

Story of a Piece of Land

In which ROBERT BLACKLOCK, Irvington, New Jersey, business man and Justice of the Peace, recites a bit of local history and points a moral.

★ THE PROPERTY CONSISTS of one and one-quarter acres and was acquired by a late relative of the present owner about 70 years ago for \$3,000. With frontages on two main highways, it forms an entire block except for one corner plot measuring 50 by 100 feet. It is assessed at \$40,000 and the tax is \$1,655 per year. Some fourteen years ago the owner refused \$165,000 for it and priced it at \$200,000, which would represent an increase of 6,700 per cent. Compare this with the price of sugar, which in the same period has advanced little if at all; nails, which have actually decreased; and bread, which has gone up by a comparatively modest percentage; and then figure out what happens to the surplus of production values each year, and see how land values become the dead hand grasping at living income.

But to return to the piece of land in question. It had a rental value of \$4,800 per year up to some three years

monopoly of land being made impossible, there could be no poverty among the able-bodied, and hence no slums. As the effect would be to always produce more jobs than men, there would be no unemployment among willing workers, and with the exception of the badly disabled, no need for pensions and charity. Not being able to invest large sums of money in site values, holders of spare capital would then have to lend it, at low rates of interest, for improvements of all kinds, particularly the building of houses and factories, and farm improvements.

Moreover, as this policy, called the Natural Justice policy, involves complete Free Trade, the social rent taking the place of Customs duties, building materials of all kinds would be at the world's lowest price, quality for quality. This would stimulate building intensely, and the building industry and ancillaries are the greatest employers of labor.

Immense gain would accrue to this system by virtue of the Natural Justice Freehold embodied. The man wanting land for a house, a shop, a factory, a farm, or any other purpose, would be able to get land merely by paying to the local body the full annual social rental value, and would not have to find money, or give a mortgage and pay interest, to provide a large capital sum for purchase of land. All this part would be available then for buildings and improvements, and yet the holder would be able to sell the title and improvements, and enjoy all the advantages of the freehold tenure.

ago. At present two-fifths of the site is rented for \$2,100 annually; the remainder is awaiting a tenant. One parcel, 50 by 100 feet, was rented three years ago for \$600 a year, with the proviso that the figure be increased ten per cent a year. Now a new lease has been made for three years at \$900 a year.

To compute the selling value of this parcel which has just been leased, one takes the rental over a 20-year period, less the tax collected during that time, and the value arrived at is \$16,000, a value created entirely by the community and its public services.

On the corner 50 by 100 feet, which is not a part of this acre-and-a-quarter estate, a house was built sixteen years ago. Subsequently the property was sold for \$10,000, the seller being allowed to keep the house on the condition that it be removed from the site in order to make way for an apartment building. The apartment, together with the lot, is now taxed forty per cent more than is the much larger area comprising the remainder of the block. The present owner is the third to come into possession of the property, which he bought from a Building and Loan Association at sixty per cent of the value of its mortgage. Thus the ownership of wealth—the apartment house—is far less profitable than the ownership of the adjoining land.

Here is a graphic example of the working of rent. The landowner lives on the community-created rental value of the land, extracting from his tenants not only this natural rental value but a speculative rental value as well, because the tenants, having invested their capital in improvements, have no choice. They are tied to his land and can be forced to pay all the traffic will bear.

The apartment-house owner next door is constantly paying the major portions of the rents he receives from his tenants for maintenance and for interest on invested capital, because he bought the building on "terms," i.e., a down payment and fifteen years to pay off the balance. In this connection it is pertinent to note that Frederick M. Babcock in "The Appraisal of Real Estate," one of the "Land Economics Series," states that a brick building at the end of forty years has no value; so the owner is paying on a constantly decreasing amount of wealth.

And now what is the answer? To the seeker for profits it is that land offers better opportunities for income than buildings, and that to possess rentable land is the happiest of goals. To the seeker for justice it is that society must open its eyes to its own blunder in permitting land monopoly to choke the very source of prosperity. It might appear to some that a compromise adjustment, such as paying the present owner of the land the sum of \$3,000—the amount paid by his relative when he bought it seventy years ago—would be a gain to society, but such a solution would still fall short of justice. Full justice demands that all, and not merely a part, of the economic rent created by the community be collected by the community.