

## CHAPTER XIV.

### REPLIES TO OBJECTIONS.

§ 1. **Object of this chapter.** In this supplementary chapter, prepared for a new and revised edition of this book, it is proposed to reply to some criticisms of details and to some objections to the general theory, which had escaped the writer's attention when the book was originally written, as well as to give the result of some statistical investigations, which have been made since that time. Almost every criticism was anticipated and answered in the former pages; but as the old objections are stated in new forms, it is desirable to quote and meet them.

§ 2. **Professor Seligman's objections.** Professors of political economy have mostly agreed to ignore the question of taxing ground rents, especially when proposed as the only tax. We know of a few professors, who privately acknowledge their belief that all taxation should be placed upon ground rent, limited, of course, strictly to the necessities of government; but we do not know, among the great majority who undoubtedly are opposed to this view, more than one or two, who have ventured to attempt its refutation. The gentlemen whose arguments were cited in the early part of this book are not college professors. But Professor Seligman is a learned and justly distinguished professor of economics; and in his *Essays on Taxation* he has devoted a

chapter to a refutation of the single tax.<sup>1</sup> His fundamental objections appear to be:

1. That, in human affairs, there are no natural laws and no natural rights.
2. That there is no fundamental difference between property in land and property in other things.
3. That taxes should be paid, not in proportion to benefits, but in proportion to ability.
4. That such a tax is utterly inelastic.
5. That "the adoption of the single tax would render it impossible for governments to utilize the taxing power as a political or social engine."
6. That it would "take away from the vast majority of citizens the sense of their obligation to the government."
7. That land values do not always increase.
8. That most huge fortunes have not come from land speculation.
9. That such a tax "would result in the destruction of the class of independent small farmers."

§ 3. **Objections: No natural rights.** Most of these objections can be answered very briefly. The one safe proposition is the denial of all natural law in taxation; and, for that matter, in any other branch of human affairs. If indeed there is no right or wrong, except (as some say) that which is enjoined by the Economic State, then the whole subject of taxation should be referred to Senator Quay, with power; and neither professors nor book-writers should presume to say anything about it. The writer entertains no doubt that every branch of human life, just as truly as vegetable life, is governed by natural laws of unerring accuracy and invariable operation. Human language, however, does not furnish means

<sup>1</sup> Ch. ix., pp. 64-94. See also by Prof. W. A. Scott, *New World*, March, 1898.

for stating with accuracy more than a small fraction of those laws, even where human knowledge is sufficient to form a general and sufficient conception of them. Language is a very rough instrument; a growth, not a creation. But the fact that no human being has ever been able to state with accuracy any natural law or natural right is no argument whatever against the existence of both, or against human ability to ascertain both sufficiently for immediate practical purposes. Few, if any, propositions (outside of mathematics) can be accurately stated.

§ 4. **Inelasticity.** The objection to the alleged inelasticity of the tax applies only to that full and rather forced measure of taxation, advocated by Henry George, taking the whole economic rent, so far as it is possible to do so, for the use of the State. Such a tax would undoubtedly be inelastic; and for that, among other reasons, it has not been advocated in this book. It may be well to observe, however, that this objection is not so serious as it might at first appear to be. That revenue is now taken by somebody; and in time of war or other great emergencies, expenditures of the people upon their own comfort must constantly be restricted, in order that the wealth applied to this purpose may be devoted to the destructive uses of the State. It would be no more difficult for the State to contract its expenditures on peaceful objects by \$300,000,000, or \$400,000,000, in any year, than it is now for the people at large to do so. When war breaks out, a vast amount of wealth must be diverted from production to destruction. Let it be supposed that the government appropriated the whole of economic rent and devoted an annual surplus of \$300,000,000 to the support of parks, libraries, free railroads, and any other popular luxuries (a course which we do not advise); all this outlay could be stopped on the outbreak of war, just

as well by the government, as it now has to be by private citizens. But in any event, this objection has nothing to do with the argument of this book.

