

BY HAROLD SUDELL

What Bolton Hall says about the peculiar effect of the stepping up of a land tax on the assessment value, when levied on the selling value of land, is all true. The tax should be levied on the economic rent of land and not on the selling value.

But, so accustomed are we, in this country, to thinking in terms of selling value, that I fear it would be as difficult to change our assessment methods as it is to change our taxing plan.

In 1930, when the Snowden land tax was under discussion in Great Britain, I wrote several of the leading Single Taxers there, urging them to make rental value and not selling value the basis for their tax. I pointed out the weaknesses we had found in the use of selling value as shown by Pittsburgh results. In Great Britain, because their local taxes (Rates) are levied on rental values and not on selling values, they are much more familiar with the term than we are here. But, rather to my surprise, they did not take kindly to my idea and some of them resented my suggestions because I was an outsider. The late Sir Edgar Harper, who had charge of the Lloyd George land assessment, was one of those to whom I wrote. At first, he, too, was opposed to the idea, but, after an exchange of several letters, he came around to my way of thinking and endeavored to bring his colleagues to see it that way too, but with no better success than I had. Writing me later he said "if we do levy on capital value the land must be valued as tax free." This, in effect, would mean that to the present selling value would be added an amount which would represent the present annual land tax, capitalized. If Mr. Hall will do this with his illustrations he will find that it will give him his original selling value on every case. This strikes me, however, as being a rather clumsy method of doing it, but it will work.

Now for another way. In drawing up, last year, a step-by-step law for Philadelphia, I adopted a plan suggested to Mr. Walter Fairchild by some New Yorker whose name I have not got. This method, instead of specifying, as does the Pittsburgh law, that certain rates shall be levied, specifies that a certain percentage of the total revenue shall be drawn from land and a certain per cent from buildings, the tax rates being adjusted to bring these percentages. This measure started with fifty-five per cent and forty-five per cent respectively and changed five per cent each year in each case until finally only five per cent was to be drawn from building values and ninety-five per cent from land. This avoids the pitfalls of the Pittsburgh plan. There, when the plan was started, the total land values were as 170 to 100 of building values. Now the building values slightly exceed the land values. And so, although the tax on land is now twice that on buildings, the total percentage derived from the land is only a little greater than

it was when the plan started. It has kept down land values, which is good, but it has not proportionately shifted taxes from buildings to land. This proposed Philadelphia law will do this, and I deem it the best method for a step-by-step law if selling value is the basis.

BY RAY ROBSON

Mr. Bolton Hall's thorough understanding of economic principles is universally known. It is a surprise therefore to find in his article in the current *LAND AND FREEDOM* an apparent misapprehension of the result of the practical application of those principles.

It is assumed in his illustration that a lot worth \$50 annually, and hence if untaxed salable at \$1,000, would retain that value till the tax is actually levied. This could not happen. As soon as a tax law is passed or even suggested, the selling value begins to fall. Buyers and sellers alike know that the \$50 will be no longer a net income, but will include both income and taxes, that is, five per cent plus three per cent, a total of eight per cent of the sale price. \$50 is eight per cent of \$625. This is the new sale price and will so remain if taxes remain at three per cent and other conditions remain unchanged. If the tax rate goes to five per cent, half the rental goes for taxes and half is net income, \$25, on a selling value of \$500. There is no more reason for a violent fluctuation in price every year than there is now. Some land is now taxed almost three per cent without causing any such fluctuation.

The only difficulty that may arise is really an imaginary one. If, when the Single Tax principle is adopted, we begin to take, "step-by-step," as we probably shall, more and more of the rent in taxes, the selling price of land will gradually fall, and the tax rate must rise still more rapidly to raise the same amount on a smaller tax base. But what of it?

We have two good alternatives. We can stop a little short of the full rental value. For instance, a tax rate of one hundred per cent, making the tax and the selling price equal, would leave the landlord five per cent of the total income. But what seems to me a better plan is to begin assessing property at its annual rental value instead of its selling price, which is based on rental value. We would quickly get accustomed to the change, and could then take one hundred per cent of the rent without any upset of assessor's figures or the creation of an illusion of "depreciation" of property.

BY EVARISTO V. MONTALVO.

Referring to an item by Mr. Bolton Hall appearing in the May-June issue of *LAND AND FREEDOM* under the caption, "Step-by-Step to Nowhere," it seems clear that the method suggested by Mr. Hall is not a gradual approach to the Single Tax.

