

uses. Incidentally, it is our purpose, as fast as Governments are educated to resort to socially created land values as the convenient and proper source of public revenues, that one by one all other taxes now imposed that interfere with the freedom of production and exchange, be remitted or abolished. This is what we mean by Free Trade. We would gradually wipe out every tax, tariff or impost at home or abroad that hampers the freedom of men to work and exchange the products of their labor.

We believe that free commerce between the peoples of the earth would be the greatest civilising influence that the world could know. As it would mean the free exchange of goods for goods, of services for services, it would serve increasingly to promote those friendly human contacts and understandings that lead to an ultimate appreciation of the essential kinship of all mankind. Untaxed and unrestricted trade would put an end to the isolation or the self-sufficiency of any nation. It would in time bring into being a league of peoples, more potent for peace than any league of political governments could be. It would build the straight road to the disarmament of nations by first disarming the minds of their people of the fears, suspicions and antipathies that now naturally grow out of the selfish national policies that seek to benefit one people by inflicting injury upon another.

Finally, we propose to end the curse of war, with all its barbarities and brutalities, and its grievous burdens upon the backs of the workers of the world, by asking nations to recognise and remove the true causes of international contention and strife. These have their roots not alone in hostile tariffs and the struggle for markets, but in that economic imperialism which exploits the natural resources of distant and undeveloped lands for the enrichment of favoured groups of capitalists at home.

In the promise of world peace heralded to the world from Locarno last October, and still unratified, we are unable to see more than a gesture of worthy intention and goodwill. But surely goodwill is not enough, when the conditions that make for illwill still remain. These conditions, as I have endeavoured to make plain, are economic in their character, and until they are finally removed the menace of new wars will remain with the world.

We are grateful to those men of energy and vision in Denmark and in Great Britain who have brought us together here to discuss these matters of vital interest to civilized life everywhere in the world. And let me in closing express the hope that as this gathering is the natural and logical successor of the significant Conference held at Oxford three years ago, may this Conference lead to many another with similar outlook and aims. Let us spread the light. The truth that Henry George sought to make plain is for all nations and all generations of men. Let us then see to it that before this Conference adjourns and its members scatter to their homes in distant lands, we devise some means and ways to perpetuate our work. Let us form at least the nucleus of an international organization, through which we

may enlist the interest and co-operation of lovers of economic justice in every civilized land. The noble idea of a League of Free Nations that was to banish war for ever and bring peace and contentment to a distracted world appears to have failed. To me it seems chiefly to have failed because it has dealt with politics rather than economics; because the statesmen who control the League would doctor symptoms rather than a disease. They continue to deal with the superficialities of international relations, while leaving untouched those evil economic realities that arise from greed, selfishness or stupidity, and from which flow the miseries, antipathies and fears which engender the spirit of war.

Let us then, before we leave Denmark consider the project of bringing into being a new sort of league—a league to promote the establishment of economic freedom and justice for the peoples of the whole world. To a committee of the Conference might well be delegated the task of making a preliminary draft of the covenant or constitution of such a league. In every civilised land are to be found followers of Henry George, men and women who have had the vision of a better day for all humanity. In every land are people who not only see the goal at which we aim, but who understand the simple practical political steps through which our end is to be attained. Let us seek out these comrades in the cause, whatever their race or homeland may be, and in the spirit which Henry George invoked, of the Fatherhood of God and the brotherhood of all men, let us summon them to join us in the noble enterprise of bringing to the people of a troubled world our plan of establishing peace, justice and prosperity by setting the whole world free

Land Values Taxation In Practice

PAPER READ BY FREDERIC CLEBUSCHER, AT
THE COPENHAGEN CONFERENCE

THAT land value taxation in practice in New York City and its vicinity is efficient in respect of substantial accuracy of the assessment of values as well as in collecting a greater amount of public revenue than is elsewhere collected in any similar area in the world from the same source, was sufficiently made evident, I believe, by the paper of Mr. Lawson Purdy, which I had the honor to read to the Conference a few days ago. This success is due, in a large measure, to the fact that under the American system the land tax when once levied becomes a lien *in rem* (that is against the particular parcel of land) and not *in personam* (that is against the owner or lessee). The city authorities are, therefore, not at all concerned with the identity of the persons interested in the ownership of the land which is held to pay the tax. Every lot of land is shown on official maps and has a tax number. If the tax is not paid within 30 days after it becomes due, interest at the rate of 7% per annum begins to run thereon. It may remain unpaid

for three years. During that time water rent (if the lot is built upon) may also be unpaid. Like most American municipalities, New York has its own potable water system, which cost it upwards of 300 millions of dollars. An annual rent is charged for the use of the water, the amount of course varying with the quantity consumed, though there is a minimum charge. This also becomes a lien on the tax number.

