

CHAPTER VII

THE TAX IN ITS FISCAL ASPECT

§ 1. AFTER the examination in the preceding chapters of the systems of land-value taxation in operation, we must proceed by synthesis to discover the common essence of the various forms of the land tax, to find its relation to the other taxes, and to set forth its underlying principles from a fiscal standpoint. To reduce the protean land taxes to a homogeneous form — to the land-value tax — is not simple. Indeed, the possibility of classing the value-increment duty with the tax on the capital value of land, or the mineral-rights duty with either of the former, may well be doubted. In one case the base of the levy is the value increment, in another the capital value, in a third the rental value; in one case the tax is direct and in another indirect; sometimes it is proportional and sometimes progressive; in certain cases it has occurred as a general and in other cases as a special, or ancillary charge. Nevertheless, it may be maintained that certain essential characteristics appear in the land-value tax under all the divergences of form. The basis of taxation in all these systems is land; the essential or common purpose is to tax the realized or realizable income accruing from the ownership of such land, and to exempt income derived from the employment of capital and labor expended for improvements. Discrepancy makes its appearance in the methods and means of assessing the income and of levying the tax.

If we inquire what has determined the choice of method, and which of the various systems is the most to be desired, it will be found, first, that the proponents of the taxes on land value in the several countries have followed the line of least resistance; secondly, that, inasmuch as social as

well as fiscal considerations are often the determining factors in the introduction of the tax, fiscal expediency alone cannot determine what form will be most expedient. We shall find, for instance, that in the British colonies the taxation of the unimproved value of the land on the basis of its capital value is not only most expedient economically, but is most consistent with the democracy of those colonies; that in Germany the value-increment tax founded on the system of taxing "Konjunktur" gains¹ conforms best with the prevailing system of taxing income² rather than property; that in England, where the taxation of capital value has hitherto been unpopular, if not obnoxious, a plurality of duties — an almost fantastic adaptation of a transplanted system of taxation — was deemed necessary to effect the purpose in view.

Again we find that where the purpose was fiscal rather than social or economic, the proportional direct levy on unimproved value was found most productive and most expedient; that where the purpose was social, where, for example, the disintegration of large estates, and the discouragement of speculation and absenteeism were sought, the progressive scale of rates, or the especially discriminatory undeveloped land tax, was most effective; that where the ethical, or economic motive, the question of the "unearned increment" was uppermost, the indirect mode of levy, i.e., on occasions when the increment would accrue, was adopted; and that where a particular system of land tenure, such as the leasing system, had taken deep root, as in England, a new form of levy had to be devised, namely, the reversion duty.

¹ See *supra*, chapter iv, § 3.

² That the German system is to tax the increment which has actually accrued at the time it is appropriated is seen from the fact that the occasion of the levy of duty is on transfer of property by sale. This is in contrast with the English system which levies a duty on a hypothetical or anticipated increment, as, in the reversion duty, undeveloped-land duty, and value-increment duty in case of death, or lease, etc.

Assuming that in spite of the differences in form and purpose, these various imposts are essentially the same in principle, it is necessary to consider the tax on land value in the light of fiscal theory and of modern thought generally.

§ 2. As to the place of the land tax in the general categories of taxation, it is evident that the tax on land value belongs to the genus property tax, and to the species real property tax. As already set forth,¹ the direct, proportional tax on land value is merely a modified form of the realty tax. This was made clearly evident in the discussion of the Canadian system. As for the value-increment tax, although the method of assessment and collection varies from the usual methods of taxing real property, it is nevertheless like the realty tax in that the basis of taxation, the income accruing from landed property, is the same in both cases. But just as the real property tax is differentiated from the general property tax by the elimination of personalty from taxation, so the tax on land value is differentiated similarly from the real property tax by the exemption of improvements from taxation.

A second criterion of classification of taxes concerns their relative importance in the fiscal system — whether they are principal, subsidiary, or single sources of revenue. If by a “single source” is meant one covering at once all federal, state, and local needs, it is to be remarked that there is no single tax in existence anywhere; and according to fiscal authorities a single tax, whether the base be general income, land value, or something else, is for a variety of reasons fiscally undesirable.² For municipal purposes the land tax in certain Canadian and Australasian communities constitutes the chief source of public income, although not the sole source, since as we have seen, licenses and subsidies

¹ See chapter I, § 7.

² Cf. Seligman, *Essays in Taxation* (1913), chapter III; Bastable, *Public Finance* (1903), pp. 343 ff; Cossa, *Taxation* (1889), pp. 128 ff.

from the provincial government supplement the local revenue. As for the value-increment, undeveloped land, reversion, and mineral-rights duties, the intention has always been to make these merely subsidiary sources of revenue. In fact, the nature of these forms of the tax prevent them from becoming the prevailing taxes, since their yield is uncertain and inelastic. Thus, the revenue from the undeveloped land duty, unless the purpose of the tax is frustrated, should diminish in amount as the land becomes better utilized. It would seem that only the direct proportional tax is adapted to a general levy, that is for general purposes, while the revenue accruing from the other forms of the land-value tax has been sometimes devoted to a special fund, as, for example, for municipal improvements¹ or old-age pensions. With the exception of one form of the tax, then, the direct proportional, the tax on land value constitutes a subsidiary impost. Indeed, wherever levied, the accruing revenue constitutes a trifling proportion of the total public income.

§ 3. Taxes may further be classified according to the civic division, local, state, or national, by which and for whose use they are raised. Great emphasis is laid by authorities on public finance upon the problem of separating the sources of revenue according to their suitability for local, state, or federal purposes.² It is, therefore, necessary to show to what extent, if at all, the tax on land value conforms to the most authoritative scheme of separation. The tax on land value is in essence a tax on real property. Now, whatever difference of opinion there may exist with regard to the classification of the other taxes, there seems to be a consensus of opinion, in this at least, that the real property tax should be relegated to the local governments.³

¹ As in Frankfurt a. M., for example. *Cf. supra*, chapter iv, § 20.

² *Cf. Seligman, Essays in Taxation* (1913), chapters xi and xii.

³ This position is taken primarily because it accords with the widespread practice in this country of supplying nearly all the municipal budgets by means of the realty tax.

The arguments upon which the defense of this position is based are the following: First, from the standpoint of administration, the local assessors, especially if they are civil service appointees, are most likely to know the actual value of the property, and to have an understanding of the peculiar local conditions influencing values. Secondly, there is the "situs" argument, that the property should be taxed where it is located, so that the community in which the value of the land has been created may be benefited by appropriating a part of that value. It accords, therefore, with the principle that land value is a socially created, or community value. Again, it also accords with the "benefit" theory of taxation, that the individual ought to contribute to the state in proportion to the services received by him. Thirdly, the local assessment of realty conforms with the principle of local autonomy. The levy of a property tax by the state, for example, often results in the support of the poorer sections by the more wealthy sections of the state. But under local autonomy, i.e., where each community provides its own budget from its own resources, the rural districts and the urban districts will be self-dependent. This, then, meets the objection, for example, that by the exemption of improvements, the urban communities will be relieved from some of the burden of taxation at the expense of the rural districts where the value of the land compared with the value of the improvements is proportionally greater than in cities.¹ Fourthly, it is also argued that no other tax is more appropriate or more available for local purposes than the real property tax. The income, inheritance, railway, corporation and excise taxes are held to be more suited for the other taxing jurisdictions. Moreover, to tax business or any form of capital in one locality and not in the others, is very likely to drive out the business or capital taxed, to the detriment of the industrial progress of the community. These reasons, there-

¹ Cf. Seligman, *Essays in Taxation* (1913), p. 85; and *infra.*, pp. 344 ff.

fore, favor the relegation of the tax on real property to the local governments.

In actual practice the tax on land value, in spite of its kinship to the realty tax, has been levied now by the municipality, now by the state, and again, by the federal authority. As we have seen, however, the proportional, direct, general land-value tax, such as is levied in the Canadian municipalities, has down to the present been confined to municipal purposes, while the progressive, indirect, and subsidiary forms of the land-value tax are state and federal taxes.¹ Thus, it would seem, the purpose of the respective forms of the tax determines by what civic division it should be levied. Where fiscal considerations predominate, as in the case of the Canadian and Australasian municipal levies, land-value taxes are as yet strictly municipal taxes; where the purpose of the levy is primarily not revenue, but social-economic reform, the tax is levied by authorities of wider jurisdiction. It is significant in this connection, and in view of the apprehensions of some economists with regard to the results of separating the sources of public revenue,² that in both the Canadian and Australasian municipalities, where the tax is in operation, not only is the principle of separation in force, but autonomy, or rather local option, in taxation exists in a great measure.³

If it were necessary to justify the levy of the discriminatory land tax by the state or imperial governments, in accordance with the fiscal principle discussed above, it might be contended that the cause of the value increment of land is not wholly local, but that the expenditures of the

¹ The German "Wertzuwachssteuer" is an imperial tax in form only, the revenue accruing to the local bodies.

² For example, Professor Bullock, who is opposed to the principle of separating the sources of revenue partly because it will lead to local option in taxation. Cf. Seligman, *Essays in Taxation* (1913), p. 367.

³ Nevertheless, the provincial government in Canada and the state government in Australasia control the local authorities in their tax legislation, while in Queensland the local tax on unimproved value is even compulsory, not optional.

larger and higher civic divisions affect the value of the land as well. In the case of mines and other natural resources, whose value depends and is generally attributable to a more extended market than the immediate locality, the imperial and state duties can indeed be defended theoretically from this standpoint. Or, it may be argued that the fluctuating and indefinite yield of these indirect taxes, which, if levied by the local authority, would be very slight, becomes considerable when the base is broadened by making them state or federal imposts.¹

§ 4. The distinguishing features of the land-value tax, and those which render its levy so popular with certain groups of people are its underlying fisco-economic principles of incidence, amortization, and the taxation of capital *versus* rental value.

