CHAPTER VII.

Some Social Reasons for Taxing Land Values Heavily

Social reasons for heavy taxation of land values.

That the permanent improvement of living conditions awaits more fundamental readjustments, and changes than our country has hitherto essayed is the dominant note of social work of this century. To secure to every producer the fruit and enjoyment of what he produces, to make possible initiative and independence, is the goal of social organization. That many steps and many methods will be needed to reach this goal is self-evident. Since over one-third of the nation's population is living in cities, over one-fourth in the one hundred and fifty-eight cities concerning which figures have been presented in this discussion, and the indications are unmistakable that the trend to large and small cities will continue, the freeing of the land for use deserves most careful consideration.

Investigations are no substitute for obvious needed legislation.

The endowment of the Russell Sage Foundation for the Improvement of Living Conditions was heralded as the harbinger of better times. With a few conspicuous exceptions that body has failed either to recognize or, if recognizing, to deal with the fundamental causes of poverty. One of their latest experiments is an effort to provide model homes for people of moderate means in the agricultural borough of Queens some seven miles from Manhattan at Forest Hills. The operating company known as the Sage Foundation Homes Co. has skipped over tens of thousands of vacant lots near Manhattan held for speculative increases and gone out to upset land values in what should have been farming country for some years to come. They found the land speculator on the agricultural ground ahead of them, and they paid speculative prices and profits. The running time from the Pennsylvania station, the prospectus of the company announces "is from 13 to 15 minutes. The commutation rate is $6.80 a month, 50-trip tickets cost $9.25, round trip tickets 45 cents." In addition, of course, 10 cents a day or $2.60 a month will be necessary for carfare in Manhattan for most people, making a total of $9.40 a month or $112.80 a year; as much for carfare as many working people can afford to pay for rent. Rents in that charmingly exclusive place will run from about $20.00 to

Sage Foundation Homes Company.

$50.00 per month or $240.00 to $600.00 a year—that is carfare and rent will total at least $350.00 a year or nearly half the wages of unskilled workmen. It is understood that the company has given up its intention of supplying the need for good housing at reasonable rents for wage-earners, a crying need not being met by any force or agency in the city at present. It is quite natural that they have done so since a worker can't afford to pay over one-fifth or a maximum of one-fourth of his income for rent including as should be done, carfare, and five times $350.00 is $1,750 a year, while four times $350.00 is $1,400. Unskilled workers in New York earn only $550.00 to $700.00 a year and skilled $800.00 to $1,500.00; while clerks get from $1,200 to $2,000 at the most.

Experience should have reduced rents, if possible.

It should be impossible to claim any inefficiency or waste in the laying out of this company's tract of land consisting of 142 acres, because it was done by a landscape architect of international fame, Mr. Frederic Law Olmsted. As they state too, "the fortunate location of the place on the border of Forest Park has, of course, made it wholly needless to provide any large park within the tract itself," but they have nevertheless provided a small one. Economy of construction has also been assured by the fact that Mr. Grosvenor Atterbury has been the architect. Everything has been favorable to the provision of homes at reasonable rentals for wage-earners, that is $12.00 to $14.00 a month at the maximum, but private charity here again as in the case of the City and Suburban Homes Co. has shown that it cannot compete with an unjust system. The Sage Foundation Homes Company admits that its proposition is purely a business one, since it states in its prospectus under the heading, "Business Undertaking":

A business concern, not a charity.

> "The undertaking is primarily a business enterprise in which certain trust funds have been invested in the definite expectation of securing an adequate business profit, to be applied to the purposes of the trust. The fact that those interested in this development hope, at the same time, to demonstrate that it is possible to develop a more attractive plan and better type of houses than those commonly found in commercial developments makes it, if anything, more important to insure financial success of the venture. Owners of land elsewhere could not be expected to follow the example of this company unless it can show a profit satisfactory to the average investor."

Perpetuating poverty for the joy of investigating it.

