



## CHAPTER XVII

### THE CITY'S TREASURE

BACK of any programme of municipal activity is the problem of ways and means. For schools, parks, safety, health, comfort, and happiness can come by no Fortunatus Purse. And if, as is frequently asserted, all taxes are ultimately shaken down to the defenceless members of the community, to the wage-earner and the consumer, we are left in our quest for a better city with the alternative of an unrealizable Cloud-cuckoo dream or a still further burden upon the back of the urban dweller for advantages which he cannot afford.

Yet there is another alternative, an alternative whose adoption would permit of the abolition of all taxes and the carrying on of the city's affairs from out its own treasury. The city itself is a wealth-producer. Every city in the land is built upon a treasure like unto that which underlies the Colorado town whose revenues are all derived from royalties from the mines upon which it is built. The progressive needs of the municipality have a ready-made mine of treasure, a mine which needs only to be opened

to satisfy the demands of city expansion without cost to the dwellers therein. This revenue renews itself from year to year. Its growth is more rapid than the growth of the city's necessities. It is as constant as the laws of nature itself. This treasure appears in the outcropping granite of Manhattan Island, so lean in its fertility as scarce to support life, but which has become, through the growth of the city, worth hundreds of thousands—in places, millions of dollars an acre. The low-lying swamps at the mouth of the Chicago River, which the eager settler passed by and ignored in his search for a home, have proven a source of revenue more regal in its proportions than the wealth of the Incas, while the craggy site of Fort Pitt at the junction of the Allegheny and Ohio Rivers has become far more valuable than the subject provinces of a Roman conqueror.

This treasure is the constantly increasing value of urban land through the growth of the city.

One need not accept the philosophy of *Progress and Poverty* to appreciate a fact with which every investor, speculator, or banker in the community is familiar. For the increase in city land values presents as amazing an exhibit as the massing of urban population itself. Nowhere does the advance in population, in law and order, in comfort, convenience, and the opportunities which the city

offers, manifest themselves so palpably as in the upward movement of land values, the treasure of the city. Every babe that is born, every immigrant hastening to the city to adopt it as his home, every genius that lends his talent to his fellows, even the common workman on the streets, adds something to this treasure that is daily and hourly, by night as well as by day, responding to the city's growth.

No act of the owner creates this value. Nothing which he can do will increase or diminish it. It is proof against the elements; fire cannot destroy it nor the winds or rain impair it. But every increase in population, every dollar expended for improvements, sewers, streets, lighting, police, fire, or health protection adds its increment to the value of building sites or the privilege of occupying the city's highways. For the right of using the city's streets for the supply of transportation, gas, water, electric lighting, and telephones is in all respects like the site value of the land. In the eyes of the law, these are appurtenant to the land. And the influences which enhance the value of the land, increase the value of these franchises as well.

No effort of the owner can hasten this growth. Whether at home or abroad, industrious or shiftless, whether dwelling upon the site and watching it by night as well as by day, or living in the fur-

thermost quarters of the globe, the growth is the same and the human equation equally insignificant. An occasional loss there may be here and there, but the universal movement is upward. The growth of population assures this. The law of demand and supply—population ever increasing, land remaining constant—fixes the equation of the “unearned increment” of city land. This is the one value that thrift, economy, prudence, or any of the traditional business virtues cannot alter, cannot aid. It is this fact that produces the land speculator, who retards natural development and sacrifices municipal progress for his own advantage. In every great city large areas of land are to be found idle or badly improved, held by their owners for a rise and ultimately placed upon the market at an increase in price.

Just as there are two classes within the city which gain by its growth, so all other classes suffer. They pay tribute to the land-owner as well as to those enjoying privileges in the streets. This tribute arises when one is born; it cannot be escaped during life. It is a tribute which must be paid for the privilege of working, of living, of contributing to the upbuilding of the city.

This loss may sometimes be difficult to trace. The merchant, the manufacturer, or the professional man may benefit by the growth of population, but the benefit is fortuitous and precarious.

In the long run, the gain that the growth of the city brings to him is absorbed by the increased competition which follows the growth. In every city there are about the same number of grocery stores, pharmacists, doctors, lawyers, and retail merchants to every thousand of the population. These classes enjoy no monopoly of their calling. In the end success is measured by their enterprise, thrift, skill, or ability. The landlord, on the other hand, knows no competition save the competition of those who would occupy his land. This very competition increases its value. Accessibility to the railway, a corner site where thousands pass each day, an advantageous outlook, a beautiful situation, all these enter into the value of the land and are ultimately paid by the city dweller. This tribute follows him to his residence on the avenue or to the tenement in the slum. It pursues him to his office. It enters into the cost of every commodity that he may use.

