

1938-09-03 Collecting Ground Rent

Single-Tax System Regarded as No Detriment to Building

To the Editor of The New York Times

By Frederic Cyrus Leubuscher

Fabian Franklin, in his letter to The Times discussing the demolition of John D. Rockefeller's Harlem tenements in order to save taxes, writes:

"That objection is simply that virtual abolition of land ownership, which the single-tax plan is designed to effect, would make the building of houses in a city an extra-hazardous business, because, under the single-tax regime, in the great majority of cases the investment would result in a disastrous loss to the owner of the building. I was neither blaming nor praising Mr. Rockefeller for the demolition of Harlem tenements."

What is the so-called single-tax system? It is the collection by the government, through the taxing officials, of the entire economic or ground rent of land and the repeal of all taxes on buildings and other products of labor and capital. That ground rent is estimated to be 9 per cent of the capital value of the land. New York City is now collecting one-third of this ground rent. The market value of the lots is the remaining two-thirds, capitalized. Dr. Franklin's thesis is that if the entire ground rent is collected no one would erect buildings, because "in the great majority of cases the investment would result in a disastrous loss to the owner of the building."

Some of the finest buildings in New York City are erected on leased land and the lessee pays the ground rent 100 per cent besides a tax on the building. There are hundreds of buildings erected by lessees of lots owned by Trinity Church, Astor estate, Rhineland estate, Sailors Snug Harbor and others. The lessees must pay all the taxes, both on land and building, amounting to 3 per cent of the assessed value of both, and to the landlord 6 per cent of the market value of the land.

Thus the entire ground rent is paid by the lessee, but only one-third to the government representing the people who made that value by their presence and activities, the remaining two-thirds to the landlord. Notwithstanding that they are thus obliged to pay 100 per cent of the economic rent, bankers and business men erect buildings costing millions. Under the Henry George plan they would have to pay less, for the taxes on these costly structures will have been repealed.

Perhaps if Mr. Rockefeller had not been obliged to pay taxes on the buildings he might not have pulled them down; or, if he had, would have erected better buildings in their place in order to get a return on his investment in buildings. The ones who will benefit most from the adoption of the Georgian philosophy are the owners of humble homes. The average small home-owner's house is assessed for at least twice the assessed value of the lot. If the house is relieved from taxation and the lot taxed the entire ground rent, his tax will be less than it is now. The difference will be made up from vacant lots and lots that are worth more than the improvements.

After all, the building of houses is like any other business. The builder takes the risk of lessened demand because of changes in fashion, obsolescence, competition. It is estimated that 95 per cent of new businesses ultimately fail. With the adoption, however, of the philosophy of Henry George, commonly called the single tax, failures in the housing and other businesses will be much fewer. This is because neither houses nor goods nor anything else will be taxed. The collection of the entire ground rent will not lessen the area of the surface of the earth one inch. On the contrary, it will open to occupation and use land that is now held for speculative purposes.

The taxation of any product of labor and capital will add the amount of the tax to the price, lessen demand and thus curtail production. The result is unemployment and misery.