

Shifting of Taxation to Land Values as a Means of Relieving Congestion and Poverty.

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Today a larger proportion of the population of the United States is out of work than at any time since the establishment of this republic—yes, since the first colonies fringed the eastern seaboard. Of course, the European war is somewhat responsible for the increase, though according to protectionist logic we should be abounding in prosperity; for the war has eliminated competition with a great part of the "pauper labor of Europe." Even before the war began, however, unemployment had reached its then high-water mark. A year ago last winter it was estimated that in New York State, alone, there were a half-million wage-workers out of jobs; and, with an average of three dependents to each worker, at least one and a half million men, women and children were starving or on the verge of want—over 15 per cent of New York State's population. Note that that was about a half year before the war began.

This problem of unemployment demands immediate solution. Ex-President Taft, when asked for the remedy, answered in ignorance and despair, "God knows." There are many men and women who think they know the remedy and are teaching it. They say that this country, instead of failing to support its hundred millions of population could support in luxury the sixteen hundred millions of the earth, with abundance of room and production to spare. They argue that all of man's material wants—food, clothing and shelter—are produced in only one fundamental way—by the application of labor to land. As population increases, so does the demand for food, labor and shelter. Naturally, there should follow an increased demand for labor; instead of which we have a lessened demand. Why? Here are millions of empty willing hands; there are millions of unused fertile lands. Why do not the hands get at the land? Because something has come between the hands and the lands. If that "something" can be got out of the way, charitable institutions will find increasingly less for them to do.

Rural Conditions

Despite the fact that over half of the immigrants of the past two decades were peasants, 46.3 per cent of our population in 1910 lived in cities and towns containing over 2,500 people, while in 1880 this proportion was only 29.5 per cent. During the decade 1900-1910 our urban population increased 38.4 per cent, the rural only 9.4 per cent. Hence the "back-to-the land" cry; but this is futile unless farming can be made profitable. Land banks and systems of rural credits are indications that this is appreciated.

Another measure of relief is the parcel post which has ended the express companies' extortions. The farmers, themselves, are beginning to eliminate the middleman. All these give some measure of relief, but in doing so really increase

the burden; for they tend to make the land more valuable. Our tax system compels the average family to pay \$180 a year in local, state and federal taxes and in the consequent higher prices. Small farmers are particularly hard hit. They run heavy risks on their crops and cannot strike for high wages. No legislature has yet suggested a minimum wage for small farmers, though in 1910 there were about 840,000 farms of less than 20 acres and 317,000 under 10 acres.

In 1900, about 35 per cent of the occupiers of farms were tenants, in 1910 nearly 37 per cent; and while the number of farm owners and managers increased during this decade by 7.9 per cent, the number of farm tenants increased 16.3 per cent—more than twice as rapidly. The value of farm lands increased, during this decade, 118.1 per cent—over fifteen billions of dollars. In 1910 nearly one-fifth of the farm acreage of the country was in holdings of one thousand acres or more (there were several holdings of half a million acres or over), while only one per cent of the acreage was in farms of less than twenty acres. Out of 6,361,000 farms, however, one one-third, or 2,254,000, were of less than fifty acres. Obviously, the value of improvements—buildings, ditching, machinery, cattle, stock, crops, tools, etc.—is, compared with the value of the land, much larger on small farms than on large ones. The Senate Commission on Agricultural Credit reported, last year: "Under these conditions —rising land values and cumulative taxation—the land is slowly but surely passing from resident ownership to landlord ownership. Farm tendency is undeniably on the increase." A relatively few thousand people own a large proportion of the farm acreage of the country.

From 1900 to 1910, farm land values increased almost exactly twice as much as the value of live stock, two thirds more than the value of implements and machinery and fifty per cent more than the value of farm buildings.

Out of the original domain of the United States, amounting to 1,441,436,160 acres, by June 30, 1909, 725,136,983 acres, including most of the best land of the country, had been disposed of to individuals or corporations or for specified purposes, while 324,478,060 acres had been included in reservations.

At least ninety per cent of the value of the average farm consists of improvements and only ten per cent is site value. The bare site value of a farm selling for \$5,000 is usually \$1,000. In cities, conditions are almost reversed. Of the \$8,000,000,000 total assessed value of New York City's real estate about \$5,000,000,000 is land or site value, leaving only about \$3,000,000,000 for the value of the buildings. So that a system that taxes improvements and land values at the same rate, bears more heavily on the rural than on the urban dweller. Strange to say, the farmer is the most violent opponent of the movement to remove their tax from improvements.