During those three years there may also be special assessments for benefit levied for public improvements affecting that particular lot number. This expression may sound like Greek to non-American ears. Suppose a piece of land lacks some public improvements like paved streets, water-mains, and sewers, and the government decides to instal one or more of them. The cost thereof is apportioned among the lands benefited thereby, and the city government usually does not pay any part of it. This is called a special assessment for benefit and is levied against all the lot numbers affected thereby, even though the land may not be improved by a single building. This also carries interest at the rate of 7%. Note that in the case of special assessments for benefit it is the land and not the building that is assessed. *In thus collecting for public improvements solely from the value of the land increased by such improvements, our government tacitly adopts one of the fundamental principles of Single Tax philosophy.*

Incredible as it may seem to you, the landlord is sometimes glad to pay such assessments, for often the value of his land is increased several times the amount of the special assessment.

Well, the three years have elapsed, and the landlord has failed to pay one or more of annual taxes or water rents, or one or more of the special assessments. The City Treasurer (called Comptroller in N. Y. City) adds together the various amounts, besides accrued interest, and gives notice through advertisement of his intention to sell the aggregate sum at a stated time and place. This is now called a tax lien, and is struck down to the person who is willing to pay the city its face value and to charge the landlord the lowest rate of interest. He then receives what is termed a transfer of tax lien. To all intents and purposes, the transfer of tax lien is a first mortgage, having priority over all other mortgages, leases, judgments and every other claim except the right of the City to collect future taxes. The principal of this mortgage is due in three years and the interest is payable semi-annually. If the payments are not met the holder of this lien or mortgage can go to Court and begin a suit for foreclosure. He makes every person who has an interest, whether as owner, mortgagee, lessee or what not, a party defendant. Usually the suit is settled before judgment. If not settled, judgment is entered and the real estate is sold at public auction to the highest bidder.

It seems to me that the New York system of ignoring all persons claiming ownership, or part ownership, and assessing and collecting the tax from the land itself, should have

favorable consideration by the Conference. Not only is it just and practicable, but it is employed by a municipality that collects more of the economic rent than any other government in the world.

In 1925 the real estate of New York City was valued for taxation purposes at \$11,901,348,553. This is almost 12 billions, or as our British friends would say, 12 thousand millions. About half of this, \$5,561,718,975 consists of land value. Theoretically, real estate is assessed at its full market value; in practice it is found that the assessment averages only 70% of such value. It is evident, therefore, that the land values of that city aggregate 8 thousand millions of dollars. The rate of the tax in 1925 was \$2.70 on each hundred dollars, and the amount of the tax collected from land values alone was 150 million dollars. It may be of interest to note that a dozen years ago two-thirds of the assessment of real estate in New York consisted of land values and only one third of building values. The great activity in the building market since the armistice, coupled with the high cost of labor and materials, and with the higher rate of taxation on land values, has now brought building values to a parity with land values.

But the city of New York is greater than its corporate limits. There are large areas outside the city proper the majority of whose inhabitants do business in New York. To all intents and purposes they are citizens of New York City. The metropolitan area of the city contains approximately nine million inhabitants. This outside section consists of the counties of Nassau, Westchester, Rockland and Suffolk in New York State, and the counties of Bergen, Essex, Hudson, Morris, Passaic and Union in the contiguous state of New Jersey.

The local tax assessors of the various municipalities in these N. Y. State counties in 1923 assessed the real estate at \$1,182,855,368. Almost one half of this, or say, \$500,000,000, consisted of land values. The rates varied, but averaged \$3.97 on each hundred dollars of assessed valuations. The aggregate amount collected from land values in this section was, therefore, approximately 20 millions in 1923.

In the contiguous New Jersey metropolitan area land was assessed in 1924 at \$911,304,115 and buildings at \$1,504,452,789. The tax rate varied among the municipalities, but averaged slightly over 4%. The aggregate amount of the tax on land values in this section was, therefore, over 36 millions.

Adding the 1925 figures of N. Y. City proper (\$150,000,000) to the 1923 figures of the New York metropolitan area (\$20,000,000) and to the 1924 figures of the N. J. metropolitan area (\$36,000,000) we have the tremendous total of \$206,000,000 of economic rent collected in one year. The area of New York City comprises only 258 square miles. This comparatively small tract of land was last year worth, exclusive of buildings, 8 thousand million

dollars, and returned to the people who had created that value, 150 millions in economic rent.