From the time the Ricardian rent theory² was promulgated to the present day, economists have been in general agreement as to the theory of the incidence of a tax on rent. Accepting the Ricardian theory of rent as a surplus value, economic theory holds that a tax on rent or on the differential value of land cannot be shifted. A sharp distinction is drawn in this theory between land and other commodities; land is non-reproducible; its supply is fixed irrespective of the demand. Further analysis of distinctions between land and other objects of value led economists to hold that the essential differentiating characteristics of land consist only in its qualities of extension and situation. The principle that a tax on rental cannot be shifted is held to be applicable only in so far as rent is due

¹ Cf. Seligman, *op. cit.*, p. 354.

² The credit of discovery of this principle belongs to a number of writers who anticipated Ricardo. They were James Anderson (*An Inquiry into the Nature of the Corn Laws, with a view to the new Corn Bill proposed for Scotland, 1777*), Sir Edward West (*An Essay on the Application of Capital to Land, etc.*, 1815), Thomas R. Malthus (*An Inquiry into the Nature and Progress of Rent, and the Principles by which it is regulated*, 1815), and Robert Torrens (*An Essay on the External Corn Trade, etc.*, 1815).

to the "location" or "differential site" value.¹ It is assumed by this theory that the landlord always exacts the highest possible rental from his tenant, a "rack" rent. Hence an additional burden, as a tax on rent, cannot be shifted to the occupier or lessee, but must be borne by the landlord himself.

Now, where conditions are as thus assumed,² this principle of incidence logically follows. But whether the tax on rent as ordinarily charged can be shifted or not has not yet been experimentally demonstrated. Indeed, Professor Nicholson³ and others seem to have refuted the doctrine with respect to agricultural land in England by demonstrating that rating on agricultural land — values having declined so considerably during the last quarter of a century — is a tax on profits, and is borne by the tenant in part, as well as by the landlord. Does it mean, therefore, in so far as the tenant bears the tax, that the much maligned English landlord had not exacted the highest rack rent from the occupier after all? It is also to be noted that practical students do not accept the principle of rent unquestioningly. Thus, for example, in the conference proceedings of the "Verein für Sozialpolitik" the question of the incidence of the "Zuwachssteuer" was admitted to be

¹ According to Professor Davenport, unless the *fertility* differentials be separated from the *location* differentials, and unless the tax fall only on the latter, it will be shifted to the tenant who will in turn recoup himself by "skimming the soil" or exhausting the fertility. See his *Value and Distribution*, p. 249, note.

² Like many other assumptions of the classical economists, those under which the rent theory was worked out are preposterously inconsistent with the facts. Free competitive conditions do not exist; in the variety of the uses of land, the differential value cannot be computed except theoretically and diagrammatically; and, moreover, numerous other factors enter into the determination of rent besides the economic.

³ Cf. *Rates and Taxes as Affecting Agriculture*, pp. 124 ff., 146. His explanation is, of course, that there exists little agricultural land subject to economic rent; that the rent paid is to a great extent profit on capital sunk in the land by the owner. This does not contradict the Ricardian theory, but illustrates how the theory is inapplicable to existing conditions.

unsolved.¹ To take another example, in the debates in the British Parliament on the mineral-rights duty the attitude of practical men with regard to the classical theory of incidence was very skeptical. Even among the supporters of the land duties, especially among the mining operators (not owners), the proposal to impose a tax on mineral rights, on the royalty, caused much apprehension that the price of minerals might be enhanced.² The evidence from the countries we have studied, furthermore, is equally inconclusive as regards the incidence of the tax. With respect to urban land, however, general observation seems to confirm the classical principle of incidence,³ probably because of the great demand and the active competition for particular sites and because of the impersonal relationship that exists for the most part in cities between landlord and tenant.

In the generally accepted theory of the incidence of taxation on buildings and other improvements, is to be found the ground for advocating the exemption of improvements from taxation. Buildings and improvements are capital, reproducible and subject to decay. The value of reproducible commodities is held to approximate their cost of production. In the long run, therefore, a tax on buildings will tend to be shifted to the occupier.⁴ The consequences of this theory will be further discussed in the following chapter. Here, it may be questioned whether the incidence of the tax on land and building respectively can be so nicely determined as the above statement of the theory suggests, or whether the two do not constitute a unit subject to a new law of incidence. The process of shifting

¹ Cf. *Verhandlungen des Vereins für Sozialpolitik, Schriften des Vereins* (1911), vol. CXXXVIII, pp. 45-46, and elsewhere.

² *Parl. Debates* (1909), vol. IX, p. 415; vol. XI, pp. 1147 ff.

³ Cf. *Verhandlungen des Vereins für Sozialpolitik* (1911) p. 46.

⁴ Two conditions limit the application of this principle, namely, when the tax is imposed uniformly on all kinds of capital, and in the case of old buildings, when the owner may have to bear the tax.

an additional tax on buildings, for example, assumes a readjustment in the demand and supply of houses. That is, fewer new dwellings would be built until the rentals advanced sufficiently to cover the tax burden. The remission of the tax would similarly cause a readjustment in the demand and supply resulting in reduced rentals. Other factors enter, however, to complicate the problem of incidence, because the tax on land value may raise the tax on land, synchronously with the remission of the tax on buildings. To elucidate some of the frictional factors arising from this twofold change in taxation, its probable effects on building operations must be discussed.

§ 5. The recent developments in the economic theory revolving about the effects of the taxation of land value, called forth by the Single Tax agitation, are notable. It used to be consistent with sound theory to believe on the one hand that the remission of the tax from buildings, as from any reproducible good, would act as an incentive to their production; on the other, that the expectation of rising land value and of landownership was responsible for the development of new countries and new communities. Now, once we recognize that building too is inevitably bound up with land-value increments and landownership, and that, as Professor A. S. Johnson believes,¹ the latter are incentives to building operations, the antagonistic tendencies arising from the untaxing of buildings and from the appropriation of the value increment become apparent.

Before attempting to determine which tendency will be the stronger, it is necessary to point out the refutation on theoretical grounds of the doctrine that the owner is induced to build by the prospect of the future rise in land value. Dr. Anderson² has shown by a mathematical illus-

¹ Cf. "The Case Against the Single Tax," in *Atlantic Monthly*, January, 1914, p. 36.

² Anderson, "'Unearned Increments,' Land Taxes, and the Building Trade," in *Quarterly Journal of Economics*, vol. xxviii, pp. 811 ff.

tration, on the principle that earnings in all lines of industry tend to become equalized, that the increment is an irrelevant factor in the determination to build. Whether his exposition accords with the facts or not, it would seem that in general the speculative character of the "unearned increment" would scarcely be conducive to building that was not capable of a return on the whole ground rent and interest on the investment. A distinction must be made between the ordinary investor in real estate and the speculator. The investor in urban property expects an annual income on his investments. The anticipated increment may make a smaller annual return satisfactory to the investor. This may also account for the fact that the deterioration of the building is often not amortised, and for the fact that the mortgagee often counts on the increment in making the loan.¹ But it seems clear that the influence of the future value increment can affect the rate of income only in communities where land values are based on actual rentals and where the rate of increment is constant and reflected from time to time in the higher rents. The investor in farm land, on the other hand, is the farmer himself, who is willing to forego an immediate return from his improvements, because of the prospective value increments.²

It is otherwise with the speculator, including the "land-poor" owner as well as the capitalist operator. Now in case of land not yet ripe for building, where the increment is more or less remote and speculative, an owner unable to pay the carrying charges on the land, i.e., taxes and special

¹ In the instance cited by Dr. Haig to show that realty operations also are financed on the expectation of the increment, it will be noted that it is a steady annual increment founded on the increase of the earning power of the land in New York City. Cf. "The Effects of Increment Taxes upon Building Operations," in *Quarterly Journal of Economics*, vol. xxix, p. 831.

² It is interesting to point out in this connection that the money investment in the land by the pioneer, or the promoter of a new town is almost nil; hence his readiness to wait a long time for the inevitable increments.

assessments, might be tempted to build even when the rental did not promise a greater return than the interest on his borrowed capital,¹ and the carrying charges on the land. But such operations would be confined necessarily to outlying districts and new communities, and even there their scope would be limited. For the borrowing power of the "land-poor" builder, where the rise in value is remote is very much limited, and the rate of interest higher. The best proof, on the other hand, that the speculator with means is not induced to build prematurely is the large number of vacant lots in every city, and the large expanse of uncultivated rural land in the hands of absentee owners. And are they not deterred from building prematurely by the fact also that the low income would be a convincing proof to them, and to their creditors, of the true low value of their property? The importance of this psychological factor is seen in the usual practice of landlords to allow their apartments to stand vacant, or to offer "concessions" to the renter, rather than to accept a lower rental. It is scarcely credible that, taking any city as a whole, building operations could be based on the whims of speculators, rather than on actual values. Altogether then, whether he builds on leased ground, on ground which is not rising in value, or on ground which does promise an increment, the landlord "must extort from his tenants rental covering both the ground rent and interest on the investment."²

Now, grant that the development of a new country and that premature building, e.g., the "pay tax" kind of structures in Western Canada,³ are attributable to the

¹ Disregarding the depreciation of the building to be covered by the anticipated "unearned increment."