**§ 5. Control by non-taxpayers: taxes as reforming agencies.** The objection that a single tax would place the control of government in the hands of a great majority, who would not pay any direct tax, and would not appreciate the advantages of economy, is surely ironical, in view of the system of taxation now maintained by all civilized countries, and, above all, by the United States; under which nineteen twentieths of all the voters have no idea of how much they pay, or whether they will pay more if taxes are increased or less if they are diminished. The objection that the adoption of a single tax would make it impossible to use the taxing power for the profit of private individuals, for the pretended promotion of industries, or for other fraudulent schemes, is really one of the strongest arguments in its favor. And even recognized social reforms, if they can only be accomplished by a dishonest use of the taxing power, will be far better left alone.

**§ 6. Taxation according to ability.** The objection that taxes ought to be levied according to ability, rather than according to benefits received from government, is the most plausible of any; because it appeals to sentiments of benevolence and philanthropy. It is a reproduction of Louis Blanc's famous maxim of Socialism: "*From each, according to his abilities: to each, according to his needs.*" But it will usually be found that any attempt to dispense with even-handed justice, under the temptations of philanthropy, is a serious mistake. Charity can be given only to the few: it can never be extended to the masses. The only true philanthropy is that which aims to render even-handed justice. And therefore, the

moment that we allow ourselves to be drawn aside from the path of justice, by pretended considerations of philanthropy or charity, we are sure to enter upon a course which will rob the many, for the benefit, not of those who need charity, but of the sagacious few, who will appropriate the entire benefits of such charity, to add to their own wealth. There can be but one strictly just basis of taxation; and that is the basis of benefit received from the taxing power. It is quite true, as Professor Seligman says, that for many years both statesmen and political economists have constantly inclined more and more to the idea that taxation ought to be levied in proportion to ability; but this is because it has become more and more clear, as the subject was more deeply studied, that there is, and can be, no tax laid strictly according to benefits conferred, with the solitary exception of the tax on ground rents; and this tax, both statesmen and economists are determined not to admit. But meanwhile, as the practical result of all this supposed philanthropy, the burden of taxation has more and more been shifted upon the poor, and less and less apportioned according to ability. At all events, this is unquestionably the fact with regard to the United States, as well as to France and Italy. One sample of the arguments which are used in support of this alleged charitable theory will suffice. It is said that the poor derive more benefit from government than the rich; because the rich are able to defend themselves and the poor are not, and therefore that, under the "benefit theory," the rich would pay least.<sup>1</sup> The fact is, as everybody knows, that property is always in more danger than life, that the average poor man is not exposed to one tenth of the dangers of a rich man, and

<sup>1</sup>Seligman, *Essays*, 72; *Prog. Taxation*, 83; Mill, bk. v., ch. i., sec. 2.

that he is ten times as well able to defend himself. The rich man, it is true, has it in his power to hire a large number of poor men to defend him; but under a good government, he needs none; while, in the absence of government, every rich man must have, as he had in ancient times, his troop of hirelings in attendance, wherever he goes. Abolish all government; and each of the twenty thousand richest men in this country must, on an average, employ one hundred men to defend him; while he would not then have one fourth of the security which he now has. Such a band of attendants would consume the entire income of wealthy men; as it is a matter of history that the income of barons, in olden times, was all consumed in the support of their henchmen.<sup>1</sup>

Ground rent, it has already been shown (*ante*, pp. 115 to 118), is automatically apportioned according to the market value of the benefits conferred by government and by human society. We do not mean that this apportionment is microscopically accurate; but we do mean that it represents, as accurately as is possible in the nature of things, the amount which every man estimates to be the real value to himself of these advantages. A tax levied in exact proportion to ground rent will therefore also be levied in exact proportion to the benefits derived by each tenant from government; while it will be paid exclusively from a fund which the landlord receives, as a direct benefit from government, and which could not exist, for one moment, without government. It is therefore a tax which practically answers both of the conditions

<sup>1</sup>We may form some idea of what an enormous benefit is conferred upon rich men by good government, from the simple fact that, according to the testimony of his executors, the late Mr. Jay Gould paid to the New York Chief of Police, during the last few years of his life, over \$300,000 for mere protection against personal violence, as a result of the low standard of government then existing in New York City.

proposed. It never can be in excess of the *benefits* received by the taxpayer; and it never can be in excess of his *ability* to pay. Indeed, it would not be difficult to prove that such a tax is more nearly proportioned to ability, as well as to benefits, than any other.