It has been pretty clearly demonstrated that "an adequate business profit" in real estate means all that the traffic will bear, and that to improve permanently the living conditions of wage-earners, the net return upon land must be greatly reduced. It may be quite possible for this company or any others "to carry out its aims in

creating a homogeneous and congenial community," but no general social advance can be secured by their methods. Lots can be obtained for from $800.00 up to $2,000.00 in Forest Hills and not only has the company been obliged to pay speculative prices for land, but it is asking those who buy land there to pay an advance on real values. The Sage Foundation Homes Co. is not entitled to a 6 per cent business, or even a 4 per cent philanthropic profit upon the land values which the people of New York create. It should be said in fairness to some of the developers of land in the borough of Queens, near Manhattan, that they do not charge any such exorbitant rents yet, though they are organized upon the same principle of charging every bit that they can.

Wage-earners prefer the reduction of ground rents to investigation by the Sage Foundation.

Russell Sage used to advise people to buy land and wait for the increase in value. Whatever may be the motives of the Sage Foundation Homes Company they have learned probably by this time and have certainly demonstrated to every informed person who has watched their operations that for a city to permit people to follow Mr. Sage's advice is an insuperable obstacle to the general improvement of living conditions. Partly because people have followed the advice quoted this company has provided beautiful homes for people with incomes of $2,000 to $5,000 a year or more, a negligible percentage of New York's five millions, but when they attempt, if ever they do, the imperative task of providing good homes for the city's millions they will appreciate even more fully the immorality of Mr Sage's advice to reap where one has not sown. It is to be hoped they will not—as their prospectus indicates they now plan to do—attempt to make money to study causes of poverty by one of the fundamental causes of poverty, charging as much for the use of land values as for buildings.

Results of Russell Sage's immoral advice.

Sage Foundation can't afford to be unjust.

The social unrest among social workers is the most striking fact of social work in which is included the anti-tuberculosis campaign, the housing campaign, charitable and relief organizations, settlements, church and other institutional work, etc., throughout the country. To be sure some leaders who have salaries of $5,000 to $10,000 a year are still cheerful as to social conditions and able to endure the continuance of suffering on the part of the poor with a most commendable degree of equanimity, on the infrequent occasions when they come within sensing appreciation of the existence of poverty, save as a pathological anomaly. Some members of boards of directors of charitable societies who are profiting by the system and conditions which make charity necessary, naturally view with some perturbance the changing of these conditions, while

Social unrest among social workers.

others are honest with themselves. For instance, although the secretaries of the three largest relief-giving societies in Manhattan, the New York Charity Organization Society, the United Hebrew Charities and the New York Association for Improving the Condition of the Poor endorse the halving of the tax-rate on buildings; the Boards of these societies officially have not done so, although they may later.

Is the alternative Socialism?

The visiting nurses and doctors, however, and the investigators for relief agencies, the settlement and church workers in the midst of the real poverty and deprivation of tenement life in American cities appreciate the existence of poverty. They are becoming increasingly socialists in the sense of believing that the government should own and operate all means of production, as the only method of wiping out monopoly and ensuring decent conditions of living for the wage-earners of city and country alike. Most of these humbler workers and in their courageous moments the leaders of social work admit that poverty, that is the inability to secure employment at wages which enable a family to maintain a reasonable standard of living, a minimum standard for national efficiency, is due not to personal defects of character in any appreciable number of cases, but to social conditions over which the poor have no control. Drunkenness, thriftlessness, laziness and vice are the causes of poverty in some cases, and the results in others, it is generally agreed; but lack of steady employment, sickness, low wages, industrial accidents, unsanitary dwellings, high rents, high cost of food and clothing, and immigration are the symptoms of causes usually recognized now to be the really important causes of poverty in American cities. With remedying or removing several of these causes the heavy taxation of land values in cities so as to secure most of the ground rent has admittedly little connection. Industrial accidents must be prevented and industry made to bear the burden of its own carelessness and risks, instead of compelling the individual workman to do so. The series of middlemen each of whom takes a profit on farm produce and manufactured goods, and thus increases the cost of food to the consumer and reduces the profits to the producer, must be eliminated, by some other action than the higher taxation of land values, although such taxation will encourage the utilization of vacant land in cities for intensive gardening and tend to reduce the cost of garden truck in cities.

Public, not personal vices, chief causes of poverty.

Taxation of land values is not the only method of preventing poverty.

The higher prices extorted through protective duties on articles consumed by the working classes must be lowered by other action, too, than adequate taxation of land values, while such taxation alone

will not solve the difficulties of assimilating in American cities hordes of immigrants ignorant of our language, and untrained to earn even the minimum wage essential to a living standard.