It is unfortunate that I could not procure official figures for all the sections for the same year; but these are "boom" times for N. Y. City vacant land speculators, and my figures are, therefore, understated. Indeed, a few days before I took ship to join this Conference, I was unofficially informed that the assessment of real estate in the City of New York for the year 1926 had been increased by \$1,096,000,000, of which about one half is land value.

But New York is not all of the United States, any more than Copenhagen is all of Denmark. Some cities in my country have taken more steps towards the Single Tax than has even my native city. Notable is the case of the city of Pittsburgh, in the State of Pennsylvania. In 1913 that State passed a law which is popularly called the Pittsburgh graded tax plan. The two outstanding features are:

1. The entire tax revenue for municipal purposes is derived from taxes on real estate. There are no taxes levied by the city government on any other form of property or on incomes.

2. The municipal tax rate on buildings is fixed at one half of the tax rate on land. The *National Municipal Review* for December, 1925, contains an article by Percy R. Williams, a member of the Pittsburgh Board of Assessors. He denies that the plan is Single Tax, but carefully refrains from denying that its successful operation will logically lead to the adoption of that philosophy. Indeed, he states that "there are even now indications that, within a few years, steps may be taken to extend the partial exemption of improvements."

There have been five triennial reductions of the rate of the tax on buildings, so that now it has reached the legal limit by being only half of the rate on land values. True, the rate on buildings has actually increased, for it was 89 cents per \$100 in 1913 and is 97 cents per \$100 now. But while the rate on land values in 1913 was the same as on buildings, 89 cents, it is now more than double, \$1.95. Land thus pays about \$10 per thousand more than buildings. There is ample room for the extension of the law, for buildings are still taxed at the full rate, in Pittsburgh, for other than municipal purposes. The municipal revenue is only 15 millions while the school district and the county of Allegheny in which the city is located, raise 17½ millions by taxing buildings and land at the same rate. Mr. Williams says: "The facts cited show how far Pittsburgh is from the Single Tax either 'limited' or 'unlimited'."

Even though it is Mr. William's opinion that the "Pittsburgh tax experiment is really a moderate tax applied in a very conservative manner," he adds that "friends and opponents of the graded tax alike agree that the higher land tax has been influential in inducing those who held large tracts of land idle to sell at more reasonable prices, because the holding of vacant land for long periods is becoming unprofitable." Of course this led to a "boom" in

building. In 1913, the last year under the old tax system, there were 3,461 permits for new buildings of an estimated cost of \$13,870,955. In 1924, when the tax rate on buildings was only half that on land, the number of permits more than doubled (8285) and the value of the new buildings almost trebled (\$34,256,450).

Opponents of the Pittsburgh plan claim that the rich man's skyscraper and not the poor man's cottage is the chief beneficiary. That would not be a valid objection even if it were true, for the capital used in the construction of the skyscraper is usually furnished by savings banks in which are deposited the savings of the working man; and the wages paid to the mechanic employed in the construction of the skyscraper help to build the poor man's cottage. However, the statement is false in fact. Says Mr. Williams: "But it is the home owner who stands out as the chief beneficiary of the graded tax." He then gives facts and figures showing that, notwithstanding the general increase in the rate, the typical home is actually paying less tax than it did in 1913, while the typical skyscraper is actually paying more. The reason, of course, is that the home is on land of low value while the office-building is on land of high value.

Mr. Williams concludes his able article as follows: "The expediency of the graded tax plan lies in the fact that it means tax relief for the majority of taxpayers and that it encourages the improvement of real estate, thus stimulating the development of the community. The justice of the graded tax plan rests upon the fact that land values are socially created, growing with the growth of population, and the extension of public improvements, and are, therefore, in a peculiar sense a natural and logical source of public revenue."

The Allied Boards of Trade of Allegheny County (in which Pittsburgh is located) are circulating a pamphlet. One of the interesting statements is a comparison of new building permits per one thousand of population issued by Pittsburgh between 1914 and 1920, with those issued for the same period by seven of the largest American cities. The balance in favor of Pittsburgh ranges from 15% to 238%. In big black letters this pamphlet states: "All taxes other than land taxes, are a deadlock on both labor and capital. It will never be known how great a measure of civic and industrial prosperity is really possible until the burden of taxation is removed from the personally-created values of industry and enterprise and placed where, in all equity, it belongs: on the community created values of land."