§ 7. **Land values not always increasing.** The objection that values of land do not always increase, but, on the contrary, sometimes diminish, is one which has been frequently advanced, and is always amusing. It had some slight validity, when opposed to John Stuart Mill's plan for appropriating *future* unearned increment. But as an argument against the adoption of a tax which rises or falls in precise proportion to *present* unearned increment, whether that be great or small, it is really without point. Those whose land declined in value would have the comfort of knowing that they would be called upon to pay less taxes; and if finally their land produced no rent, they would pay no taxes. Meantime, every penny of ground rent is a penny of unearned increment.

§ 8. **Rent not sole source of great wealth.** The objection that the enormous fortunes of the present day have not generally been made out of land speculation or ground rents in any form, has already been answered (*ante*, p. 211). Occasionally, fortunes are made by shrewd speculation in other things than land values or monopolies; but these fortunes are rare and relatively small; while their continuance during two generations is practically unknown. The enormous fortunes made out of steam railways, street railways, gas companies, telegraphs, and telephones are, without exception, made by obtaining, without proper taxation, exclusive land-privileges, of enormous value. Three fourths of the entire stock and bonds of any street-railroad company, for example, represent mere franchises. Three fourths,

and in some instances seven eighths, of the entire capital of gas companies represent the exclusive privilege of laying pipes in city streets. Every dollar of speculative profit, in railroads and telegraphs, in excess of the ordinary compensation for time, skill, and risk, comes from the rise in value of the privilege of laying rails and stretching wires over land. As to the Sugar Trust, which Professor Seligman cites so triumphantly, it is notorious that its enormous profits are due to its successful manipulation of tariff laws; yet, oddly enough, the Professor gravely makes it an objection to a tax on ground rents, that it would abolish all tariffs. And is the Sugar Trust adequately taxed under the present system; or can it ever be?

**§ 9. Farms and towns: Eastern statistics.** Professor Seligman cites a number of statistics from States where land and improvements are separately assessed; all of which tend strongly to show that the value of mere land is always greater, in proportion to improvements, in rural districts, than in towns or cities; from which he draws the conclusion that taxation upon the value of land alone would be ruinous to farmers.

We will first deal with his Eastern statistics. These consist solely of figures taken from the entirely unofficial Revenue Commission of Pennsylvania. He absolutely ignores Massachusetts, where close assessments of land and buildings, separately, have been made for many years; and especially Boston, the assessors of which, for more than thirty years, at least, have been among the most faithful, skilful, and efficient in the country. The Pennsylvania statistics, thus relied upon, were founded, as the Commissioners themselves acknowledge, substantially upon guesses, as the assessment returns did not separate land from build-



ings. The full report of the Commission furnishes conclusive proof that the estimate of land values in Philadelphia is absolutely erroneous. Philadelphia County is less than one third the size of Allegheny County, while it contains about double the population; although Allegheny County contains Pittsburgh and Allegheny City, the next largest cities in Pennsylvania. Population is therefore six or seven times as dense in Philadelphia as in Allegheny. Yet the tables upon which we are asked to place such exclusive reliance (although based upon guesswork) show the following extraordinary results, in round numbers:

	Population.	Land.	Buildings.	Personalty.
Philadelphia..	1,047,000	\$357,000,000	\$646,244,000	\$794,000,000
Allegheny....	552,000	400,000,000	300,000,000	272,000,000

Thus we are asked to believe that while Philadelphia has, relatively to Allegheny's 100, a population of 190, a value in buildings of 215, and in personalty of 292, it has a relative value in land of only 89.

These figures are impossible and absurd on their face. The figures for Allegheny County correspond with general experience; but the Philadelphia figures correspond with no experience, and are an affront to human reason. In every part of the world, except Philadelphia, land rises in value, with tolerably close proportion to density of population, the value of buildings, and general wealth. We are asked to believe that in Philadelphia alone all economic laws are reversed, that doubling population halves the value of land, and that the faster movable wealth increases, the faster ground rents decline. The truth is, beyond doubt, that the land of Philadelphia, instead of being worth less than the land of Allegheny, is worth twice as much; that the superiority of Philadel-

phia, in land values, is at least as great, in proportion, as in buildings; that these values are at least \$857,000,000, instead of \$357,000,000, as stated in this extraordinary report; and that the proportion of land values to all real-estate values, in Philadelphia, was at least 54 per cent., instead of 36. The absurdity of this estimate of Philadelphia land may be further shown by the fact that, if land were assessed at the same value there, in proportion to population, as it is in Boston, it would be worth \$930,000,000, or, as compared with San Francisco, \$680,000,000, or, as compared with St. Paul, \$695,000,000, instead of \$357,000,000.