But is the first step in the fight against poverty.

What part then does the recovering by the city through taxation of most of the ground rent have to do with the problem of poverty? Although it has been discussed somewhat in the chapter on "The Land Question and Housing Reform" further illustrations will show other relations.

THE SECURING OF GROUND RENTS BY TAXATION WILL:

1st. Reduce rents and make homes cheaper.

2nd. Compel landowners not tenement tenants to pay taxes.

3rd. Take a heavy burden off industry and permit the payment of higher wages.

4th. Encourage the appropriate use of vacant land.

5th. Safely permit the provision of social needs by the city.

"Living wage" can't include a "living" for a lazy landowner.

The student of social conditions realizes that something besides mere geographical position makes the minimum living wage in New York City $700.00 to $800.00 for a family of father, mother and three children under working age, while this minimum is from $50.00 to $150.00 less in other cities of the country. He appreciates too that to secure a living wage whatever amount that may be in any city, does not mean necessarily that the sum now required, should be required. If wastes can be eliminated the cost of living can be reduced. It is just as effective in maintaining the standard of living to reduce the rents $50.00 as to increase wages by this amount. Manufacturers should pay a living wage, but that living wage cannot be made to include permanently 6 per cent net return upon the value of land used by their workers and other producers. If it does include such net return the price of goods will include this charge, and the consumers among whom are the workers on the manufactured articles will pay higher prices.

Schedule "K" and ground rents.

Schedule "K" comprising the iniquitous tariffs on woolen goods was advocated by some because it enabled the nearly 5,000,000 people directly and indirectly concerned in the manufacture of woolen goods to receive better wages. But schedule "K" was indefensible because based upon privilege, and schedule "K" also compelled those engaged in the manufacture of woolen goods as well as others to pay higher prices for these goods. The same conditions obtain with reference to ground rents, except that relatively few people profit by private confiscation of ground rents, while every one has to pay more because of such confiscation. The right to private confiscation

of ground rent is claimed to be permanent, by the confiscators thereof. Tariffs may be reduced or abolished, economies may be effected in construction of buildings, inventions may reduce the cost of living in a thousand ways, efficiency may eliminate waste in production, but the right to ground rent if admitted, is to all intents and purposes eternal. No matter what economies or savings may be effected in cost of production of any material the tendency is for the landowner, that is the owner of ground rents, to be the residual legatee or beneficiary of such economy or saving under the present system of permitting the owner of land to secure the ground rent, or a large proportion thereof. Private right to ground rent is now being questioned throughout the civilized world for social reasons because the securing of ground rents by taxation will:

Landowners are now the largest ultimate beneficiaries of all economies, inventions, etc.

1ST. REDUCE RENTS AND MAKE HOMES CHEAPER.

(Assessments in all these illustrations are taken at full value.)

Social aspects of lower rents.

If a tenement assessed for $25,000, on land assessed for $15,000 nets 6 per cent return (above taxes, vacancies, etc.), the total net return is $2,400, $1,500 on the tenement and $900 ground rent. If the owner of the site of the tenement received only 2 per cent profit on the cost of the land his total ground rent would be only $300. That is, the ground rent would be reduced an average for each of twenty families, who might rent the entire tenement, from $45.00 to $15.00. Evidently this saving of $30.00 a year would be worth while to a family whose earnings are only $600.00 to $700.00 a year. Equally evidently the sum required for a living wage irrespective of these differing amounts in different cities would be reduced by this sum, from the amount required to pay the owner of land 6 per cent net ground rent. A further result of taxing land values heavily would be to compel the owner of land in a built-up neighborhood to improve it with buildings that would yield some return, whether they be factories, office buildings or tenements. The general knowledge the owner of land has of the development and needs of the neighborhood would determine what improvement he should make, but naturally in a district already supplied with many factories and office buildings, tenements would offer a better investment. This competition of tenements for tenants would also tend to reduce rents and save the tenant money. A net return of 4½ per cent on a building and 2 per cent on the site of a building would be better than no return upon the joint investment and the economic motive would impel the owner to secure some return, even if it be only this lower one. The saving in rent represented by the difference between

Competition in building stifled by taxing buildings.

