

# THE LINCOLN LETTER

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Dear Sir:

"You are trying to take people's land away from them, that's what you're trying to do," a reader of these letters writes.

That simply is not true. To be sure, the community collection of ground rent would mean that if the landowner failed to pay such rent he would forfeit his land. But he now forfeits his taxable property--his home, say or his factory--for non-payment of taxes, doesn't he? What's the difference?

"But," some one will say, "you propose ultimately to take all, or nearly all, of the ground rent for public purposes. Taxes, heavy as they are, aren't that bad. The landowner would be getting the worst of it."

That might be true to some slight extent in rare cases--vacant sites or run-down buildings on valuable land. But the great majority of landowners would benefit; for higher taxes on land value would make possible lower taxes--or none at all--on buildings.

Under site-value taxation--or community-collected ground rent, whichever you prefer to call it--the speculative withholding of land from use would seldom, if ever, be profitable. Owners of vacant sites would either improve them or sell them to some one who would put them to use.

With this system, although selling prices would fall, the availability of land for productive uses would rise enormously; and an owner who sold his land at a low figure could acquire other land at a similarly low figure. The newly purchased land would be transferred to his name and he would remain in continuous and exclusive possession as long as he paid his ground rent.

It must be conceded that during the readjustment period there would be some inequities. That is inevitable in any great social reform. But must we forego benefits to the vast majority of the people--landowners themselves included--because, if the reform were adopted, a small majority could no longer speculate in land values which neither their capital nor their labor created?

Most of the improved land in urban areas is occupied by buildings whose value considerably exceeds the value of the land itself. This applies to individually owned homes and to multi-family and business properties which are rented. The owners of such sites would obviously benefit if the present tax on real estate were shifted from buildings to land. And because of the impetus which such a shift would give to the improvement of old properties, the production of wealth would be increased greatly and government receipts would gain proportionately. Tenants would benefit, too, from the reduction or elimination of taxes on improvements which otherwise would be passed on to them.

The collection of ground rent for community purposes has already made further strides in this country than many people realize. In New York City, for instance, land and buildings are assessed separately. They are taxed at the same rate--approximately three per cent of assessed value. The owner of a lot assessed at \$10,000 pays around \$300 a year in what he calls his "land tax." (Actually, this ground rent is not a tax, but a return to the community of part of the values for which the community itself is responsible.)

Let us assume that the owner of the \$10,000 lot is able to earn six percent net on it. This would mean a rental for the site of \$900 a year, out of which he would pay the \$300 demanded by the city. Thus the city, collecting \$300 annually, is taking 33-1/3 percent of the full community-created rental value of \$900.

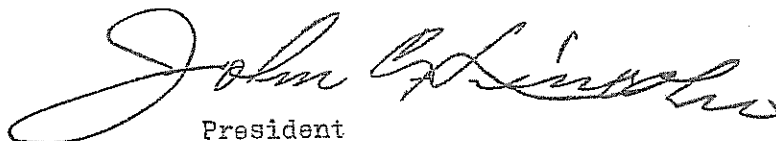
Pittsburgh, Pa., under its "Graded Tax Plan," has eliminated city taxes on machinery, and requires that the municipal tax rate on buildings shall be no more than one-half the rate levied on land. Some of my doubting friends have said that an attempt to take any substantial part of the nation's ground rent for public purposes could easily start a revolution. Well, those two cities and many others have gone a fairish distance in that direction--with never a hint of a revolution.

Ground rent should be taken in full, or approximately in full, for community purposes. Thus only can the normal expenses of state and local government be met without robbing producers of the fruits of their toil. Thus only can the community have the benefit of billions of dollars of annual value which comes into existence as the result of the existence of the community itself. And thus only can an end be put to the speculative withholding of land from use and its resultant evils--curtailment of production and employment, back-breaking taxes on the products of labor and capital and inflated prices for land.

Are not such objectives worth working for?

Sincerely yours,

LINCOLN FOUNDATION, Inc.

  
President