² That there could be a difference in rentals according as the builder is the owner or lessee, if it does not invalidate the argument, at least shows that the number of operations that do not cover interest on the land investment can be but exceptional. Cf. Johnson, *op. cit.*

³ Haig, *Exemption of Improvements from Taxation in Canada and the United States*, p. 47.

anticipated increment. They are not, however, the basis of our present agricultural progress or urban development, any more than speculation in stocks and produce, which assist general production and distribution, is the cause of the progress of the latter. The more than two million tenant farmers in this country, an ever-increasing class, not to mention the farm laborers, contradict the alleged efficacy of the "unearned increment" to preserve our agricultural population and progress.¹ So does the widespread leasing system in England discredit the potency of the "unearned increment" as the incentive to building operations. If, then, the cases where premature building is induced by rising land value are limited to the "land-poor" owners, the effect of the tax on land value on them, it has been pointed out,² will be a twofold one. First, as an increase in the annual burden on the land, the tax will have the tendency to induce early building; secondly, as an appropriation of more of the prospective increments, it will discourage building.

Now, turning to the influence of the untaxing of improvements on the building trade, the effect, it is generally held, would be to stimulate building. But in so far as this tendency would result merely from the exemption of one form of capital now disproportionately burdened by taxation, the stimulation would cease with the equalization of the rates of profit in competitive industries. Should, however, the demand for new buildings increase through other causes,³ the building trade will continue active.

After these theoretical considerations, we may inquire whether the study of the tax does not elucidate the problem. Briefly, if it has been difficult or impossible to trace the great building activity in the Australasian and Cana-

¹ Cf. Johnson, *op. cit.*, p. 34.

² Haig, in *Quarterly Journal of Economics*, vol. xxix, p. 838.

³ Cf. *supra*, § 4, p. 311.

dian municipalities to the operation of the land tax, it can be said with confidence nevertheless, that no evidence of a restriction of building operations appeared anywhere. Nor could the inactivity in the building trade which followed the enactment of the land-value duties in England, and of the imperial increment tax in Germany, be charged to the tax on the "unearned increment."¹

§ 6. The principle of "amortization" rests on the assumption that the land tax is not shifted. The argument runs as follows: Since the value of the land represents the capitalized annual net rental actually accruing or anticipated, and since the tax on this rental cannot be shifted to the tenant, the value of the land when the tax is imposed is reduced by the capitalized value of the tax. Therefore, the proprietor in possession, when the tax is levied, alone pays the tax, as is evident from the reduction in the selling value of his property. When the tax is thus capitalized, or "amortized," the purchaser of the land subsequent to the imposition of the tax is in reality exempt from its payment.

The process of "amortization" applies to the land tax in so far as the latter is an exclusive tax, i.e., not levied on other forms of capital, or income. The facility of capitalizing the tax depends upon the certainty of the levy, that is, the constancy of the rate of tax and of the assessed value. Provided the amount of the tax can be counted upon, the purchaser will deduct its capitalized value, for he will not pay more for the property than the capitalized value of the anticipated net rental. The fact that land falls in value on the imposition of a tax, therefore, corroborates the principle of incidence of a tax on land value. Theoretically the value of the improvements will not fall, for their value equals the cost of their production and it would seem as if their value could not fall below their cost. In other words, the tax on improvements is shifted to the tenant. Practically, however, especially when the structures are

¹ Cf. chapters iv and v.

old, the tax may affect their value. At any rate it is difficult to measure or trace the exact decline in the value of improvements in case of an imposition of a new tax on real estate.

In our American cities, with the general property tax, under which most forms of wealth except real property practically escape taxation, the "amortization" process is not only theoretically possible, but is the established procedure. In purchasing property every one takes into account the amount of taxes, deducting their capitalized value from the value of the capitalized rental of the property. Theoretically, then, the tax is no burden on the land owner who has purchased subsequent to the imposition of the tax. In this country, indeed, where the rate of tax is more or less constant the land tax essentially ceases to be a tax at all. The ease and certainty of this kind of taxation accords well, indeed, with American individualism, respect for private property, and general distaste for paying taxes. The "amortization" process may well be an explanation not only of the absence of full-value and uniform assessment, and of the general undervaluation of real estate, but also of the popularity of the real property tax in this country, as compared with other taxes.¹

Whatever makes the ascertainment and computation of the untaxed value of the land difficult, checks or frustrates this process of "amortization." Not that the expectation of a tax will not always affect the value of the property, but by keeping the assessment at the actual value by frequent valuations, by graduating the scale of rates, by taxing the value increment, the landowner will at least be made to share the income from his value increment with the government to a greater degree than at present. Take,

¹ This is illustrated by the difficulties encountered with legislatures in revising the statutes to permit of a full-value assessment, in spite of the advantages it may have industrially in lowering the rate of tax, and broadening the basis for public loan purposes. A readjustment of values gives rise to apprehension among landlords. See *infra*, chapter x.

for example, the progressive urban communities where land tends to appreciate in value, as in western Canada, and where the untaxed value of the land one year may not represent the net value the following year. Again, by introducing a progressive scale of rates, how shall the purchaser estimate the capitalized value of the tax with any degree of accuracy? Even more does the tax on value increment defeat the process of "amortization" of the tax; for as the owner is taxed, not on the selling value, but on the profit or surplus likely to accrue in the future, the untaxed value of the land cannot be foretold. The amount by which such a tax may reduce the value of land becomes entirely speculative. Indeed, as the interest of both speculator and taxing authority is the same, namely, that the land appreciate in value, the value-increment tax may not have a severely depreciating influence on the value of the land at all. At any rate, the objection by some that the real property tax is no tax whatever because it is "amortized," does not apply so much to the tax on land value, especially to the value-increment form of the tax.

§ 7. The question whether the capital value, i.e., the capitalized net income, or whether the net income of the land (not deducting taxes) should be made the base of taxation is unimportant as regards the slight tax on land value at present in operation. Inasmuch, however, as critics of the Single Tax have pointed out the futility of attempting to raise revenue by a tax on the capital value of land and have employed the argument also against the proposal of land-value taxation,¹ it is necessary to analyze the point at issue. As a fiscal policy taxation on the capital value of land may be regarded as a paradoxical proposal, for by taxing land value you destroy the value by the amount of the tax capitalized. If, as has been pointed out,² the mar-

¹ For example, see E. R. A. Seligman, in *The Survey*, March, 7, 1914, p. 701.

² Mr. Pleydell, Secretary of the International Conference on State and

ket value declines by reason of the tax, there will be less and less to tax as the rate increases. For example, suppose the annual tax on land is two and one-half per cent. The market value of a parcel of ground yielding an income of \$50 was before the levy of the tax \$1000,¹ and after the imposition only $\$666\frac{2}{3}$.² Instead of yielding a tax of \$25 on \$1000, the tax on $\$666\frac{2}{3}$ is only $\$16.66\frac{2}{3}$, from the standpoint of revenue a loss of about \$8. Indeed, if the rate of tax were sufficiently increased, in accordance with the Single Tax proposal, the very purpose of the tax would be frustrated. Thus, were the rate fixed at five per cent, and were the capital value to remain the base of the tax, there would be no value to tax, the capitalized tax having absorbed or destroyed all the income. The significant thing, however, is that all this time the rental remains undisturbed.

In view of this situation it has been proposed³ that the annual rental rather than the selling value (the untaxed value) be made the basis of assessment. Or, if *ad valorem*

Local Taxation says: "I was rather surprised to hear the advocates of Single Tax speak in the same breath of taxing the unearned increment by taxing a certain amount out of the value of land at the time of sale. All attempts to deal with selling values in this way are dealing with what in one sense is legal fiction. The only reason land has value at all is that you can get a certain rental out of it. If you keep people from collecting rents you destroy values. Now, how are you going to tax the unearned increment which disappears wherever you increase a tax on the rental value is a problem I have not yet been able to understand. It is interesting to see how that would work out. A man pays a certain amount of money for his land based upon the estimated net return, but if he is deprived of a certain amount of his net return by an increase in the annual tax, the land will have its selling value reduced. The intricacies would amuse one," etc. Quoted by Marsh, *Taxation of Land Values in American Cities*, p. 49.

¹ At five per cent.

² Because two and one-half per cent of $\$666\frac{2}{3}$, capitalized, plus the net value $\$666\frac{2}{3}$, make up the \$1000 original value.

³ See Davenport, "The Single Tax in the English Budget," in *Quarterly Journal of Economics* (1910), vol. xxiv, pp. 283 ff. Also Pleydell, "The Incidence of Taxation," in *First Conference on State and Local Taxation* (1907), p. 432.

taxation is preferred, that the actual or anticipated rental be capitalized for purposes of taxation. From the standpoint of the proprietor certainly the change is of no consequence. Whether you tax the market value or the rental his net income will remain practically unaltered. From the point of view of fiscal policy, however, the change is important. Since, according to theory, the rent remains unaffected by the tax on land value, the government can always appropriate a portion of this economic rent by taxation, irrespective of market conditions.

For practical purposes, however important these suggestions may be for the Single Tax policy, the tax on land value may continue to be levied on the selling value without loss to the government. So long as confiscation is not proposed, through the regulation of the rate of tax the state can appropriate whatever share of land value it decrees by taxing the selling value.