a 6 per cent net return upon the investment in the building and a 4½ per cent net return amounts to $18.75, to a family renting a tenement apartment, whose average value is $1,250.00. This with a 2 per cent, instead of 6 per cent net return,—on a site whose proportionate value is $750.00,—totals $48.75, and this saving of $48.75 a sufficiently heavy taxation of land values would unquestionably effect. It must be sorry consolation to appreciate that the total expenditure for charities, public and private, in most American cities does not equal the ground rent confiscated by landlords from the beneficiaries of such public and private charity and others living below the standard of efficiency. From the social point of view which is concerned more directly than either fiscal or economic considerations with the psychology of character, it is worthy of note that any approximate method of justice is better than the most perfect administration of charity. Five years' work by the writer in the Philadelphia Society for Organizing Charity and the Society to Protect Children from Cruelty, and visits to "case committees" of societies in New York, Chicago, Boston, Philadelphia, and Baltimore, with a large acquaintanceship among workingmen, have convinced him that there is no more effective blow to the self-respect of any workingman than recourse to, or intervention in his family by any charitable agency. No matter how frank the admission by the relief agency that they do not blame the applicant to them,—or the "needy case" referred to them for relief,—for causes over which he has no control, regardless of the tact with which the remotest relatives and clumsiest clues of the victim of the twin evils of poverty and charity are hunted down, the knowledge that his name is down on the books of any charitable society for time and eternity —or until such time as high rents compel the society to save room by destroying its wealth of records of poverty,—is a blow to his independence and a permanent disgrace to the honest laboring man who would be independent. Nor can even the fact that it costs from one-eighth to one-third or over of the relief dispersed by charitable agencies to convince them of honest poverty, assuage the wound to his self-respect, though being human he doesn't envy the investigator but rather congratulates him upon having a "steady job at something that pays him a living." The one hundred and twenty thousand immaculately accurate records of families and individuals who have applied for relief to different charities of the city now filed in the Registration Bureau of the New York Charity Organization Society, would be less by several scores of thousands had landowners in this city been unable to confiscate ground rents as they have in the

Charity in American cities seldom equals ground-rent extorted from its "beneficiaries."

Charitable "Relief."

Taxation of land values and workmen's self-respect.

Accurate records of poverty are no remedy for causes of poverty.

past, and for every reduction in the number of these records there would be a larger number of families, and single men and women, with an untarnished record of economic independence. Relatively few families in New York City or any other American city are permanently dependent, that is pensioners, and only a small per cent apply for relief, while of those applying, the majority seek only what the charities with scientific inaccuracy call "interim relief," but which scientific accuracy would denominate "payment of ground rent to the landowner." To be sure such "interim relief" seldom equals the confiscation of the landowner, for $48.75 is a large sum for "interim relief"—it is a month's to six weeks' wages for an unskilled wage-earner depending upon where he lives, but the confiscation of a month's or six weeks' wages in ground rents is an injustice which no civilized community should tolerate.

Most interim relief for the poor is really payment of ground rent to landowners.

Not even immigration can be assigned as the chief cause of poverty in American cities, for while the value of the product of an untrained immigrant may not justify the payment to him of the cost of living in New York City, it is nevertheless true that with a world market the value of the product of the untrained immigrant in most lines of manufacture is as great in Omaha, Springfield, St. Joseph, Waterloo, Iowa, and New Haven, Conn., as in New York City, while the cost of living is much less in all of these cities than in New York. In all these cities, however, as in New York the confiscation of ground rent by the landowner whether it be on a large or small value is a cause of poverty.

Immigration not chief cause of poverty.

The desirability of home life in small houses is generally conceded by social workers. As has been shown in the discussion of the relation between land values and housing reform, the heavy taxation of land values will benefit substantially the man who wants his own home. A social point of view does not condone congestion per acre as does Mr. Veiller, the Secretary of the National Housing Association, who maintains that it makes little difference how many people are housed per acre providing the dwellings are sanitary. The most extortionate owner of ground rent could hardly advance a more anti-social argument, but the consensus of opinion in this country as abroad is so emphatic in favor of the detached dwelling that the help of heavy taxation of land values in securing the desideratum will be generally invoked. The effect of heavier taxation of land values in cheapening land will also inure to the benefit of the prospective home owner since he can buy his land cheaply, for the prices of land represent only the capitalized net return, and it is easier for the workingman to pay 3 per cent, or even 5 per cent

Home life and taxation of land values.