Urban Conditions

In almost every American city of 25,000 or more there is a land monopoly similar to the rural land monopoly, while in most large cities the concentration of land

ownership is even more marked.

Eight families, estates and corporations own about one twenty-third of the value of land in New York City. The sites of nine buildings in the "loop" district of Chicago represent about one-thirty-fifth of the land value of the city. Seven families, estates and companies own about one-fifteenth of the acreage in the District of Columbia, exclusive of parks', governmental reservations, streets and exempt land.

The atrocious housing conditions existing in most American cities are well known. While New York City's population is packed tier upon tier in three to seven story tenements, crowded three to five in a room, similar room overcrowding, due to high rents, is prevalent in many if not most other cities, and in not a few sanitary conditions are worse than in New York.

What connection, if any, is there between monopoly in urban and agricultural land, and that involuntary poverty which it is the avowed purpose of the National Conference of Charities and Correction to exterminate?

This can best be ascertained by studying the results of land monopoly and our tax system under which land is taxed at so low a rate that the owners are enabled, and even encouraged, to hold it out of use. It must be borne in mind that most of the mineral and agricultural lands have been given away, practically, to individuals and corporations, while most of the big land holders in cities secured their holdings for a small part of the present selling value—or got it free.

The most important results are the following:

- (1) Land is held out of use—and the amount of employment is reduced.
- (2) Manufacturing, commerce, trade, production and industry in general are heavily taxed, and hence, curtailed; for it is a truism that the power to tax is the power to destroy everything—except the use of the land.
- (3) The consuming power of the workers is reduced, which also curtails employment.
- (4) Money is sunk in high prices for land, upon which unearned and inflated prices the current rate of interest in the form of rent is demanded.
- (5) Governments, local, state and federal, borrow money for improvements and expenditures, which should be met by current taxation on land values, that are made by all the people in the community.

Tax rates on full land values vary from over two per cent in certain boroughs of New York City, to less than one per cent in some rural districts. The heavier the carrying charges the more quickly will the owners of land either improve it

themselves, or sell it at a reasonable price to some one who wishes to do so. Were the tax rate on full land values increased to three or four per cent, a much larger acreage of farm lands would be used, and would be used more productively, i.e., intensively, while suburban land near large cities, instead of being left vacant and unsightly, would be used for gardening. Vacant lots in cities would similarly be improved sooner, with the result that rents would be reduced and home ownership, directly or through copartnership societies, would be facilitated. More employment would naturally result.

The London Conference on Unemployment in 1908, recommended:

That drastic legislation for taxing land values and for enabling public authorities to compulsorily acquire land on the most reasonable terms, is urgently needed to bring all land into useful and productive occupation.

The English Parliamentary Land Enquiry Committee reported last year, after considering the arguments for a national tax upon land values:

A careful review of the above considerations leads us to the conclusion that the arguments in favor of the principle of a national site tax as one of the sources of national revenue are unanswerable.

The total annual cost of government, local, state and federal, is approximately \$2,987,000,000 for current expenses. The total revenue secured by taxing land values is only about \$650,000,000. Four-fifths of the cost of government (approximately \$2,200,000,000) is paid by taxes upon industry, labor, and the products of labor, since all taxes, except those on land values, are derived from these sources. The annual tax rate upon all producers and agents of production—buildings, machinery, tools, mortgages, merchandise, crops and other personal property—varies from one per cent to about two per cent. This is a fixed charge upon production, a millstone around its neck, and it inevitably curtails production. All taxes, except those on land values, are shifted on to the consumer of the goods or articles taxed, or the user of the services taxed. Income and inheritance taxes likewise cannot be shifted, but as only about five per cent of the \$2,987,000,000 are raised from these taxes, they may be considered negligible quantities in the discussion of this problem. In passing I might add that a large increase of the land value tax will reduce most of the swollen fortunes that pay the income and inheritance taxes.

The English Parliamentary Land Enquiry Committee, quoted above, reported further:

Owing to the inclusion of the value of buildings and other improvements in the basis of assessments, the present rating (local tax) system hampers industry in general and agriculture in particular. . . . The total or partial exemption of buildings and other improvements from rates (local taxes) would stimulate the

development of industry and agriculture and encourage the provision of working class houses.