More practical difficulties may be raised when the assessment is reduced by the decline in the value of the land. For, if a law exist limiting the rate of tax in the municipality, or if, as is customary, the amount of municipal indebtedness is restricted legally by the amount of the assessment of real property, the exemption of improvements, or any other cause of restricting the base of revenue, may necessitate a change in the statute. This is again a matter of administration, necessary to point out, but which does not vitiate the fiscal principle of the tax.¹ Moreover, full-value assessment and the tendency of appreciating land value will counteract the restriction of the base of taxation.

Another consideration important alike from the standpoint of the taxing authority and that of the taxpayer, is

¹ To circumvent the constitutional difficulties with respect to the legal limitation of the borrowing power of the city, the recent proposal for untaxing buildings in New York City retains one per cent of the value of improvements in the tax base. Thus, it is hoped, the total value of the improvements would continue to constitute part of the assessment value, by which the borrowing power of the city is limited.

raised by the value-increment duty. As the selling value is the basis of computing the increment, any change in that value occasioned by a change, not in income, but in the interest rate will contract or swell the taxable differential. Any fall in the rate of interest will, therefore, entail an unintentional hardship on the taxpayer; while a rise in rate will entail a loss in revenue. This difficulty, which raises a serious objection to the levy of the value-increment tax, could be obviated by making the gross rental the basis of computation.¹

§ 8. This fine, even subtle, distinction in method of assessment for administrative purposes is not to be confused with the ordinarily understood difference between taxing the capital value and the rental of land. Historically the assessment on the basis of rents paid preceded that on the basis of capital value. In fact the latter method has only recently superseded, or is superseding, the assessment of rental income. With few exceptions,² the general assessment on the basis of the capital value of property is confined to the United States, Canada, Australasia, and (since the enactment of the land-value duties) to England. In Germany, the system of assessment "nach dem gemeinen Wert" has only recently begun to supersede the older method.

The advantages and causes of this change in method have already been reviewed.³ The chief argument is that the taxation of rentals encourages the withholding of land from use. Land bought and kept undeveloped for speculative purposes is exempted from the tax provided no rent

¹ Cf. Davenport, in *Quarterly Journal of Economics* (1910), vol. xxiv, pp. 289-90.

² In some of the Swiss cantons, in Rome for building land, and in Holland for the property tax, capital value, rather than rental, is now also made the basis of assessment. Cf. *Papers Bearing on Land Taxes*, etc. (Cd. 4750), 1909, p. 50, and (Cd. 4845). The supplementary income tax in Prussia and some of the other states is levied on the capital value of property, while in Great Britain the death duties are so levied. See *ibid.*

³ See *supra*, chapters v and vi.

is yielded; therefore, speculation is fostered. In urban communities the withholding of land from use has been said to promote congestion and unsanitary housing conditions. Furthermore, the exemption of vacant and poorly utilized land from taxation is fiscally inexpedient, for it becomes a means of escaping taxation. When it is considered also that the value of vacant land tends to appreciate equally, sometimes even more¹ than the improved lots, it will be admitted that the rent does not constitute a test of the taxpayer's ability to contribute, unless supplementary taxes are levied. For these reasons, the local authorities in England are desirous of adopting the proposed change from rental to capital value assessment.² And the purpose of the undeveloped land duty in England was to correct the inequalities resulting from the older system of assessment. Similarly in Canada, the wild-land tax and the method of superassessment have been resorted to, to offset the tendency of evading taxation by keeping the land undeveloped.

A word about the status of the absentee. Not all unimproved land is owned by non-residents; yet, in many communities much of the vacant land is the property of absentees. In the countries where vacant property is not liable to taxation, the general antipathy to the non-resident is comprehensible. But where taxation on capital value is in vogue, the non-resident contributes to the reve-

¹ For example, when a parcel of ground is sold, the building which may be out of date may be an impediment to the plans of the buyer. Thus, as the writer has been informed, the site on which the Masonic Temple is located in Chicago would be worth a great deal more if there were no building upon it.

² Cf. E. Porritt, "The Struggle over the Lloyd George Budget," in *Quarterly Journal of Economics* (1910), vol. xxiv, p. 257. "The mansions have been on the rate books at merely nominal rental values. They have stayed at such ridiculous valuations because no one in the parishes concerned cared to antagonize the local feudal aristocracy by objecting to the assessments."

The new system of land valuation which is being completed in England will help usher in the rating of capital value.

nue in proportion to the assessed value of his property. He is also liable to special assessments, and special rates for services by which he only remotely benefits. Nor, must it be overlooked that he has no voice in the enactment of measures pertaining to taxes and expenditures. The explanation of the discriminatory legislation against the absentee-owner lies in local conditions. Thus, in Canada, it is the enormous increments that accrue to the absentee, through the efforts of the settler in building up the community, that breed the spirit of opposition and discrimination. Then, it will be remembered that the Hudson's Bay Company is classed with the absentees. And lastly, in many towns half or more than half the area may be owned by such a company, or other absentees, preventing the closer settlement and the growth of the community.

§ 9. It is necessary next to test the tax on land value by the canons of taxation laid down by fiscal authorities. Those canons are justice, economy, and fiscal adequacy. To be just a tax must be equal, universal, uniform; to be economical, it must accord with the criteria of certainty and convenience; to be fiscally adequate it must be productive and elastic.¹ There is no tax in our complex system, however, which does not practically, if not theoretically, sin against these canons, especially those requiring equality and universality.² Whether you make your standard of justice fit the "benefit" or the "faculty" theory, a great deal of ingenuity must be employed to prove existent taxes in harmony with the criteria of justice. The fact is, as one writer has well expressed it, "expediency, not logic,

¹ Cf. Eheberg, *Finanzwissenschaft*, p. 165.

² We are aware that fiscal authorities have reconciled even the inheritance and corporation taxes with the canons of taxation. See Seligman, *Essays in Taxation* (1913), pp. 126 ff., for a justification of the inheritance taxes according to equity. However ingenious such proof of the consistency of the inheritance tax with the faculty theory may be, its adoption was more a matter of fiscal expediency than of adherence to doctrine.

governs taxation.”¹ So long as the ideal, a single tax, if such exist, is found impracticable, and it is necessary to have a multiple system in the hope that the inequalities of the respective taxes will offset one another,² the justification of a subsidiary tax on the basis of justice will be practically futile.

Now, the tax on land value is not only a subsidiary, but it is a discriminatory tax. But there is need of subsidiary taxes, and like the corporation, inheritance, business, and other imposts, the tax on land value may be made to perform a valuable function, wherever it is found expedient. As to its discriminatory character, all subsidiary taxes are discriminatory. Like the corporation tax, for example, the tax on land value is class legislation, an attempt of the dominant party to place an extra burden on the landowners. The excuse of course is that this particular group or class fails to contribute to the public budget in proportion to its ability.³

In calling the tax confiscatory, the opponents of the tax forget that all taxation is essentially confiscatory. A tax is no voluntary contribution, it will be recalled; it is “a compulsory contribution from the person to the government to defray the expenses incurred in the common interest of all, without reference to special benefits con-

¹ *First National Conference on State and Local Taxation* (1907), p. 219.

² Thus Cossa said, “by means of their variety rendering the burden less oppressive to the taxpayers.” *Premiers Éléments de la Science des Finances*, p. 108.

³ It is possible to argue that the landlord is better able to pay this extra charge because of his particular position of special privilege and because the growth of the community enhances the value of his land, so that his income is augmented over and above the interest on his investment. “Is it too much, is it unfair, is it inequitable, that Parliament should demand a special contribution from these fortunate owners towards the defense of the country and the social needs of the unfortunate in the community, whose efforts have so materially contributed to the opulence which they are enjoying.” From Lloyd George’s Budget Speech, *Parl. Debates* (1909), vol. iv, p. 536.

ferred.”¹ Strictly speaking, every tax is an infringement of the individual's property rights, therefore.² But there is common agreement that the rights of the individual are subordinate to the will of society. Society has the power and, therefore, the right to single out one social group and place a special impost upon it, provided such action is proved expedient.³

§ 10. What, then, constitutes expediency in taxation? The effects of the levy of a tax are far-reaching. Professor Ely's⁴ words are still valid: “Taxation may create monopolies, or it may prevent them; it may diffuse wealth or concentrate it; it may promote liberty and equality of rights, or it may tend to the establishment of tyranny and despotism; it may be used to bring about reforms, or “foster dissension and hatred between classes. . .” The importance of choosing the most suitable object for taxation is thus made evident. If, then, besides satisfying the economic and fiscal canons, a tax is no more discriminatory and confiscatory than the other existent imposts, and, furthermore, does not create monopoly, concentrate wealth, promote tyranny and social conflict, it is to be accounted expedient.

Before discussing the expediency of the tax on land value as judged from its operation, it is necessary to point out a serious objection to its levy. The tax on land value, it is claimed, is merely a pretext for the confiscation of property for the purpose of promoting some social or economic reform; in reality it is no tax at all. It has been questioned whether the government should exercise its taxing power

¹ Seligman, *Essays in Taxation* (1913), p. 432.

² Cf. *First National Conference on State and Local Taxation* (1907), p. 214. Those who protest against the introduction of a tax on the ground that one class is discriminated against overlook the gross inequalities tolerated under the present system of taxation.

³ To a great extent legislation, when proved expedient, has had to be reconciled to the standards of right and justice, or has even modified the latter.

⁴ *Taxation in American States and Cities* (1888), p. 55.

for other than fiscal purposes, i.e., to secure an adequate revenue.