Easier for wage-earners to pay higher tax on land to city than to landowner.

on the land values he owns year by year in taxes as he uses the land than to advance this use value capitalized when he acquires the plot of ground, since with this tax-rate on land, buildings could be largely or entirely exempted from taxation.

2ND. COMPEL LANDOWNERS, NOT TENEMENT TENANTS, TO PAY TAXES.

Taxing buildings robs widows, children and consumptives.

The injustice of robbing by taxation widows, consumptives, and children is less defensible from a social than from even an economic or fiscal point of view.

The Committee on the Prevention of Tuberculosis of the New York Charity Organization Society in urging recently the appropriation of a small proportion of the sum needed to provide additional beds for consumptives in the city says that in no other way can the death rate from consumption be reduced. Admittedly more hospital beds for consumptives and better means of segregating them are necessary to reduce the death rate from consumption, but is that all, and does the provision of beds for advanced consumptives by increasing the taxes which other consumptives must pay quite justify itself? That committee in common with similar committees in cities throughout the country have sought by exhibits, street car transfers, lectures and other means to convince the public that sunshine, fresh air, rest, good food and relief from anxiety are essentials to prevent consumption. The irony of their remedy has appealed to many besides the victims of America's national sin, whom they are trying to help, for the obviousness of poor people's inability to secure the essentials to the prevention of consumption is patent to any fair-minded person.

And this is a cruel and costly way to prevent consumption, and relieve widows and children.

The irony of tuberculosis exhibits while buildings are taxed.

In the striking pamphlet that the New York Committee on the Prevention of Tuberculosis have prepared advocating the provision of hospital beds they present several photographs of tuberculous patients.

One is a flashlight of a victim in bed, with drawn features, his projected eyes peering into the unknown future. Under this they ask, "Shall men like this be discharged from hospitals to die in tenements?" with the indictment "Frederick R. discharged from hospital August 25th, died August 30th." Another picture of a man and his wife and three small children centers indignation over the explanation, "This helpless consumptive allowed to leave the hospital to make room for others, thus insuring the infection of his children." A third picture is of "Five delicate children in daily contact with a dangerous consumptive father, an advanced case, unable to

The city robs dying consumptives to bury dead consumptives.

work, shares bed with one of his children." Further questions the Committee have forgotten or neglected to ask:

"Shall the 40,000 known consumptives in New York City with their families be taxed to provide the nearly 4,000 additional beds needed for consumptives, in addition to supporting the present 3,200 beds and the victims cared for therein, or shall we tax land values and let landowners share their community created wealth, and so save the lives of consumptives? Since sunshine is essential, this committee claims, to the prevention and cure of consumption they might appropriately ask: "Shall we continue a system of taxation which puts a premium upon dark rooms or shall we encourage the construction of healthy, well lighted tenements by reducing taxes upon them through taxing land values?"

Taxing buildings penalizes preventive philanthropy and business alike.

With the hearty endorsement of many large charitable societies, American cities are now facing their responsibility to provide adequate relief in their homes to their dependent citizens—pending the organization of social insurance and the assumption by industry of its full burdens.

Larger municipal social programs.

The acceptance by cities of their proper responsibility, will involve for some years at least, a large increase of municipal expenditures.

Shall progress be made by increasing deficits of the poor or reducing unearned surpluses of the rich?

Shall this additional burden be extorted from the families now on the verge of starvation, from those hovering on the verge of dependence or existing far below the standard of national efficiency, are questions of compelling social import. That these classes will pay much of the cost of a larger and proper municipal program under the present system of taxing land and improvements at the same rate is conceded, but social justice cannot concede that long usage transforms injustice into justice but rather demands that the wealth of land values the poor help to create shall be adequately taxed since such taxation is the only method by which the owners can now be made to share equitably with the producers.

3RD. TAKE A HEAVY BURDEN OFF INDUSTRY AND PERMIT THE PAYMENT OF HIGHER WAGES.

Strikes show small savings of skilled workers.

Should relief agencies give relief to families while the wage-earner is on strike has been debated in most large cities in which one or more strikes have during the past ten years cost the financial independence of families, self-respecting hitherto, and revealed the narrow margin between economic dependence and independence among many skilled wage-earners.