I believe the following table will show how economic

rent may be collected in full as gradually as may be desired:

IN FIVE YEARS

Year	Net economic rent 5% of selling price	Estimated selling price	Tax
1	\$50.00	\$1,000.00	0
2	40.00	800.00	\$10.00
3	30.00	600.00	20.00
4	20.00	400.00	30.00
5	10.00	200.00	40.00
6	0	0	50.00
etc.	etc.	etc.	50.00

Mr. Hall assumes a case in which the rent does not vary, but this would be exceptional in actual practice. There is no doubt that in progressive communities the total of economic rent tends to increase in value, but may be subject locally to frequent and considerable fluctuations. To ascertain the extent of these variations with any reasonable degree of accuracy will in my opinion be a difficult problem to solve in the application of the Single Tax.

BY THOMAS RHODUS

The Single Tax when properly applied will take the full rent of land into the public treasury.

When Henry George proposed to "put all taxes on the value of land," did he mean to tax the SELLING PRICE of land? He said: "It is this capacity of yielding rent which gives value to land," and he explains that the value of land is "the rent computed or capitalized." It would seem therefore that the TOTAL ground rent capitalized at the current rate of interest is the LAND VALUE that Henry George would tax.

If the total or gross ground rent is \$100 and interest five per cent, the land value for purposes of taxation under the Single Tax would be \$2,000, and this would also be the selling price so long as there was no tax on the land. But when we tax land, the selling price shrinks and is no longer the full value. Our present small land tax divides the ground rent between the government and the landholder: the selling price being the capitalized value of the ground rent retained by the landholder. The selling price is the value of the landholder's interest in the land; whereas the full value of land is the capitalized value of ALL the ground rent, including the Rent taken in Taxes and the Rent retained by the Landholder. In other words: if the TAX PAID is capitalized—and ADDED to the Selling Price, this TOTAL will be the FULL VALUE. And as the Tax increases, the selling price disappears accordingly; but the GROSS GROUND RENT is UNCHANGED and, therefore, the GROSS LAND VALUE, as a basis of taxation, would remain UNCHANGED. And, when the Tax Rate is the same as the Interest Rate, the Single Tax will then take the full rent of land into the public treasury each year. This is all shown below:

TAXATION OF LAND VALUES

Interest at 5 per cent.

The Gross Land Value being the Gross Ground Rent capitalized at the current rate of Interest.

Gross Ground Rent	Gross Land Value	Tax Rate per cent of Land Value	Tax	Net Rent to Landholder	Selling Price
\$100	\$2,000	0	\$ 0	\$100	\$2,000
100	2,000	1	20	80	1,600
100	2,000	2	40	60	1,200
100	2,000	3	60	40	800
100	2,000	4	80	20	400
100	2,000	5	100	0	0

But let us not forget the earlier and more simple proposal of Henry George. He said: "What I therefore propose, as the simple but sovereign remedy . . . is to appropriate rent by taxation." It would be entirely constitutional, if the United States Government immediately took ground rent by a Special Income Tax,

BY DOCTOR ROYAL E. S. HAYES

As to the problem stated by Mr. Bolton Hall in the May-June number of LAND AND FREEDOM, page 77, it seems to me that selling value would be considered only in beginning an effective assessment on monopoly and speculative rent for the purpose of effacement of those two components of ground rent.

I do not see how we may arrive at a confident solution and procedure without beginning with the first considerations of the problem and letting them guide us to its end. Let us then look at "Progress and Poverty," Book III, Chapter 2, "Rent and the Law of Rent." Here the formula is given:

Produce = Rent + Wages + Interest."

I think all agree that; Wages to the worker

is just; that Interest to capital is just; that

Economic rent to the community is just; that

no other distribution can be just nor continue without further complicating and consolidating injustice. If wages have been unjustly added to rent, as in the private monopoly of land, the just procedure is to take from rent and restore that unjust appropriation of wages to labor where it rightfully belongs.

Therefore, if private monopoly and speculative concern together with general process have brought a lot to the selling value of \$1,000 represented by \$50 annual lease, the tax would be \$50 at first and as much thereafter as would keep monopoly and speculative rent (See Condition of Labor, English edition, page 17, or Doubleday and Doran's pp. 13-14) out of the holdings to remain in wages and interest where it normally belongs, while the purely economic rent would continue to go to the common treasury.

To determine the just amount of the tax for each year or at any particular time, how about this formula?

As $\text{Produce} = \text{Rent} + \text{Wages} + \text{Interest}$, so
 $\text{Rent} = \text{Produce} - \text{Wages} - \text{Interest}$.