Obviously, money spent for taxes, direct or indirect, cannot be spent for food, clothing and shelter. If the cost of government were met by taxing land values most families would be saved from \$100 to \$130 a year.

Were twenty million families each to spend annually only \$100 more for food, clothing and shelter, this would mean an increase of two billion dollars in consumption, and of course would provide much additional employment.

The selling price of land is its untaxed or clear price. This net selling price of the land of the country is at present at least sixty billion dollars. An annual increase in the value of land of only 4 per cent means an increase of \$2,400,000; while the average annual increases in the value of farm lands, from 1900 to 1910, was nearly 12 per cent, and farm lands were worth in 1910 over twenty-eight billions. Within ten years, under the prevailing tax rates on land, the selling price of land in this country will be about one hundred billion dollars. This forty billion dollar increase in the value of land will go to a relatively few people, although created by the industry and thrift of all the people, and by public improvements paid for by all. Before land can be used, this increased price must be paid for it, or a return in the form of rent, say five per cent net, paid the owners. Money is thus withdrawn from productive purposes—in which people would otherwise be employed—to pay tribute to privilege and monopoly, thereby increasing interest rates, and further manacled legitimate industry.

Estimating the ground rent at about six per cent (out of which land taxes are paid) the land owners of the country secure nearly three billions of dollars a year ground rent, net. Land values increase approximately \$2,200,000,000 a year net (i.e., above assessments, etc.)* The net profits of land ownership are thus around five billions of dollars a year. In spite of this fact, all governments, local, state and federal, controlled as they are by land speculators, are heavy borrowers. The total interest bearing governmental debt of the country is about four and a half billions of dollars. The annual net increase in the debt varies from two hundred millions to four hundred millions, according to the improvements undertaken. Three and a half to four per cent is a fair average interest rate; so that the total annual interest paid on governmental debt is nearly \$160,000,000. New York City, alone, pays nearly \$50,000,000 a year interest on the municipal debt, a large part of which bears four per cent interest, or more.

In ten years with heavy taxation of land values, we could pay off all government debts and meet all the expenses of government, and still leave land owners a reasonable recompense for their labor in collecting ground rents.

Limitations

Too great results should not be claimed for transferring taxes on buildings to land

values, or even for the abolition of all taxes, except those on land values. Neither change will usher in the millennium.

Labor exchanges may be needed under the single tax; but if they are, more for the purpose of telling employers where they can get workers, than to dig up a few jobs for many workers. City dwellers will not desert the cities en masse. More recreational and educational opportunities will be needed in the country districts, just as they are to-day, to compete with "The Great White Way" and educational opportunities of the cities. Land banks, labor legislation, including workmen's compensation, cooperation, industrial insurance and other enlightened social measures, may for some time be required under the single tax. A marked distinction, however, should be noted. Under our present tax system, much of the benefits of these measures inure to land owners; under the single tax, and to a less degree with taxes on buildings transferred to land values, the benefits of these measures will go to the workers.

Conclusion

To exterminate involuntary poverty, workers of every station, and of whatever occupation must secure the values which they create and produce. At present, a few (relatively) land monopolists secure most of the land values and ground rents which the people of each community create and earn. This enormous fund must be recovered for the creators—all the people—before involuntary poverty can be exterminated. The only effective method of doing this is to tax ground rents into the public treasury, and thus relieve the workers of the burdensome taxes now levied upon them, thereby increasing employment and wages.

Mr. Clarence Darrow, the labor attorney, put the situation as follows:

Private ownership of land means increasing wealth for the few and increasing poverty for the masses. Workingmen take no account of fundamentals, any more than other folks. Millions of workingmen have organized themselves into unions to attempt the well-nigh impossible task of controlling the labor market instead of doing the fundamental thing, namely, changing conditions under which they live. If a small fraction of the millions that have been spent on labor unions had been spent on fundamentals there would be no need of labor unions today.

When we learn that the land belongs to all of us and to each only so much as he can use, then we will be free men—no need for labor unions then; no need to legislate to keep men and women from working themselves to death; no need to legislate against the white slave traffic. When it pays to behave men will behave. They'll do it, because they want to. There will be no class distinctions in that time, no awful poverty, and no awful wealth.

While I do not agree with Mr. Darrow that labor unions will be unnecessary under

the regime of the single tax, I do believe that, when the dream of Henry George has been translated into fact, wars between capital and labor will cease.