The time allotted to me will not permit a discussion of other signs of progress on my side of the Atlantic. I will merely allude to a few of them. You have undoubtedly read that, in order to solve the problem of the acute housing famine in New York City, that municipality a few years ago exempted from taxation for a period of 10 years \$5,000 of the cost of construction of all new single family dwelling houses and \$1,000 per room, but not to exceed \$5,000 for

each apartment, in a multi-family dwelling. This has led to the construction of new dwelling houses that would not have otherwise been built, amounting in value to several hundreds of millions of dollars.

New York, unfortunately, still taxes thrift and industry by taxing mortgages, machinery, etc., and still imposes that class of nuisance taxes called licenses. In that respect Pittsburgh is far in advance. She has struck shackles from capital and labor by raising all her revenue from real estate and the greater part of that by taking a large slice of the economic rent. I firmly hope and verily believe that I will live to see the day when that great American city will not only abolish the remnant of the tax on buildings but will go further than mere revenue demands by taking the entire economic rent.

I will make bare mention of a few more facts showing that the light is beginning to penetrate. Two-thirds of the revenue is derived from land values in Portland, State of Oregon, and in Houston, State of Texas. In San Diego, State of California, the 1919 assessment figures were as follows: Personal property 9 millions, buildings 6 millions; land values 72 millions.

I may have wearied you with my numerous citations of figures; these were necessary in the discussion of the subject assigned to me. I would have preferred the philosophical and ethical rather than the fiscal side of the teachings of Henry George. But we must always remember that the Prophet himself, who honored me with his personal association forty years ago, showed that the road to freedom and happiness is travelled by keeping step with the march of public opinion.

Resolutions Adopted At the Conference

PRINCIPLE AND POLICY

We, the members of the Third International Conference to promote the Taxation of Land Values and Free Trade, assembled in the Danish Houses of Parliament, Copenhagen, 20th to 26th July, 1926, re-affirm the Declaration of Principle and Policy adopted by the International Conference on the Taxation of Land Values held at Oxford, England, August, 1923 and

Whereas this Conference has adopted an Address to the statesmen of the League of Nations, pointing out that the chief causes of international discord and of war have their roots in the private monopoly of the world's natural resources and in the economic barriers that governments erect to prevent the free exchange of goods and services between friendly peoples; now be it known, that

This Conference not only favors freedom of trade across the frontiers, but also affirms that if governments would establish peace, contentment and prosperity within their own borders they must apply the principle of free trade among their citizens at home. To

apply this principle fully they must give equal access to natural opportunities, and abolish all legal and artificial restrictions upon or impediments to the right of men to freely produce wealth, freely to exchange it and freely to enjoy the results of their labor. This can be accomplished only when governments repeal the taxes that now interfere with, or impose penalties upon, production and exchange.

Declaring that the land of every country is, by right, the common property of the people, we affirm that the value of land due to the presence and activity of the community should, by concentrating taxation upon land values be taken for public purposes in place of the taxes that now so grievously burden industry and interfere with the natural rights of man.

Free Trade and World Peace

RESOLVED that we transmit to the Secretariat of the League of Nations at Geneva for the consideration of the Council and the Assembly of the League the following Declaration:

DECLARATION

We, the followers of Henry George from seventeen nations, assembled in the Danish Houses of Parliament at Copenhagen, 20th to 26th July, 1926, at the Third International Conference to promote the Taxation of Land Values and Free Trade, respectfully submit for the consideration of the League of Nations our earnest hope that the League may be led to promote the peace and prosperity of the world by undertaking the removal of the obstacles that now interfere with common understanding and progress.

We believe that until there is a frank recognition of the root causes of international misunderstanding and discord, and a sincere and earnest determination to remove them, there will be no permanent peace or progress in the world. The peace promised by the Treaty of Locarno, even if ratified, would be but a gesture of goodwill, leaving untouched the evil economic realities out of which grow the envies, hates and fears which are the common causes of war.

Disarmament alone cannot assure permanent peace, and is, indeed inconceivable so long as powerful and privileged monopolists can contend for the control of the world's natural resources, and selfish national policies, designed to benefit one people by inflicting injury upon another, arouse suspicions and antipathies on all hands.

This Conference urges the League of Nations to recognise the simple truth that free commerce among the peoples of the earth would be the greatest civilizing influence the world could know; it would serve increasingly to promote those friendly human contacts and understandings that make for an ultimate appreciation of the essential kinship of all mankind. Untaxed and unrestricted trade would put an