Therefore, let the market price or bids for the lease of the lot, after agreement as to improvements has been settled, determine the economic rent. Such bidding, after the monopoly and speculative water have been squeezed out, should accurately represent the economic rent of the individual holding. Of course it is possible, even after the Single Tax system has been going awhile, that minimum rates based on precedence should be continued for the protection of the community. It is a question. Anyhow, the solution of the whole problem should be facilitated by the freedom and opportunity yielded by the immense amount of land available, and by the high wages.

Of course this will all be futile unless all other impositions are abolished. To attempt otherwise is to try to make the horse push the cart. It always goes better the other way around, the horse feels better about it, you know.

As to step-by-step plans it seems to me that the only certainty of attaining the end that way is to pursue the course relentlessly at a fixed pace regardless of selling price until the desired limit is reached; but that any such procedure will be hindered by all the misunderstandings, disputes, perversions and trickeries that inhere in politics; that the path is beset with serious dangers to the cause, both insidious and acute; that the energy put into politics might better be spent in undermining ignorance with understanding.

May I add a word more that is directly related to this subject if not of it? An understanding of the just solution of this "surplus value," that thing upon which Marx leaned so heavily but the properties and parts of which and their relation to the normal or just distinction he failed to investigate, is the only thing that will ease the pangs of those who advocate aid and "cry for a king" and divert to our ranks those who are certain to become socialists if the foggy as to the dynamics of political economy is not lifted pretty soon.

BY F. C. R. DOUGLASS

STEP-BY-STEP OR WHAT STEPS

Mr. Bolton Hall is worried by the fact that a tax on land values depreciates the selling value of land. Henry George pointed this out long ago. C. B. Fillebrown and Thomas G. Shearman have dealt with the point at considerable length, and it is also discussed in my book, "Land-Value Rating."

Of course it does not lead to the fantastic results that Mr. Bolton Hall imagines. Those who buy and sell real estate, even if they have never read Henry George, know very well how to adjust the price of land to the facts of taxation.

In Mr. Bolton Hall's example of a lot whose ground

rent is \$50 and untaxed selling value \$1,000, the result of imposing a steady tax of three per cent on selling value is to reduce the selling value to \$625. The tax on that at three per cent is \$18.75. The net rent left to the owner is \$31.25 which is equal to five per cent on \$625.

Practical experience in Australia, New Zealand, and elsewhere shows that this is precisely what happens.

The real question raised by Mr. Hall's problem is not the question of step-by-step, but the nature of the step.

In other words, should not the basis of assessment be economic rent, or annual land value?

This gives rise to no paradoxes, real or apparent. If the landowner pays a tax of thirty per cent on his economic rent of \$50, he still continues to draw \$50 rent but he pays \$15 to the community. His basis of assessment still remains \$50, and it would still remain at \$50 even if he had to pay \$49.99 in taxation. (This naturally ignores the effect of the tax in lowering rent generally by raising the margin of production as well as the change in the rent level which must take place in a dynamic society. But these factors are ignored in Mr. Bolton Hall's illustrations and are not relevant to the essential point.)

I am convinced that ultimately if we are to reach 100 per cent Single Tax, the basis of assessment must be annual land value or economic rent.

The real question, therefore, is are we to change our step from selling value to economic rent at some point or are we to start out at the very first step by making economic rent the basis of assessment? There are undoubtedly grave difficulties in the way of this in a country where assessments are already based upon selling values. Those who think that full Single Tax can be brought into operation at one step must certainly give their most earnest attention to the problem of ascertaining the economic rent, otherwise they cannot make that one step. And it deserves some attention also from those who reconcile themselves to the view that more than one step may be necessary.

BY WALTER G. STEWART

Under "Step-by-Step to Nowhere" Bolton Hall gives convincing instances of the utterly confusing effects of basing Single Tax rates on the capitalized land value which are to be wiped out by it; demonstrating that step-by-step movement on this road can get "nowhere" because of impossibly shifting assessable values and revenues with any substantial rates.

But this does not broadly condemn the natural policy of "step-by-step" progress. It merely shows that *we must travel on the right road*; and that the disappearing capitalized value road is the wrong one and can get us "nowhere."

We know apart from this that the Rental Value road is the logically right one; and that it can be satisfactorily

the St. Louis *Courier*, a Single Tax paper published in the 90's which some of our readers will remember.

Mr. Priesmeyer's death appears to have been the result of an accident as he dropped to sleep near an open gas jet. He died without pain, though of late he has been a great sufferer.