Since Professor Adolf Wagner promulgated his "socio-political" theory of taxation, this question has aroused considerable controversy. But as regards many a contested theory, the opponents are nearer agreement than they will admit. Professor Seligman denies Wagner's thesis that taxation "is something more than a means of raising revenue, that it is also a means of correcting the distribution of wealth which results from competition."¹ Yet Professor Seligman reaches the same conclusion through reconstructing the conception of justice.² In setting up this socio-political point of view, Wagner was merely interpreting the new basis of justice, the socio-political *versus* the eighteenth-century competitive and individualistic basis. And that is what Seligman has done in constructing the "Social Theory of Finance."³ Where shall the line be drawn between the socio-political theory stated in Wagner's own words above and the admission that the government should be able "to utilize the taxing power as a political or social engine?"⁴ Nothing, indeed, shows this socio-political tendency more than progressive taxation and the English income tax, which distinguishes earned from unearned income. These may be explained on the assumption that they measure better the ability of the taxpayer than the proportional or ordinary income taxes. On this basis, however, the tax on land value can similarly be defended, for the profits accruing from land ownership can bear a heavier tax with less sacrifice on the part of the owner, it may be argued, than can earnings of labor. Nevertheless, in this age when, it will be agreed, wealth

¹ *Lehr- und Handbuch der Politischen Oekonomie: Finanzwissenschaft*, vol. II, bk. V, chap. 3, § 159.

² Seligman, "Progressive Taxation," *American Economic Association Quarterly*, vol. IX, pp. 130-31, and his practical admission of the standpoint in *Essays in Taxation*, pp. 316-17.

³ *Ibid.*, p. 342.

⁴ *Ibid.*, p. 78.

is being accumulated because of special privilege, as shown, for example, in the monopolistic control of industry, and when the laboring class is assuming greater power, the tendency of all legislation, including fiscal, to keep in view a more equitable distribution of wealth is inevitable.

The extent to which the tax on land value has been instituted as a reform measure, rather than as a source of revenue varies with its several forms. As has been discussed in the preceding chapters, the municipal land taxes in Canada and Australasia are purely fiscal in character. It will be recalled that in these cases the tax is a direct, proportional levy. Theoretically, this is explainable on the ground that for local purposes benefit, rather than faculty,¹ is the criterion of taxation; and that the degree of benefit to the individuals cannot be measured according to a graduated scale. Practically, it may be explained by the fact that the ratepayers are the voters, that in the above-mentioned communities opportunities are equal, and that the progressive tax is discriminatory, and would upset the stability of land values, the chief source of prosperity and income. In other words, the tax has no other purpose than to make every landowner pay toward the expenditures of government in proportion to the value of his land.

In a way, then, the progressive and value-increment taxes disclose the purpose of their levy. For the disintegration of large estates, indeed, the graduated scale is more effective than the proportional tax would be. So also, when the rate of tax in Germany varies with the length of ownership and condition of the land, the social purpose is clearly manifested. The English land duties, however, are an exception, for, although the predominant motive was non-fiscal, the rates of tax are proportional, not progressive. Either to avoid the additional complexity which the pro-

¹ Seligman, "Progressive Taxation in Theory and Practice," *American Economic Association Quarterly*, vol. ix, p. 301.

gressive scale of rates must occasion, or, what is more likely, to avoid the more strenuous opposition that would have been aroused by a departure from the traditional adherence to proportional land taxes, Lloyd George and his party contented themselves with proportional duties on land value.¹

§ 11. There remains, then, by far the most important question, the fiscal expediency of the tax on land value. First, as to its productiveness. At the present rate of taxation, the conclusion from the data in the preceding chapters must be that the tax for state or federal purposes can supplement the sources of revenue but meagerly. Furthermore, the duties on increment, on undeveloped land, and on mineral rights are inelastic sources of revenue. Not only is the base of the tax limited, but the yield cannot be regulated. Fiscally, therefore, the value-increment duty and the other imperial duties are unimportant imposts. For local purposes, on the other hand, when all land is subject to a direct, proportional levy, the tax is not only productive but elastic. The experience with the tax in the Australasian and Canadian municipalities is evidence of this. Wherever the value of the land tends to increase enormously, so that the rate of tax can remain moderate, the yield of the tax on land value can be regulated so as to supply not only the major portion, but even the entire local revenue. The recent depression in Canada has not necessitated a change in the system even in "Single Tax" communities, but it is doubtful whether an additional source of income would not have facilitated the collection of revenue and relieved somewhat the landowners already hard hit by the collapse of land values. This would apply more strongly to older communities, where landowners constitute a small proportion of the population, and where landed property is not the chief source of wealth. The

¹ Instead of adopting the progressive scale as in Germany, the average rate of the increment duty in England, however, was made higher than under the German system.

fiscal expediency of the new system will vary with the conditions in the different cities; but the following facts must be borne in mind; that even today (1) the tax on real estate suffices for nearly the entire budget of numerous municipalities and partly also for state purposes; (2) full-value assessment is practically unknown; (3) the value of improvements does not increase so rapidly as that of the land.

Secondly, the convenience and certainty of the levy on land value compare favorably with other imposts. No arguments need be brought forth to substantiate this fact, but it is necessary to point out a few cases of economic hardship or inconvenience. In England, where taxation on capital value was practically unknown, attention has been called to the injustice or inconvenience of taxing the person who is in receipt of no income out of which to pay, as under the undeveloped-land duty.¹ Likewise, we have heard often of the hardship the tax would impose upon the widow, owner of her own old home. So also the owner of land whose value has depreciated has been commiserated. Again, it may be feared that the local option, where the tax on land value is in force at the option of municipalities, may endanger industry through the rivalry which exists between cities. Hardship has also been incurred by the retroactive feature of the "Zuwachssteuer" in Germany. It must be replied, however, that such instances of inconvenience and hardship can be cited in the case of almost every tax.² Of course in communities of rapidly rising land value, the land tax of a few per cent of the land value is easily discounted and is scarcely felt. The best proof that the tax is not oppressive in new countries is furnished in the adoption of the proportional form of the impost by such demo-

¹ Cf. *Parl. Debates* (1909), vol. XII, p. 516.

² Not to mention the hardship of the excise and import taxes on the poorest classes, the widow's case cited above is probably no worse than that of the German wage-earner who out of his 900 marks annual income pays a tax to the state.

cratic and virgin communities as in Australasia and in western Canada. In these cases, the "leveling" factor, the use of the tax to right a social evil, moreover, played little or scarcely any part. As regards the other forms of the tax, the exemption of a minimum increment under the value-increment duty shields the less fortunate landowner from the burden. It will be remembered also that the retroactive feature of the "Zuwachssteuer," however inconsistent with our standards of justice, was upheld by the courts. It is improbable that the tax would have been upheld, if, besides being unprecedented, it were oppressive. This illustrates, indeed, how local conditions may influence the criterion of justice, how expediency overrides abstract principle.

Thirdly, in considering the discriminatory feature of the tax on land value, the local tax must be again differentiated from the imperial and state taxes. As subsidiary sources of revenue the latter are no more discriminatory than the corporation, inheritance, business, or even realty taxes. But, when the tax on land value is made the only tax, the expediency of exempting all other income from taxation even for local purposes may be questioned. The fact is, however, that setting against the apparent inequality created by the exemption of other than the landowning class from taxation the comparative difficulty of assessment and collection of other imposts, and considering, too, that the value of the land depends so much upon the public expenditure, the apparent injustice dwindles. Especially is this true where the land constitutes the chief source of wealth and income, as in the new communities where the land tax is now in operation as the only source of public revenue, and where the municipality itself, given the option, wills to exempt wage-earners and the capital invested in industry from taxation. In that case only the non-resident landowner is discriminated against, and has cause to complain.

Fourthly, it is evident both from the discussion of the underlying principles and from the operation of the tax, that it does not create a monopoly, nor concentrate wealth, nor promote tyranny, nor foster social conflict. The fact is that by this tax the community shares a little more of the value increment which accrues to the landowner than before.

§ 12. Aside from the above considerations, there is another criterion of expediency by which the tax must be tested, namely, the facility of its administration. In general, the prevalence of the realty tax is due to the comparative ease with which land and other real property can be assessed. Since an early period, the "cadastral" system of assessment has served a useful purpose. Not only for tax purposes, but for statistical, juridical,¹ political, and military purposes, the "Domesday Book" was of invaluable assistance to the government. In modern times, however, an extensive system of accurate valuation and registration of the land by the central government, so far as we know, exists nowhere. The reason is that such a valuation is very expensive and subject to change because of the frequent fluctuations in the value of the land. One of the results of the tax reforms in England has been to necessitate just such an extensive system, and the valuation of all the land in Great Britain is now under way.

It is difficult to say whether in England the fear of the tax on land value had for a long time prevented an accurate and separate assessment of the land and improvements respectively, or whether the accurate and separate assessment was feared as a consequence of the imperial land value duties.² At any rate, the most effective argument perhaps against the adoption of rating on land value and the argument which delayed its introduction in England, has been

¹ Namely, to guide the court in the division and adjustment of the estates of the deceased.

² That is, the increment and undeveloped land duties were opposed, because the latter at least would necessitate a valuation which might lead to the adoption of rating on land value.

the practical difficulty in the way of an accurate valuation of the site. Although some experts had declared such valuation practicable, public opinion generally opposed what was called a hypothetical valuation. Under the theoretical assumption that the tax on land value should fall on economic rent, and that, therefore, it was necessary to take account of all the capital ever sunk into the soil which might have affected the present value of the site, every one will readily admit the hypothetical character of such a valuation. The ascertainment of the exact "location" rental is an impossibility. Professor Seligman makes this clear in the following passage:¹ "Now, it is manifestly not so easy to assess the land values — that is, the bare value of the land irrespective of all improvements — as it is to assess the selling value of a piece of real estate. For instance, an acre of agricultural land near a large town may be worth \$200; but if used for truck-farming, considerably more than \$200 may have been expended on it during the last century or two. Who can tell how much of the \$200 present value is the value of the bare land and how much is to be assigned to the labor expended? Under the present method we have at least a definite test — the selling value; under the new method we should have no test at all. There is every likelihood, therefore, that the difficulties of the present situation would be intensified."