This municipal treasure, this unearned increment, may now be measured. It is colossal. In the City of New York, the Tax Department is required to value all land and improvements separately. In 1904, the assessed value of the land in the city was \$3,697,686,935. The population then was something over three and one-half millions. At five per cent. per annum this valuation is equivalent to an annual charge upon the city's

life from the lands within its borders of \$184,884,430. This is equivalent to a per capita burden of \$52.85 on every man, woman, and child in the community. It amounts to from \$200 to \$250 per family.<sup>1</sup>

“One hundred and eighty-five millions! Let us try to comprehend it,” says Herbert S. Bigelow. “Suppose every bread-winner in that city earned three dollars a day. Suppose one in every three was a bread-winner. These estimates are too high, but it is well to keep on the safe side. Now, then, it takes the combined labor of all the toilers of New York City for fifty-five days in every year to satisfy the demands of the landlords. The last Bulletin of the Department of Labor contains the results of an investigation of the land values of Philadelphia. This investigator shows that the land there is owned by less than ten per cent. of the people. If this percentage holds good in New York, it means that less than 350,000 peo-

<sup>1</sup> In order to get at the gross value of the land in the City of New York, it is necessary to add to the assessed valuation the capitalized value of the taxes imposed upon the land. For whatever is taken from the income of land by the state reduces its capitalized value for the purpose of sale. The gross value is therefore much higher. It is \$4,777,686,935, obtained as follows:

Assessed valuation of land in New York . . .	\$3,697,686,935
Taxes now assessed against the land	
\$54,000,000, capitalized at five per	
cent. . . . .	1,080,000,000
	<u>\$4,777,686,935</u>
Ground rent at five per cent . . . . .	\$238,884,846
Population, 3,500,000, gives a per capita rent at \$68.90.	

ple collect of the other 3,500,000 who live there a toll of \$185,000,000 a year, which is a kind of first mortgage they have upon the industry of that mighty city, and which amounts to the complete enslavement of that entire population for fifty-five days in every year."

The human mind fails to grasp the significance of values when they mount into the thousands of millions. "Let us translate it," suggests Mr. Louis F. Post in the *Public*, "into farm values. Almost any one can recall some well-improved farm of say one hundred acres and worth about \$50 an acre. Suppose we translate into such farm values that \$3,697,686,935 of New York land values, and see how much of the earth's surface those farms would cover. This would give us 738,537 \$5000 farms of 100 acres each. As the area of about six and one-half of these farms would make a square mile, we should have a path of those farms one mile wide and 113,621 miles long. Thus the naked land values of New York City represent a path of \$5000 farms of 100 acres each, one mile wide and extending more than four times around the globe. When it is considered that other cities, towns, and villages yield similar results in kind, and that hardly a foot of the habitable globe is left which does not command its price for the privilege of mere occupancy, there is something queer about the familiar contention, especially common in uni-

versities, that land is a factor of but little importance in modern industrial life.”

New York is not exceptional in this amazing exhibit of treasure. A recent report of the United States Bureau of Labor offers a similar showing from the city of Philadelphia. In that city the value of the land increased in the fifteen years from 1885 to 1900 from \$587,749,828 to \$879,259,355. The growth of the city, the demand for a foothold, the growth of security and convenience gave birth to a value of \$291,545,527 at an annual average increase of \$19,500,000 a year.<sup>1</sup> The value of the naked land in the city of Philadelphia involves an annual ground-rent charge at five per cent. of \$44,000,000 a year; or an annual burden of over \$200 upon every family of five in a city. In 1900 the ordinary expenditures of Philadelphia were but \$26,375,263, or about one-third more than the annual speculative increase in the value of the land alone. The total cost of that stupendous monument of jobbery, the City Hall, which has been in process of erection for years, could have been paid for in sixteen months out of this annual increment alone. Moreover, in five wards of the city, the increase in the value of the land exceeded one hundred per cent. in but fifteen years' time. Can a similar showing of speculative increase be

<sup>1</sup> Bulletin of the Bureau of Labor, January, 1904, p. 106.



made as to any other form of wealth, of buildings, homes, machinery, of wages, salaries, or other income? <sup>1</sup>

It is this growth in urban land values that is creating the landless citizen. In the wards covered by the investigation of the Bureau of Labor in Philadelphia, one-tenth of one per cent., or one one-thousandth of the population, possessed one-fourth of all the land. From the reports of the Twelfth Census it appears that ninety-six per cent. of the persons occupying homes in New York are tenants, while in Manhattan and the Bronx but two per cent. are unencumbered owners of the houses in which they dwell. In Boston ninety-two per cent. of the population are renters; in Chicago eighty-nine per cent.; in San Francisco eighty-five per cent.; in New Orleans eighty-three per cent., and in Denver eighty-four per cent. The tenant is all but universal.

This speculative increase in the value of city lands is so manifest as scarce to need this demonstration. But its amount is so great that we do not ordinarily comprehend its significance.