Percy Pepoon writes us: "I don't think he had any religion. But he had done his work to secure a better world and had no cause to fear meeting God face to face should there prove to be a personal deity."

Our friend could not make a Single Tax speech to an audience, but he did other useful work. He compiled a mailing list of those who expressed themselves as being favorably inclined to our cause in the press or elsewhere. Mr. Boeck has this list numbering nearly two thousand.

He requested that the cost of his funeral service was not to exceed \$300 and that he be cremated. A minister from an independent church conducted the service.

A touching tribute has been printed from his Single Tax friends in St. Louis, Messrs. Boeck, Menger, Forshaw, Lischer and Kauffman. We quote the concluding words: "He saw that good will and peace among men is only possible when all have equal rights in the bounties that are here for all. He is at rest after a life of unselfishness. We will greatly miss his going, but with a satisfaction that his life's work is well done."

Single Taxers Organizing For Annual Convention

RABBI MICHAEL AARONSOHN, who spoke so eloquently at the last Congress in New York City, has been appointed by President George E. Evans of the Henry George Foundation as Chairman of the 1936 Convention Committee and preparations for the Eleventh Annual Henry George Congress to be held in Cincinnati, November 12 to 14 are being actively sponsored by the Cincinnati Chapter of the Henry George Fellowship, which held a large and enthusiastic meeting on June 24.

The Cincinnati Committee is very ambitious and optimistic with regard to the prospects for a big attendance at this year's convention and is aiming for 1,000 delegates and visitors as its goal. In view of the greatly enhanced interest in economic problems and the rapid development of educational activities throughout the United States, Chairman Aaronsohn and his committee feel justified in their anticipations of the largest Single Tax gathering yet held and they propose to leave no stone unturned to bring this Henry George Congress to the favorable attention of the friends of the movement in all sections of the country.

While it is too early to give detailed information concerning the convention programme, the committee has extended invitations to some persons of outstanding importance in public life and one or more prominent figures

from abroad are expected to participate in this year's gathering.

President Evans has appointed the following persons as members of the Convention Committee.:

Rabbi Michael Aaronsohn, Chairman; Ed F. Alexander, Charles G. Baldwin, Charles H. Berning, Hon. Herbert S. Bigelow, Robert C. Bowers, Frank Chodorov, Grace Isabel Colbron, Albert S. Colby, R. A. Cowing, Otto Cullman, Edmund P. Donovan, Samuel Danziger, Clayton J. Ewing, Arthur W. Falvey, Richard G. Farabaugh, Edward E. Hardcastle, Charles H. Ingersoll, Fenton Lawson, J. C. Lincoln, Charles G. Merrell, Dr. Mark Millikin, Joseph Dana Miller, John Lawrence Monroe, John S. MacLean, Hugo W. Noren, A. W. Pittman, Jackson H. Ralston, Charlotte O. Schetter, Lewis W. Schott, George J. Shaffer, Mrs. Roswell Skeel, Jr., Carl D. Smith, Walter G. Stewart, George M. Strachan, Grace Swigart, Bertha Timmerman, O. A. Toepfert, G. W. Wakefield, Hon. Abe D. Waldauer.

The California Campaign

WHAT of the fight in California? Since I last wrote to LAND AND FREEDOM events have been progressing rather rapidly. Our opponents have with great skill secured the endorsement of a number of organizations, some of which have no natural affiliation with them. The State Board of Education, controlled as it is by politics, and politics in turn controlled by the great interests of the State, has pronounced against us, and has apparently swung the California Teachers' Association and Parent-Teachers Association into line. In our opinion, their hold from now on upon the teachers will have to diminish as the teachers come to realize that the Chambers of Commerce and Real Estate Boards have no sympathy whatsoever with their just aspirations and that they are being used to favor great landed interests. Every appeal, therefore, to the teacher organizations mentioned, is likely to grow weaker and weaker.

The State Board of Equalization which, in a broad sense governs taxation in the State, collecting the sales tax and adjusting county taxation, is the most active agency against us. Unfortunately for it, scandals of the gravest nature have broken out affecting its management, and, fortunately for us, making any representation made by it regarded with proper suspicion. Its statements, widely circulated nevertheless throughout the State, have included falsehoods of the most barefaced character, multiplying by as high as ten the possible rate of taxation on land values. All this is done for the purpose of creating a feeling of alarm among the lesser tax payers, which feeling will inure, they hope, to the benefit of the large ones.

In perhaps the majority of the counties the Boards of Trade, Chambers of Commerce, and other organizations referred to, have formed bodies for the purpose of bringing about our defeat if they possibly can do so.