§ 10. **Farms and towns: Western statistics.** Professor Seligman then cites assessment returns from far Western States, showing that in every thinly settled territory the percentage of building values to all rural real estate is small; being about 30 per cent. in Montana, 20 per cent. in Colorado, 10 per cent. in Washington, 24 per cent. in California, and 5 per cent. in North Dakota; which last he well calls remarkable figures. Apart from the notorious and flagrant inaccuracy of assessments in all those States, as repeatedly exposed by their own officials, these figures bear another and simple explanation. Substantially, the whole of these improvements are situated upon *improved* farms. How very small a part of the whole acreage of these States is included in improved farms will be seen at a glance by the following figures, in which the best comparison of which statistics will admit is made between the acreage of improved farms and the acreage of all the land (excluding town lots) included in the tax lists. In Washington (1893), the assessed acreage of similar land was 13,457,664; of which 2,014,472 were improved. In California (1893), the like total acreage was 36,970,836; of which 12,222,839 were improved in

1890; later figures not being obtainable. In Colorado, in 1890, improved farms included only about 1,600,000 acres.<sup>1</sup> The acreage of assessed land (excluding town lots and mines) was 12,901,000. Thus the proportion of the improved land to the whole acreage assessed was, in Colorado,  $12\frac{1}{2}$  per cent., in Washington, 15 per cent., and in California,  $33\frac{1}{3}$  per cent. We cannot procure such statistics for North Dakota or Montana. The result is that the whole of these building values are found upon one eighth of the "land" in Colorado, 15 per cent. of these in Washington, and one third of these in California. Applying these corrections to Professor Seligman's figures, we find that the proportion of building values to the whole value of the *real farms* upon which they stand is about 60 per cent. in Colorado,<sup>2</sup> 40 per cent. in Washington, and 50 per cent. in California. Let us apply the same principle to Pennsylvania, where the Revenue Commission gives the entire value of farm land, without buildings, as \$480,000,000, and of buildings at 245,500,000, or 34 per cent. of the whole. In 1890, over 28 per cent. of this land was wild; thus reducing the value of the *real farm land* to \$345,600,000. Buildings alone, therefore, constituted  $\frac{245}{345}$ , or  $41\frac{1}{2}$  per cent. of the value of *real farms*, which is almost exactly the proportion of building values in Boston.

§ II. **Farmers or land speculators?** From these figures, it will be seen that the "farmers," for whose protection so much concern is constantly manifested by

<sup>1</sup> No statement is obtainable for 1894. But as the total acreage of farms declined from 4,599,000 in 1890, to 3,900,000 in 1894, while the improved acreage in 1890 was less than 40 per cent. of the whole, the same proportion may be assumed for 1894.

<sup>2</sup> Professor Seligman, in his desire to be fair, made a concession on the Colorado figures of some \$900,000, improvements on untaxed lands, of which we do *not* take advantage.

the opponents of any attempt to reduce taxation to scientific principles, are actually land speculators. It is only so far as they are land speculators that this benevolent interest is felt in their affairs. It is true that a majority of farmers are to some extent land speculators. But their interests, *as farmers*, are entirely distinct from, and generally opposed to, their interests *as speculators*; and the interest of the farming class, taken as a whole, must be strictly separated from the interest of land speculators, as such, whether farmers or not. In the former part of this book, we did not take the trouble to make this distinction; because it is easy to show that east of the Alleghanies, at least, speculation in farm land is hopeless; and therefore no distinction need be drawn between the Eastern farmer's interest in improved lands and his interest in wild lands. But in the Western States, land speculation, so wild and desperate, that it cannot and ought not to be distinguished from other gambling, is a curse so universal, that farmers are affected with it as much as any other class of the community. That nine tenths of them must lose by it, is obvious to any one who understands the elements of speculation. It is a lottery, from which, in the nature of things, nine tenths of the investors must draw blanks. Speculation in Western land (including railroad franchises as land) has always been one of the greatest curses of this country. It was the chief, if not the sole, cause of the terrible panics of 1837, 1857, 1873, and 1893<sup>1</sup>; for although there were other well-recognized causes which materially contributed to those panics, they did so only by stimulating and facilitating speculation in land, mostly in the West. We do not

<sup>1</sup> This fact, which the writer has for many years asserted, is made very clear, with reference to 1893, by Mr. Fletcher, in the *Atlantic* for May, 1898.

pretend that a just and scientific system of taxation would facilitate this speculation, or help farm speculators; we admit that it would not. What we insist upon is that this time-honored form of gambling is ruinous to farmers, as much as to all other gamblers, and that just taxation will promote the interest of the *real* farmer, as it will that of any other owner of land which he personally occupies and improves.