If every reform had to be rejected on account of some theoretical objection little progress would be made. In the case of valuation, the experience in this country with separate valuations for land and improvements has demonstrated the practicability as well as the usefulness of the system. In fact, the theoretical objection seems unwarranted in the present advance made toward the more scientific valuation of land. Even admitting that improvements made a century or two ago have had an influence on the present value of agricultural and even urban land, that

¹ *Essays in Taxation* (1913), p. 77.

influence could be only slight on land whose value is due almost entirely to the growth of population. As for improvements made on land in recent years, their cost, in so far as they add to the value of the property, is deducted from the value of the site, and this suffices for all practical purposes.

One of the important effects of the adoption of the tax on land value will be the development of expert and more accurate, or even scientific, methods of valuation of the land separated from the improvements upon it.¹ This is because the system of taxing land value exempts improvements from taxation and requires full value assessments. But irrespective of this tax, considerable progress has already been made toward accurate valuation. So far as we have been able to ascertain, the best experiments toward a scientific method to displace the crude assessments based on estimate, have been worked out in a few American cities, for example, New York, Newark, Cleveland, etc.² In the United States, with the development of the assessment on capital value, some systematic method of valuation was inevitable. It is being realized that not only to avoid the present bickering between the county, state, and city authorities and to do away with the inequalities arising from underassessment, but for business purposes as well, full value assessment is necessary. As some one has pointed out, "if a person is seeking investment for capital he will not ask you what the standard of value is but what is the rate of taxation."³ And by assessing property at its full value a reduction in rate is made possible. Moreover, such

¹ The agitation of the Single Taxers for a scientific valuation of the land and improvements and for full-value assessment has been especially influential and promises to eradicate some of the gross inequalities growing out of undervaluation.

² Montreal also is now experimenting with the new method. Cf. *Report of Assessment Department, City of Montreal* (1913), pp. 11-15. Cf. also *infra*, chapter x.

³ *International Conference on State and Local Taxation* (1909), p. 348.

an assessment broadens the base on which the municipal loans may be contracted.

It is furthermore being recognized that to attain accuracy in assessment it is necessary to determine the value of the land and of the improvements separately.¹ The system of separate assessment is almost universal in the Australasian colonies and in Canada and is becoming so for England, Ireland, and Scotland. In this country only Indiana, Montana, North Dakota, Wisconsin, New York, and California provide for separate listing of land and improvements. It is also practiced in a number of American cities in other states.² The application of the more or less scientific principles, which have been evolved, to the ascertainment of the value of the site, is as yet confined to less than a dozen cities in the United States.³

§ 13. How does a scientific method of valuation differ from the present method? In general the assessment of property is now based on an estimate, for which there is more or less warrant, depending largely on the experience of the assessor, the time he can devote to this office, and on the political and personal influences at work. The assessor is guided by the selling price of land, by the rental, and by the assessment returns of the property owner. An expert, scientific valuation, on the other hand, must be based on certain principles of value which will assure uniformity and accuracy, and which will eliminate wholly the influence of personal and political considerations. The possibility of finding a more accurate value than the selling price may

¹ Such was the opinion of some of the expert valuers who testified before the different British Select Committees (*cf. supra*, chapter v), and such is the practice of realty appraisers in the United States. See also Webb, *Valuation of Real Estate*, p. 6.

² *National Conference on State and Local Taxation* (1907), pp. 131 ff. The following cities, besides those using the Somers system of valuation, also list the value of improvements and site separately: Washington, and the cities of New Jersey and Massachusetts. *Cf. Report of Commissioners of Taxes and Assessments of the City of New York* (1913), p. 120.

³ See *infra*, §§ 13-15.

well be questioned. Indeed, if the selling price of every plot of land could always be had the difficulty of valuation would largely disappear. What is actually done is to compare the different lots on a block, for example, with one whose selling price happens to be known. It is the basis of this comparison that has been systematized and made scientific.

What a scientific valuation of real property comprises is summarized in the following resolution which was adopted unanimously at the conference of the International Tax Association in 1911: ¹

Resolved, that as steps towards an equitable and scientific assessment of real estate we earnestly recommend: that the method of assessment *in rem* be extended to all districts in all states; the preparation and use of tax maps in each taxing district; the separate assessment of land and buildings; and the use of standard units of measurement as a basis of valuation for both land and buildings to assist the assessor in the exercise of his judgment, such standards of value to be determined for each locality by its officials with the greatest possible coöperation of its citizens, having due regard to local conditions.

First, then, the valuation must be impersonal, *in rem*, not *in personam*;² only those factors that influence the value of the site, irrespective of the owner's particular circumstances, irrespective also of the influence of the improvements on the site, must be taken account of by the assessor. Secondly, the essential apparatus for the valuation is a tax map. These maps "shall show the area, dimensions, and locations of the real property, and the various subdivisions of ownership." The maps shall be used alike in assessing city and country real estate, mining and forest land. In each case, however, the construction of the map will vary

¹ *International Conference on State and Local Taxation* (1911), p. 25.

² The assessment *in rem* does not take the owner into account, as it were, but only the real estate. It is an assessment of real estate geographically located, not in alphabetical order according to owner. Cf. Seligman, *Essays in Taxation* (1913), pp. 325-26.

according to the unit of measurement. Thus, the lot or block system for urban land is inapplicable for farm land, for which the acre constitutes a more appropriate unit.¹ Tax maps have been in use in the city of Newark, New Jersey, for forty years, in Milwaukee, Wisconsin, for nearly twenty years, in the Province of Quebec for even a longer period.² In 1907, a "timber cruise" was inaugurated in King County, Washington; maps were then employed which are expected to form an accurate basis for all future valuations.³ Thirdly, the separate valuation of land and buildings is necessary, because the causes of their value are different. Fourthly, the selection of a unit of measurement and of a table to compute the relative values of other tracts of land is requisite to an efficient valuation. The two well-known systems for computing relative values for urban real estate assessment are the Hoffman-Neill Rule and the Somers system.⁴

§ 14. The function of the table employed to compute the relative values of different shapes and sizes of land is more important for assessment purposes than even the ascertainment of the accurate value of the unit, for it secures uniformity and equality in assessment; and uniformity and equality even exceed in importance the search after absolutely accurate values. The "Hoffman-Neill Rule"⁵ is

¹ L. G. Powers has classified non-urban land into eight kinds for assessment purposes: (1) acres under cultivation, or being used for meadows; (2) land not under cultivation, but capable of being plowed; (3) land covered with a heavy growth of timber; (4) with orchards; and (5) acres properly classed as waste land because incapable of cultivation or of growing timber; (6) the number of acres of mineral land; (7) of quarry land; (8) land valuable by reason of oil, gas or other deposits. *International Conference on State and Local Taxation* (1909), p. 326.

² *Ibid.* (1911), pp. 347-48.

³ It is interesting incidentally that the "cruise" cost \$70,000, lasted a year, but resulted in an increased valuation of the timber land in the county of over \$12,000,000., *ibid.* (1909), pp. 335-36.

⁴ For other rules see *Manual on the Methods of Assessment of Real Estate in New York City* (1914).

⁵ The "Rule," first used in New York, is known by that name because

a table showing the percentage of value for various depths of the unit, which is a 100-foot lot, as follows: ¹

<i>Feet</i>	<i>Per cent</i>	<i>Feet</i>	<i>Per cent</i>	<i>Feet</i>	<i>Per cent</i>
1.....	.0676	22....	.4123	53....	.6899
2.....	.1014	23....	.4232	54....	.6975
3.....	.1286	24....	.4339	55....	.7051
4.....	.1520	25....	.4444	56....	.7126
5.....	.1732	26....	.4548	57....	.7201
6.....	.1929	27....	.4650	58....	.7275
7.....	.2112	28....	.4751	59....	.7348
8.....	.2282	29....	.4850	60....	.7420
9.....	.2443	30....	.4947	61....	.7492
10.....	.2598
.....	..	50....	.6667	98....	.9882
20.....	.3899	51....	.6745	99....	.9941
21.....	.4012	52....	.6822	100....	1.0000

Having determined the value of one-foot frontage, the assessor, with the help of the above table, is able to ascertain the value of the entire lot. The following is a description of a land-value map when completed:—

An outline map of the city is used, subdivided into such areas as may be convenient. On each side of each street, for each block, the unit value of the normal unit is entered. Thus the relation of value on one street with values on another street is at once apparent. Points showing high value will grade off towards the points showing low values, and everywhere the values on one street will interlock with the values on the next street in a way that can be seen, understood, and explained. Accuracy and precision will be introduced into an assessment. The disturbing in-

Judge Hoffman a half-century ago, in deciding a lawsuit before him, laid down the rule that the ordinary city lot fifty feet deep was worth two-thirds as much as an adjoining lot one hundred feet deep. Cf. *International Conference on State and Local Taxation* (1911), p. 351.