In the city of Chicago, a quarter-acre site on the corner of State and Madison streets increased in value from \$20 in 1830 to \$1,500,000 in 1895.<sup>2</sup> A

<sup>1</sup> The valuation for Philadelphia is not an official valuation made for taxing purposes, but a compilation from the best sources available. It is probably below the real value.

<sup>2</sup> Illinois Labor Report for 1894, p. 277.

piece of land sixty feet wide on Broadway was recently sold for \$1,030,000, or at the rate of \$17,-166.66 per front foot.

The dirt which lies at the corner of Broadway and Wall Street is no more valuable as dirt than are equal amounts in the barren lands of the West. But the massing of millions about this centre, the coming of immigration, the development of trade, the making of public improvements, all these things have given this spot of land a value almost equal to the golden eagles necessary to cover it.

For upwards of a generation land and improvements in the city of Boston have been separately assessed for the purpose of taxation. Valuations have been returned by the assessors at approximately their full value. In 1902, including a moderate estimate for the value of the franchises of the public service corporations, as well as a capitalization of the taxes paid on land, these values amounted to \$842,600,000, which, at five per cent., would yield a gross annual ground rent of \$42,000,000. The total revenues of the city in 1902 were less than \$18,000,000. If the entire burdens of local government had been imposed upon the value of the land alone, it would have involved a tax rate of less than two and one-fourth per cent. and absorbed less than one-half of the annual gross value of the land.<sup>1</sup>

<sup>1</sup> From the Annual Report of the Assessing Department of the

The annual budget of the City of New York is approximately \$108,000,000. One-half of the city's revenue, or about \$54,000,000, is already collected from the land, exclusive of improvements. With the remaining \$54,000,000 assessed against the land, and buildings, improvements, and other forms of property relieved from taxation, an income of from three to four per cent. would still remain to the owners upon the present inflated values.

Across the continent, in the city of San Francisco, the exhibit is the same. Here, as in Boston, the assessments of land and improvements have been separately made for years. And here, as there, the increase in land values is astounding. Taking the valuations for each quinquennial period from 1885 to 1904, it appears that the growth in value has been constant. The figures for those years taken from the Municipal Reports are as follows:<sup>1</sup>

City of Boston, it appears that the increase in land valuations for five years has been as follows:

Year.	Value land unimproved.	Gain over preceding year.
1899 . . . . .	\$507,596,250.00	
1900 . . . . .	532,933,500.00	\$25,347,250.00
1901 . . . . .	547,246,600.00	14,313,100.00
1902 . . . . .	573,193,150.00	25,946,550.00
1903 . . . . .	594,599,850.00	21,406,600.00

or an average increase in value of \$21,753,375.00 per year.

<sup>1</sup> A change was evidently made in the rule of appraisal between 1900-1904, by which the lands were returned at more nearly their

Year.	Land valuation.	Five years' increase.
1885 . . . . .	\$118,353,253.00	
1890 . . . . .	164,968,792.00	\$46,615,539.00
1900 . . . . .	190,457,425.00	25,490,633.00
1904 . . . . .	203,500,085.00	13,042,660.00

During these nineteen years the total increase in the value of the land alone was \$175,146,832, at an average rate of \$9,218,254 per annum. During the years from 1885 to 1900, inclusive, the total taxes levied for city, county, and state purposes upon real estate, improvements, and personal property was \$84,252,058, at the average rate of \$5,265,753 per year. This is very much less than the annual speculative increase in the land alone.

Occasionally this phenomenon of city land values can be observed free from any confusing incidents. In 1856 the State of Massachusetts reclaimed about one hundred acres of land in the Back Bay District of Boston. A portion of the land was subsequently given to the city and to certain scientific institutions. The state expended on the streets, sewers, and improvements the sum of \$1,642,000. The remaining land was sold for \$5,084,000, making a total net profit of at least \$4,262,000, which was pure site value. But this was only the original increment. In 1892, something over half of the tract, exclusive of buildings,

full value. This qualifies the value of these statistics for the last five years.

was assessed for taxation at \$19,246,800. It is now unquestionably worth very much more in the market. Here, then, is a pure land value of \$17,614,000, which has been amassed by the growth of the city, not a particle of which is the result of human labor or industry.<sup>1</sup>

This intangible increase in the value of land is an anomalous form of wealth. It makes its appearance with the growth of population and the advance of society. It is purely social in its creation, and would pass away, as does a shadow, were population to disappear. It is known to no other form of wealth than land and the things appurtenant to the land, as railways, franchises, mines, and the means of transportation and transmission. All other wealth is the product of human labor. This value alone is a surplus value, and its amount, as we have seen, is far in excess of the needs of the government.

<sup>1</sup> *Natural Taxation*, Thomas G. Shearman, p. 236.