It is true that labor union members are usually the last to appeal to organized charity for relief, because they have their own relief

funds, and the more serious problem of relief is that of the permanently underpaid, largely because unorganized, laborers who are chronically below the standard of efficient citizenship. The ground rent taken from their employers, if manufacturers, will vary from 2 per cent to 8 per cent of their pay-rolls, and while it is not suggested that manufacturers would necessarily pay higher wages they obviously would be better able to do so if released from double taxation by the landowner as well as by the city. That an increase of 2 per cent to 8 per cent in wages would be an important raise for both skilled and unskilled, organized and unorganized workers must be admitted.

Permanently underpaid workers always exist on a deficit.

4TH. ENCOURAGE THE USE OF VACANT LAND.

The disinclination for the country, for gardening and for agriculture, which migrants from country districts to cities manifest, is not shared by many peasant laboring immigrants. They appreciate the opportunity to raise vegetables, as successful market gardens worked and in some cases managed by immigrants testify. Vacant lots associations in several cities have performed an important service in bringing people and land together. Such efforts would be greatly helped by the heavier taxation of land values, since with even the present low taxation land can be secured, but a heavier tax-rate will compel it to seek users. The incentive to economic and effective use will be in very direct ratio to the increase in the tax-rate and the provision of employment thereby created would be of utmost benefit to those classes of the community who need outdoor employment, with the added advantage of training for farm life. In his evidence before the Committee on Health of the New York City Commission on Congestion of Population, Dr. Wm. H. Park, Director of the Research Laboratory of the city's Department of Health stated, "It is even dangerous for a tuberculous person who has recovered after leaving the city to return to it and go back into office work or any of the ordinary city occupations. The fact that a person has had consumption proves that he was susceptible, and he will usually remain susceptible."

Vacant land in cities would afford much and needed employment if highly taxed.

This employment would be especially beneficial to those cured of consumption.

Since this holds true for all cities as for New York, and yet death by starvation is as deadly as death by consumption, in every city of the union, the social benefit of forcing vacant land in outlying sections of a city into use for those citizens handicapped by bad housing conditions and predisposition to consumption is great. The natural encouragement to live under healthier conditions in new sections of a city closer to such work is a marked additional advantage.

Death by starvation as deadly as death by consumption.

5TH. SAFELY PERMIT THE PROVISION OF SOCIAL NEEDS BY THE CITY.

In conclusion the social viewpoint justifies the correlation of the advantages of securing most of ground rents as follows:

Conclusion; Total ground rent of a city is maximum amount that can be extorted from most productive use of land.

The total ground rent of a city is the maximum sum that can be secured by the owners thereof for the most intensive and profitable use to which each section is best adapted. This ground rent, actually derived or potential, varies from 6 per cent to 8 per cent, or more. Naturally this cannot be taken entirely by the city through taxation, while at the same time the tenant user of land secures the gain of reduced rents through avoidance of the payment of all taxes. No increase in the city budget paid by taxes on land values alone, however, will be shifted upon the tenant. Hospitals for consumptives, municipal social service departments, exemption from taxation of public utilities whose net profits are kept by governmental regulation at a low figure with resultant reduction of charges to the public for products or service rendered, are feasible when land values are adequately taxed. Ground rents should by taxation of land values be so reduced that only so much will be left to the owners of land as to encourage the use of land for productive purposes. This may be 1 per cent, 1½ per cent, or 2 per cent, but it is the token and substance of private ownership in land for use and not for speculation or unearned gain. Every increase in the rate of taxation on land values tends to reduce the amount to be charged as rent for any building since the owner of land must use his brains to secure gain therefrom, instead of using without payment the labor of others.

Present ground rent should be divided between the city, user of land and owner of land.

Landowner's share of ground rent should be reduced to the minimum, which would encourage private ownership of land for use.

In most cities land entirely vacant is equal in value to from one-twentieth to one-tenth of the total assessed value of land. In 1910 for instance, wholly unimproved land in New York City was worth considerably more than one-eighth of the total assessed land value of the city and the increased revenue from a high tax-rate on this vacant land will materially reduce the tax-rate on buildings. The social reasons justify and even compel the full taxation of land values, as the next step in the extermination of poverty, and poverty cannot be abolished while landowners secure the ground rent they now do.

Poverty cannot be exterminated while landowners secure the ground rents they now do.