its mineral products alone.

In foreign countries the increase in land values and the possibilities of their taxation for public purposes are being urged. In an article entitled "Wohnungsnot," in Conrad's *Jahrbücher* for 1902, it is asserted that the land underlying the city of Berlin increased in value in twenty years, from 1870 to 1890, by the sum of \$875,000,000, or at the rate of \$43,750,000 a year. Mr. Camille Huysmans, in a publication entitled *La Plus-Value Immobilière dans les Communes Belges* (Brussels), has gathered together evidences of the increase in urban-land values in the countries of Europe. He shows that in Germany, England, France, Belgium, and elsewhere the increase is only

less significant than in the United States. And in Germany, this unearned increment is already being taxed by most of the larger cities, while in Great Britain, Belgium, and Switzerland measures are being pressed for the same purpose.