§ 12. **An assessor's statistics.** Turning from professors to practical men, we find in a pamphlet issued by Mr. Thomas Hills,<sup>1</sup> one of the most experienced and upright assessors in the United States, an argument against the limitation of taxation to ground rents, which, as usual in such cases, furnishes statistics of the best kind in its favor. Mr. Hills' argument is founded upon oversight of the same fundamental facts and principles which were overlooked by Mr. Atkinson and similar critics (*ante*, p. 139); and it is unnecessary, therefore, to reply to it. But his statistics are of the greatest value, only exciting regret that he has given so few. Few as they are, they suffice to completely demolish the Carey theory, that land value represents nothing but the product of industry applied to land, and the farmers' theory, supported by Professor Seligman, as to the large proportion of building values on town lots. In 1856 the State of Massachusetts owned about one hundred acres of marsh land, in the Back Bay of Boston. It filled up these marshes with gravel, and laid out all necessary streets and ways, thus making the land perfectly ready for building purposes, at an expense of \$1,642,000. After presenting filled land to the city of Boston, then worth \$470,000, and to certain scientific institutions, to the amount of over \$350,000, the remain-

<sup>1</sup> *Modern Taxation*. Boston, 1894. Mr. Hills was chairman of the Boston board of assessors for twenty-five years.

der of the land was sold for \$5,084,000, making a total immediate profit of at least \$4,262,000, which was, of course, pure land value, or, more scientifically speaking, the capitalized value of the ground rent. But this was only the beginning. Fifty-three acres of this land, entirely exclusive of buildings, was assessed, in 1892, for \$19,246,800; and it is now worth vastly more than that in the open market. Here, then, is a pure land value of \$17,614,000, or over \$332,000 per acre; not one dollar of which is the product of any skill or industry of the owners of these lands, past or present. So much for the Carey theory. Mr. Hills next gives the precise figures for 1892, of a single block in the heart of Boston, lying between Washington Street and Tremont Street. This block, containing 97,652 square feet, was assessed, for the land alone, \$7,157,800, and for buildings alone, \$982,200. The pure land value was \$73.29 per foot, \$3,192,512 per acre; the building value \$10.05 per foot, \$437,778 per acre. Thus, in one of the most thickly settled and closely built parts of Boston, the land value is more than seven times as great as the building value, and is 86 per cent. of the whole real estate. What could more effectually dispose of the theory of the farmers' friends, as to the alleged vast preponderance of building values in cities? Mr. Hills, with singular blindness to results, compares these values with land values in Berkshire County. Following his suggestion, we will also make such a comparison. In Berkshire, the value of buildings alone amounted, in 1897, to 44 $\frac{1}{2}$  per cent. of all the real estate, while the value of *all* improvements was much over 60 per cent., as against 14 per cent. in the heart of Boston.

§ 13. **Official statistics of farm values.** After the publication of this book, in 1895, the writer suggested to

the Secretary of Agriculture and the Commissioner of Labor of the United States (both of whom were opposed to his theory of taxation) that an inquiry should be made, by experts, into the relative value of land and improvements, in both farms and cities. The Commissioner of Labor was unable to undertake the work, for want of funds. The Secretary of Agriculture could only undertake an investigation into the value of farms. Experts, appointed by him, personally visited 1114 farms in widely separated parts of the State of New York, and 89 farms in Western Massachusetts, and obtained from the owner of each farm his own estimate of the value (1) of his land without improvements, (2) of his buildings, and (3) of his other improvements upon land. As none of the farmers visited were in favor of laying taxes exclusively upon ground rents, their statements certainly were not colored by any desire to furnish statistics in support of that theory.

