

## AN INTERESTING CORRESPONDENCE.

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**What Arthur Brisbane Does Not Know About Taxation.—The Hearst Journal vs. Frederick Cyrus Leubuscher.**

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The following correspondence has passed between F. C. Leubuscher, president of the Manhattan Single Tax Club, and Arthur Brisbane, editor of the *Evening Journal* of this city. The correspondence explains itself without the necessity of comment.

## LETTER OF F. C. LEUBUSCHER.

Aware of the policy of the *Journal* not to print criticism of its editorial utterances, I address you personally in reference to your leader last Monday entitled "A plan to put the whole cost of city government on the backs of the rent payers." If I can convince you that you are mistaken, I will feel more pleased than to have my letter published—though that would be appreciated.

You claim that if all personal taxes were abolished the taxation on real estate would be increased; that "whatever tax Mr. Gaynor and the New York legislature succeeds in adding to real estate will be paid by the little people who pay rent to landlords or that are trying to buy houses for themselves."

This, it seems to me, ignores one of the fundamental tenets of political economy. The amount of rent charged by landlords to their tenants is governed entirely by the law of supply and demand. If real estate were entirely free from taxation the landlords would not be altruistic enough to give their tenants the benefit of such relief; nor can they add the amount of their tax bills to the rent. There are just so many houses in New York City and just so many possible tenants; and the landlords charge as much as "the traffic will bear," whether the tax rate be high or low.

Assuming that the landlords could shift their increased taxes, to what sum would the increased rentals amount? Mr. Purdy, President of the Board of Tax Commissioners, states that if all personal taxes were removed the increased rate of taxation on real estate would amount to 6-100 or 3-50 of \$1 on \$100. This is sixty cents on \$1000. The average five story tenement house, containing twenty families, is worth \$30,000. Real estate in this city is assessed at about 80% of its market value; so that \$24,000 would be the assessed value of the typical tenement house and lot. The increased tax on such a house and lot would therefore be \$14.40. If this sum were apportioned among the twenty tenants, their rent would be increased seventy-two cents a year, or about six cents a month apiece. At best, therefore, the Mayor, when he "seeks to remove the tax from the Rockefellers and the Morgans" is adding only six cents a month to the tenant's rent.

As a matter of fact, however, even this added burden of six cents a month cannot be imposed, nor will the Rockefellers and Morgans be the only ones who will profit by the repeal of personal property taxation. The greater

part of the wealth of multi-millionaires is invested either in real estate or in the franchises of public service corporations, and the law declares such franchises to be real estate. One result of the repeal will be that many businesses that are now kept out of New York City because of personal property taxation, will come back and will need sites and buildings. This will not only increase the demand for labor, but will also increase the demand for real estate, and thus make real estate more valuable. Then not only the tenants, who are the laboring classes, but also "the little people who are trying to buy houses for themselves," will be benefited. So it follows, that while the repeal of personal taxation will, at first, very slightly increase the tax on real estate, that rate will be ultimately lessened thereby.

F. C. LEUBUSCHER.

MR. BRISBANE'S REPLY.

I thank you for your letter. May I ask you a question?

Suppose that the City of New York, through dishonest government, added to every building in New York increased taxation equal to the rent now paid by the tenants?

Do you, or do you not, believe that this would result in an immediate doubling of rents by the landlords?

Or do you think that in some mysterious way landlord-altruism would persuade the landlords to rent their houses at a loss?

A. BRISBANE.

REJOINDER BY F. C. L.

I beg to acknowledge receipt of your letter of March 25th, and note your inquiry regarding the probable effect of an increase in taxation on all the buildings in this city equal to the rent now paid by the tenants.

In reply to your question as to whether such increase in taxation would result in a doubling of rents by the landlords, I would state that in my opinion it would not. If the landlords could raise rents at will by merely asking, they would raise them now. What regulates rents in the long run is the cost of land and buildings. In so far as doubled taxation would discourage building it would tend to raise rents; but there is another most important consideration—the imagined increase in taxation would fall on vacant land as well as on buildings. (By "vacant land" I mean land covered with tumble-down, dilapidated structures, land not put to its proper use, as well as absolutely vacant lots). The effect of this heavier taxation would be to make it unprofitable to hold these lands idle, and their owners would either have to build themselves or sell them to some one who would build. In either case the supply of buildings would be increased, and this increased supply would make it impossible for landlords to advance rents in proportion to the increase in taxation.

As you are aware, the supply of houses in the suburban districts can be indefinitely increased, and the immediate effect of an attempt at doubling

rents in this city would be to drive many thousands to the small cities and towns in the vicinity; with the result that landlords would find themselves with empty buildings on their hands if they tried to get twice their present rent.

If it were true, as you seem to assume, that the landlords of this city have an absolute monopoly of buildings in which our people must live and do business, they doubtless could advance rents in proportion to increased taxes, but fortunately this is not the case. And if the people were wise enough to abolish the taxes on buildings, which tend to discourage the construction of more flats, stores and factories, and to tax only the value of the land, the landlords would lose the partial monopoly which enables them to secure exorbitant rents.

F. C. LEUBUSCHER.

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## MACHINE MAD.

(For The Review.)

By ARTHUR H. DODGE.

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### I.

In the trade-union headquarters where I am writing one might easily imagine himself to be in a Socialist hall. On the table in front of me is a copy of the *New York Socialist*, on another table the *Chicago Daily Socialist*, while scattered about the room are several copies of the *Appeal to Reason*. Nearby two Socialists are silencing an unbeliever. After twenty-five years passed in the labor movement I have seen many unbelievers silenced by Socialists, because the latter always know something of political economy, while the average trade-unionist knows nothing. Did you ever hear a Socialist defend a protective tariff?

For years Socialists have controlled the economic thought of trade-unions the world over. This is as it should be, for the disciples of Marx have made splendid sacrifices in order to educate the working classes along economic lines.

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During the last decades ambitious country boys, desirous of learning mechanical trades, have drifted away from orchards, fields and streams into our large cities. The text books studied by these boys deal exclusively with tools, machinery, steam, electricity, mathematics and mechanical drawings. When they become journeymen they read the *Scientific American* and other journals devoted to machinery; and often at the theatres see melodramas depicting the evils of child labor in factories.

Wheels and cogs, looms and spindles are closely interwoven with these