¹ Montreal has adopted the "Hoffman-Neill Rule" for determining the value of lots of a greater or less depth than one hundred feet. See *Report of Assessment Department, City of Montreal* (1913), pp. 12-13, where the whole table of which the above is an incomplete copy is given. See also *International Conference, etc.* (1911), p. 360.

fluences of abnormally high or abnormally low sales will be minimized, and the assessor will be doing what he ought to do; namely, exercising his judgment in assessing all lots within a given area in their relative values to one another.¹

The most difficult problem that the assessor encounters under this system is the valuation of corner lots. It is obvious that a corner lot has more value than an inside lot. There is no standard under the Hoffman-Neill Rule, however, as to how much greater the value is. "All that we can at present say on this point is that the consensus of opinion appears to be that corner influence varies according to the use to which the property is put, being greatest in retail business districts, and smallest in suburban residence districts."² The accuracy of this new system of valuation, mechanical and hypothetical as it may seem, can be surmised from the fact that purchases and sales of property in New York City are based on the same scale or rule as the assessor uses.³

§ 15. Based on the same principle, namely, that there is a mathematical relation between the values of the different city sites affected by the same influences, but with a somewhat different method of computation of this relationship, the Somers system of valuation has been devised.⁴ This system is more complete than the Hoffman-Neill Rule, for besides the table of percentage of value of different depths of lot, Mr. Somers has worked out a scheme of valuing

¹ *International Conference on State and Local Taxation* (1911), p. 353. For a more detailed account of the "Rule" see Craigen, *Practical Methods for Appraising Lands, Buildings, and Improvements*.

² *Ibid.*, pp. 353-54.

³ In Chicago a similar plan for computing the value of urban land was worked out, but according to the Manufacturers' Appraisal Company, for whom Mr. Somers has become land valuation actuary and who have purchased control of his system, the Chicago plan is less scientific and less accurate. Cf. Report of Manufacturers' Appraisal Company, *Analysis of the Chicago Assessors' Plan of Computing Site Values*, etc.

⁴ Somers, *The Valuation of Real Estate for the Purpose of Taxation*. See also *The Somers Unit System of Realty Valuation* (pamphlet issued by the Manufacturers' Appraisal Company).

corner¹ and alley lots, as well as other irregular and exceptional shapes and sizes of land. Very noteworthy also is the method of ascertaining the value of the "unit foot." "A unit foot is a frontage of ground one foot wide and 100 feet deep, located in the central section of a block at a distance from any street corner or other influence that might affect its value, other than which it obtains by reason of access to the life and business of the city through its own frontage."² To appraise the unit, persons with a knowledge of urban conditions, and of realty values are called in. Thus the system invites publicity and public interest. "There always exists in cities," says Mr. Somers,³ "a Community Opinion that a certain street is the best for business and a consequent idea that land fronting thereon is the most valuable. From this most valuable street other streets of less value will be compared, a well-defined opinion being present that the property on the less valuable street is less valuable just in proportion as the street is less valuable, and the comparison will reach out from the center or best portion and embrace the entire city. . . ."

To appreciate the method of establishing the value of the unit by "Community Opinion" we quote the following procedure in the valuation of Cleveland: "The City Appraisal Board of Cleveland estimates tentatively the unit values of the various streets, beginning at the Public Square and working out in every direction to the corporation limits."⁴ By means of maps and a campaign of pub-

¹ There is much skepticism among taxing authorities as to the principle underlying Somers' tables for computing the value of corner lots. Mr. Somers keeps his process secret.

² Vancil, *Somers Unit System of Realty Valuation*, p. 1. ³ *Op. cit.*, p. 19.

⁴ "The Board adopted the rule that property should be valued on the basis of the best use of it, i.e., a lot in the business section which was being used for residence purposes should be valued as business property. The owner and not the public, should bear the loss if the property were put to any other than its best use. Another rule followed was that thoroughfares, which were defined as the main channels of trade and travel, should be valued uniformly higher than the minor streets."

licity in the city newspapers, these tentative valuations are scattered broadcast, and the community is invited to discuss them. At a series of public meetings of the Board, section after section of the city is covered, many parts being gone over several times, until all interested persons are given ample opportunity to appear before the Board and submit evidence in favor of changing the tentative unit values. After being thoroughly debated by the public in this manner, the unit values finally agreed to by the majority are regarded as representing the consensus of opinion. These unit values are confirmed by the Board, and are not open to further discussion.”¹ When these unit values have been thus agreed upon, the individual lots are then valued in accordance with a systematic table or curve of values. Corner lots and those abutting upon the alleys, and lots near corners or alleys are appraised according to a complicated table, whose underlying principle is that the influence of corner proximity on the value of the lot extends both ways from the corner, growing less as the distance from the corner increases, until it disappears. In the following table the application of this principle is illustrated in part merely:²

<i>Ratio of poorer frontage to better</i>	<i>Ratio of corner lot to middle lot</i>	<i>Ratio of second lot</i>
.1	1.11	..
.2	1.14	1.02
.3	1.17	1.03
.4	1.22	1.03
.5	1.28	1.04
.6	1.36	1.05
.7	1.48	1.06
.8	1.60	1.08
.9	1.74	1.10
1.0	1.90	1.12

¹ Lutz, "The Somers System of Realty Valuation," in *Quarterly Journal of Economics*, vol. xxv, p. 174.

² *First National Conference on State and Local Taxation* (1907), p. 132.

The above table shows "the ratios assumed to exist between the values of the corner and second lots, and of the middle lots, where the lots are twice as long as they are broad and the corner lot has its shorter frontage on a street where the frontage is worth twice as much per foot as on the side street, these middle lots also fronting on the better street."¹

The Somers system of valuation, of which the above description is brief and inadequate, was first put into operation by Mr. Somers in St. Paul, Minnesota, as early as 1896. Since then the following cities have tried the system: Columbus, Cleveland, Ohio, Philadelphia, Pennsylvania, Springfield, East St. Louis and Joliet, Illinois, Denver, Colorado, Houston and Beaumont, Texas.

The appraisal of buildings has also been systematized. Blank forms are used for gathering the data descriptive of the structures. The basis of the valuation is the cost of reproduction of the building minus the value of the depreciation. The cost and depreciation factors are based on the assessor's estimate, the valuation is then computed mechanically, the square foot of floor space being the unit of calculation.²

The advantages of a systematized method of assessment as compared with the haphazard guess-work of the prevailing system need no elaboration. More than that, the scientific, expert valuation on lines described above will exert a wholesome influence on the community socially. For example, one result would be the awakening of discussion and interest among the property owners, who will be urged and called upon to appraise the unit foot. Such participation

¹ For the determination of lots abutting upon the alley and of irregular shaped lots "where a high value from one street overlaps a lower value from another street," for example, other methods are employed. See pamphlets issued by the Manufacturers' Appraisal Company.

² *The Somers Unit System of Realty Valuation* (pamphlet issued by the Manufacturers' Appraisal Company), p. 10. See also *Report of Commissioners of Taxes and Assessments of New York* (1913), pp. 136-39.

cannot fail to arouse public spirit and interest in one of the most essential, but shunned, fields of legislation, taxation. The efficiency of the assessors and of the other tax officials will also follow; while the economic influences of the standardization of the value of real estate, upon contracting loans, and upon realty investment, for example, will likewise be advantageous. Moreover, the taxpayer will be able to compare his assessment made *in rem* with that of his immediate neighbors, which under the system of *in personam* assessment is not so simple.

§ 16. The classification, underlying principles, and fiscal expediency of the tax on land value having been discussed, there remains the consideration of the objections raised against its levy. The most vehement opposition which the new proposal has to brook grows out of its identification with the Single Tax.¹ The apprehension is current that the tax is merely the entering wedge to the Single Tax régime. Bearing in mind the differentiation made between the two proposals, however, most of the objections vanish. For example, such questions as the elasticity of the yield, which for the Single Tax is an all-important query, becomes insignificant for a subsidiary impost. So also with regard to the discriminatory, confiscatory character of the tax, and with regard to the generally accepted theory of justice in taxation. If the land-value tax be opposed on any such ground, any of the numerous excise duties, or the inheritance tax, must be similarly opposed. On the contrary, it has been argued that by the new land tax the government aims merely to shift or to impose a heavier burden of taxation, occasioned by the ever-increasing budget, on a class which is thought to be best able to bear it; just as is its purpose always in choosing one object, rather than another,

¹ It is almost entirely through fear of the adoption of the Single Tax that Professor Bullock opposes local autonomy in taxation, as is indicated strongly in his article in *International Conference on State and Local Taxation* (1911), p. 271. See also Professor Seligman, in *The Survey*, March 7, 1914, pp. 697 ff.

for revenue purposes; that, in exempting improvements from taxation, the aim is to appropriate a greater share of the profit arising from land ownership, and at the same time relieve the capital invested in improvements and buildings. Whatever the social and economic effects may be, the proposal seems fiscally justifiable.¹ As to the ex-