The statements thus collected from 1114 New York farms showed the following result:

Land Value.	Buildings.	Other Improvements.	Total.
\$2,842,192	\$3,164,211	\$1,251,399	\$7,257,802

Thus, while buildings alone constituted only 43.6 per cent. of the entire value of the real estate, and the land, *with* other improvements, 56.4 per cent., the value of the land alone, *without* any improvements, was only 39.2 per cent. of the entire real-estate value.<sup>1</sup>

<sup>1</sup> A full report will be found in Circular No. 5, Dept. Agriculture, 1897. Statistics for 521 other farms were received too late for publication officially. But adding these figures, the entire showing for 1635 farms was:

Land Value.	Improvements.	Total.
\$3,901,465	\$5,789,520	\$9,690,985

Thus the value of the bare land was 40 $\frac{1}{4}$  per cent. of the entire real-estate value of these 1635 farms.

In the course of this inquiry, another noteworthy fact was disclosed.

The returns from eighty-nine Massachusetts farms were not published, but were furnished to the writer. They show the following result:

Land Value.	Buildings.	Other Improvements.	Total.
\$286,169	\$242,905	\$385,364	\$914,438

Thus, in these farms, the value of the land alone, without any improvements, was only  $31\frac{1}{3}$  per cent. of the whole.<sup>1</sup> These figures agree with those drawn from the farm census of Hampshire County (*ante*, p. 198); but the returns from the much larger number of New York farms seem to correspond more closely with the general

The proportion of land values steadily rises as farm lands become more valuable, while the assessed valuation as steadily falls. Out of 889 farms in Chautauqua and Cattaraugus Counties, 159 were valued at over \$50 for each improved acre, while 622 were valued at less than \$35. We call the former "rich" and the latter "poor." They showed these results:

	Total Value.	Land Value.	Assessed Value.
Rich farms.....	\$1,360,759	\$750,657	\$518,265
Poor ".....	2,184,235	792,483	1,287,823

Thus the very valuable farms had a bare land value of 55 per cent., but were assessed only at 38 per cent. of their real value, while the low-grade farms had a bare land value of only 36 per cent., but were assessed at 59 per cent. Here is another striking proof of the uniform tendency of the present system of taxation to heap burdens upon the poor, increasing in proportion to their poverty, as well as of the power of natural taxation to reverse this tendency.

<sup>1</sup>This result (which agrees with Hampshire County, *ante*, p. 198) is reached by correcting the actual returns in accordance with the rule (*ante*, p. 195) of allowing one third additional value to improved land, on the assumption that its situation is better than that of the unimproved land on the same farm. This, of course, is a great concession on our part, as it adds materially to the proportion of land value. The agent who conducted the inquiry was firmly of opinion that the real land value was very much less than that given above. He reported the average value of improved land (without buildings) at \$80 per acre, and of unimproved land at \$17.44. These farms contained 14,148 acres, of which only 6791 were improved. The New York farms averaged \$41 of improved land, and \$15 for unimproved.



proportion of land values in farms, in the country at large. The New York statistics afford striking confirmation of the estimate heretofore made, upon the basis of the Massachusetts farm census (*ante*, pp. 194, 198), that the pure land value of farms is about 38 per cent. of their entire value; and they fully justify the figure of 40 per cent., as the value of bare land in farms, upon which the calculations of this book have been made (*ante*, pp. 189, 190). Moreover, they fully explain the reason why assessors generally return "improvements" as little more than 40 per cent. of farm values. Assessors count buildings alone as "improvements"; while fences, drains, clearing, subsoiling, cultivation, farm roads, etc., constitute from 15 to 25 per cent. of farm values.

**§ 14. Why cities have greater value in land than in buildings.** If we were to follow the example of most of our opponents, we should content ourselves with standing upon the simple facts, paying no attention to theories or explanations. But, as we do not believe this to be either a fair or wise method, we shall not imitate their bad example, but will proceed to explain why it is that, contrary to the usual expectation, the value of land, in proportion to buildings, is relatively greater in villages than on open farms, greater in towns than in villages, and greater in large cities than anywhere else. Undoubtedly the average cost of each new building in a large city is greater than it is anywhere else. It is quite probable that the average cost of new buildings in cities, towns and villages is much greater than the average cost of the lots on which they are built. At all events, we will, for the present, concede this to be so. As the result of inquiry, we believe that the cost of new buildings in the city of New York averages double the value of the lots underneath them. Therefore, the land value under per-

fectly new buildings may be put as low as 33 per cent., and the improvements at 67 per cent. of the entire real estate thus built upon, at the beginning.

But city *land*, on an average, steadily rises in value every ten years,<sup>1</sup> while *improvements* rapidly decline in value. Owing to the rapid progress of the arts, buildings can be put up at less than half the cost of thirty years ago, if the same quality will be accepted. We all want better buildings, however; and therefore the reduction in price is not so obvious, when new buildings are demanded. It is perfectly obvious, however, when we attempt to sell an old building, no matter how carefully it has been maintained, repaired, and even improved. There is not a *building*, thirty years old, in any city, even though put in thorough repair and furnished with modern improvements, which can be sold for two thirds of what it originally cost, apart from the land, before the improvements were made. Indeed, it is an axiom among real-estate dealers that interior improvements, although they may add for a time to the *rental* value of a private house, add practically nothing to its *selling* value. Very few buildings are kept in full repair, much less improved. The great majority are simply kept together, at the least possible expense. These, at the end of thirty years, are not salable for one third of their original cost. Thousands of tenanted buildings, in such cities as New York, Philadelphia, Boston, and Chicago, are worth literally *nothing*. They are constantly torn down and carted off as mere rubbish; and the land is worth more without them than

<sup>1</sup> In Boston 19,100 acres were assessed in 1890, and only 17,930 in 1897, a reduction of 6 per cent., due to the increased use of land for public purposes. The number of buildings increased from 50,500 to 61,500, an increase of 20 per cent.

The value of bare land was \$365,548,000 in 1890, and \$468,407,000 in 1897, an increase of over 28 per cent.

it is with them. Meanwhile, the value of the *land* steadily rises. Let us now assume that real estate begins with a land value (on an average) of 33 per cent. and building value of 67 per cent. Take three lots, costing originally \$10,000 each, with buildings. One of these, in thirty years, will have a land value of \$6600, and building value of only \$3400. Another will have a land value of \$5000, and a building value of only \$2500. Another, in a rapidly growing business section, will have a land value of \$10,000, and no building value whatever. In the three, taken together, the proportion of land value to the whole will have risen from 33 per cent. to 78 per cent.; although the entire value of the real estate may be less than it was originally. And as the value of land constantly rises, in every growing city, the proportion of that value, where buildings remain unchanged for thirty years, must rise to at least 67 per cent. of the real estate. And yet no allowance has been made for the large amount of vacant valuable land in every large city, which in Boston is assessed at 13 per cent. of all land values<sup>1</sup>; and which cannot well be less in any city. The fact is, that if it were not for the constant erection of new buildings in growing cities, the proportion of land values to their entire real estate would be much nearer 75 per cent. than 60 per cent. We have already shown that in the very heart of Boston the land value is 86 per cent. and the improvement value only 14 per cent.

**§ 15. Why proportion of land values is greater in town than in country.** The reason why land values proportionately increase as we pass from farms to villages, then to towns, and finally to large cities, can be best understood by practical illustrations. The average value

<sup>1</sup> Value of all Boston land, \$422,133,000; of vacant land, \$54,095,000 (*Annual Report of City Assessors, 1894*).

of farm-houses in Massachusetts, in 1885, was \$1010 each. Allowing half an acre of the best land for a building plot, the land value under each farm-house would average less than \$50. In any Massachusetts village, a house of the same value would stand upon a similar piece of land, easily worth \$200. In a business town, a similar house would be allowed only a quarter acre of land, which, however, would be well worth \$500. In the fully settled parts of Boston, it would not pay to build such a house; but, if built, it must be built on the sixteenth of an acre, costing at least \$1500. Thus the proportion of land value for the same building would be, on the farm,  $\frac{1}{16}$  per cent.; in the village,  $16\frac{2}{3}$  per cent.; in the large town,  $33\frac{1}{3}$  per cent.; and in the city, 60 per cent. But it will be said that the "great palaces" of cities are built upon small pieces of land. Mr. Hills, however, shows us what is the value of land in districts where "palaces" are built in Boston. In 1892, such land averaged \$183,000 per lot of 25 feet front; and upon over two acres thus valued, there was not then a single "palace."