¹ Professor Seligman brings forward certain objections to the Herrick-Schaap Bill, a proposal to untax buildings in New York City, which it may be profitable to touch upon at this point, in so far as they are fiscal in character. (See *The Survey*, March 7, 1914, pp. 697 ff.) (1) Concerning the fiscal theory of the tax it violates even the theory of "Benefits" inasmuch as the buildings which it proposes to untax derive benefit from the public expenditures. Consider fire and police protection (p. 700). It is noteworthy that in Canada this has been urged repeatedly against the exemption of improvements. But the theoretical objection had little weight there, in view of the object to promote industry and business. It will scarcely be denied that the high rent paid by retail dealers, for example, enters more or less into the price of the commodities. Nor will it be denied that in many urban communities the tax on buildings is heavier than on other forms of capital. The consequence of this is that the tax is borne not by the owner of the skyscraper, but by the general consumer, and as Professor Seligman points out, by the big banks, the big lawyers, etc. (2) With regard to the incidence of the tax he holds that so much of the tax as does not fall on pure rent, but falls on improvements sunk *in* the land, will be borne by the tenant, not by the owner (p. 698). Hence the increased tax on that part of the land value will tend to be shifted in part to the tenant. From a theoretical standpoint, in urban communities, land-value increments are attributable primarily to the congestion of population. But, whatever of the value added by the improvements sunk in the land escapes exemption under a system of *expert valuation* may be regarded as in the nature of old and fixed structures. The tax on such a value would as likely fall on the owner as on the tenant, unless the investment for rock excavations, etc. were the general practice. From a practicable standpoint, the hypothetical difficulties in valuation have given the assessors in western Canada and Australasia little concern. Land and improvements are there assessed separately as a matter of course. (3) The introduction of the tax on land value in New York City would result in a decline in the value of the land as Professor Seligman points out (p. 701). This would not only narrow the base of taxation, but would narrow the base of assessment by which the amount of indebtedness that may be incurred by municipalities is limited. It may be true that a constitutional amendment would be necessary in the case of New York City, and the tax may be, therefore, locally inexpedient. But the principle of the tax, and its expediency elsewhere are not invalidated thereby. It is interesting to point out a few changes which the tax might occasion in New York

tent to which the share of the state should be increased, the community must be guided by local conditions, the rate of increase of value increment of land, the amount of revenue needed, the expediency of exempting other forms of income, and so forth.

There is, however, one serious objection which we have

City. Real estate is in this city assessed at very nearly the full value, and the land is listed separately from the improvements. Assuming that the rate of increase in the value of all the land, which the tax commissioners of New York City estimate at from four to five per cent annually, will counterbalance the fall in value as the result of the tax, the rate of tax will have to be raised through the exemption of all the improvements. Taking all five boroughs comprising New York City together, it is found that 37.9 per cent of the assessment in 1913 was on buildings. In order, then, to raise the same revenue as in 1913, the rate of tax would be increased from \$1.81 on \$100 to about \$2.92. Whether the constitutional requirement which limits the rate to two per cent could be amended or not, it is interesting to note that in 1899 the rate was \$2.48 for Manhattan and \$3.27 for Queens. This reduction in tax rate on real property since 1899 means that purchasers of land before that year, and in fact before 1902 (see table on p. 92 of *Report of Commissioners of Taxes of New York, 1913*), according to the principle of "amortization," were granted a donation as it were. By raising the rate under the new system the long-time owners will have little cause to complain. It must, however, be borne in mind that the increased rate will not necessitate an increase in the amount of tax for all landowners. All those whose property has upon it structures of a value of at least 37.9 per cent the value of the site will find their tax bill either the same or reduced under the land-value tax; only those whose land is unimproved will bear a heavier burden. The fact that the value of the land in certain sections of Manhattan is nearly 70 per cent of the assessment corroborates the contention that the buildings there are not as they should be to accommodate the congested population. Brooklyn, the town of small dwellings, on the other hand, and which has called forth recently commiseration on account of the excessive assessment (see Cederstrom, *Unjust Taxation*) will be most relieved through the new system, because the value of improvements in Brooklyn exceeds the ratio existing between buildings and land values in Greater New York taken as a whole. For the probable redistribution of tax burden on the different classes of landowners resulting from the untaxing of buildings, cf. Haig, *Some Probable Effects of the Exemption of Improvements from Taxation in the City of New York*.

The changes proposed by the Herrick-Schaap Bill will be slighter than those incurred by the total exemption of improvements and will be discussed in chapter x. The non-fiscal objections of Professor Seligman to the tax are treated in the following chapters.

not yet discussed in this chapter, namely, the relative expediency of introducing the tax on land value in urban and rural communities. It is claimed that the tax would occasion a greater hardship on rural districts than on urban municipalities. The reason is that in the latter the value of the improvements and buildings exceeds the value of the site, whereas in the country the reverse is true. Now, if improvements are exempted from the tax, the rural communities will bear the heavier burden as compared with the cities. First, as to the facts with regard to the assessment. In New York City, in Boston, in Montreal, and other old cities the land value has been found to exceed that of the improvements. In Greater New York land value in 1913 constituted 62.1 per cent of the total assessment; in Montreal and Boston about the same.¹ In Brooklyn the percentage of building to land value was greater than in Manhattan (49.8 per cent to 34 per cent), in spite of the fact that the skyscrapers and mansions are in Manhattan. Statistics about other cities are unavailable because the land and buildings are not listed separately. But in Baltimore, according to Lawson Purdy,² the value of the buildings is fifty-six per cent of the total value. In the rural districts farm land has on the whole the higher value relatively to buildings.³ Nevertheless, exceptions were found to this general characteristic in a number of counties in New England and east central states. In the following states the value of the buildings on farms exceeded that of the

¹ *Report of the Commissioners of Taxes and Assessments in New York* (1913), pp. 28-53; *Report of Assessment Department, City of Montreal* (1913), p. 4.

² *First National Conference on State and Local Taxation* (1907), p. 379.

³ Taking the country as a whole, less than 20 per cent of the combined value of all the farm land and buildings represented the value of the buildings. Only in New England and the middle Atlantic states did the value of the buildings on farms approach near the value of the land. In New England, in fact, the buildings and the farm machinery and implements exceeded the value of the land. Cf. *Thirteenth Census of the United States* (1910), vol. v, Table 20.

land in 1910: Pennsylvania, in ten counties; New York, in ten; Maine, in nine (total number of counties, 16); Connecticut, in four; Massachusetts, in two; New Hampshire in one; New Jersey, in two; Vermont, in four; Rhode Island, in one.¹ Moreover, if farm machinery, implements, etc., were added to the buildings, — a legitimate assumption in view of the purpose of the tax to exempt all improvements, — the land would show the smaller value in many more cases.

But in the main we may assume that the value of the land in the country is higher relatively to that of the structures than in cities. What will be the burden on rural landowners? That will depend upon the method of levy and assessment. If the tax is raised for state or even county purposes, and is apportioned according to valuation,² the relative burden of rural districts may be inordinately increased under the taxation of land value. Thus, in Australasia, in those cases where the tax is obligatory, the rural districts were said to be proportionately more burdened than the urban municipalities. But where the principle of local option is instituted, local conditions will determine the expediency of the tax in the various districts. In those poorer communities where land even has not a sufficient value to yield any considerable revenue,³ other taxes must be levied. It is noteworthy, nevertheless, that in both Australasia and in western Canada, among the localities that have optionally adopted the tax on land value are many rural communities.⁴ In the country, when levied for

¹ *Thirteenth Census of the United States* (1910), vols. VI, VII.

² As compared with apportionment by expenditure or revenue. Cf. Seligman, *Essays in Taxation* (1913), pp. 359 ff.

³ *Ibid.*, p. 85.

⁴ A contributor to *The Public* (August 22, 1913) claims that the reform in taxation in western Canada is a farmers' movement. "These Canadian farmers are not satisfied, however, to have only municipal taxes levied on the land. Their organizations . . . have expressed themselves as in favor of levying all taxes, Dominion, Provincial, and Municipal on land values" (p. 800). The President of the United Farmers of Alberta spoke as fol-

local purposes, or even when levied for state or county purposes, provided the apportionment of the quota of the tax among the localities is made according to the *expenditure* of the respective localities,¹ the exemption of structures will not increase the rate of tax much over the present rate, because of the relatively small value of the buildings. The solution of the difficulty raised by the objection would seem to be local option in taxation, which the rural districts especially need to rid themselves of the tax on personal property as well.²

Finally, it may be asked which form of the tax is fiscally most expedient. Obviously the reply will differ according to the purpose of the tax and the conditions in the various countries. In the United States, where real estate taxation prevails, but where value-increment and indirect land taxes are unknown, and where progressive taxation was until recently practically non-existent and is yet unpopular, the annual, direct tax would seem more expedient than the European forms. Moreover, we lack the conditions of land tenure of England to seek the more discriminatory forms of the tax. For general purposes and for local revenue the exemption of improvements, scientific valuation, and full value assessment, would have the effect of taxing the "unearned increment" accruing from landownership, without introducing the novel system of value-increment and progressive rates.³ Nevertheless, where the fiscal con-

lows in his Annual Report: "Few realize the importance of, and what Single Tax really will accomplish. Let me point out some of its most important recommendations. It will take the weight of taxation off the agricultural districts, where land has little or no value, irrespective of improvements, and put it on towns and cities where bare land rises to the value of millions of dollars per acre. . . . Thus the farmer would have to pay no more taxes than the speculator," etc. *United Farmers of Alberta, Official Report (1912)*, p. 9.

¹ Cf. Purdy, *Local Option in Taxation*.

² Reasons for the social inexpediency of the tax on rural land is discussed *infra*, in the following chapters.

³ It is doubtful whether certain fiscal authorities in this country would

sideration is not uppermost and where taxes are levied for special purposes, the value-increment tax has certain advantages: first, its collection is simple; secondly, it can be levied on future increment only, thus interfering less with the present owner's expectations of profit; thirdly, it lends itself better to the progressive scale of rates. In view of the system of realty taxation in this country, however, these considerations have less value for the United States.¹

favor the value-increment tax in preference to the annual, direct tax on land value, if the spectre of the Single Tax régime were to them less imminent.

¹ The machinery for assessing and collecting the direct tax already exists in this country.