

instinct has its own legitimate field of operation, within which we cannot do better than let it alone. . . .

There are no short cuts in Nature. Her results are always attained by Method. Her purposes are always worked out by Law. . . . Nor can those means be ascertained except by careful observation, and as careful reasoning. . . .

If the upper classes, with all the advantages of leisure, and of culture, and of learning, have been so unable, as we have seen them to be, to measure the effect of the laws they made, how much more must we expect errors and misconceptions of the most greivous kind to beset the action of those who—through poverty and ignorance and often through much suffering—have been able to do little more than strike blindly against evils whose pressure they could feel, but whose root and remedy they could neither see nor understand. . . .

The Speculative Faculty is impatient of waiting upon Knowledge, and is ever as busy and as ingenious in finding out new paths of error as in supplying new interpretations of truth. . . .

In the last generation, and in our own time, the Old and the New Worlds have each afforded memorable examples of the Reign of Law over the course of Political events. Institutions maintained against the natural progress of Society have "foundered amidst fanatic storms." Other institutions upheld and cherished against justice, and humanity, and conscience, have yielded only to the scourge of War. . . .

The Laws of Nature were not appointed by the great Lawgiver to baffle His creatures in the sphere of Conduct, still less to confound them in the region of Belief. . . ."

(**"The Reign of Law,"* by the Duke of Argyll, 1868)

The Assessment of Land

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THIRTY years ago there were few if any books and treatises on the subject of the assessment of land. Since then that lack has been supplied. Thirty-two years ago the Assessment Roll in the City of New York was published and has been published annually ever since. Twenty-seven years ago Land Value Maps were published for the City of New York, have been published annually since, and similar publications have been made in various cities in the United States and in Copenhagen, Denmark.

Reports of State Tax Commissions in the United States contain many references to methods of assessment. Good books on the subject are available. Much of this work was done by followers of Henry George or was stimulated by them.

LAND VALUE TAXATION

In the United States, Canada, New Zealand, and Australia land has been taxed for many years, the tax being a percentage of the assessed value which is determined at regular intervals. In many places the assessment is annual, in some at intervals of four years. In some

places methods of administration are very good. In many places such methods are poor. Experience is ample. I believe that that experience demonstrates that assessors should be employed on the basis of their competence, to be ascertained generally by competitive civil service examination, that they should be removable only for cause, and that they should be employed continuously throughout the year. The number of assessors depends upon the area to be assessed, the population in the area, the stability or otherwise of values. Where values change slowly one assessor can assess a larger territory with a greater number of parcels than where values change rapidly.

Ever since "Progress and Poverty" was published there has been much discussion as to whether the annual value of land is adequate for the necessities of government. Some used to contend that it was far more than sufficient; others have contended that it is much less than sufficient. It really makes no material difference. What we wish to accomplish by the taxation of land is the acquisition for the public treasury of so much of the annual value as may suffice for the needs of government or as may be obtained, whether it may be sufficient or not.

I think it must be clear to almost anyone that if countries indulge themselves in the luxuries of war and great public debts, land values will be insufficient to pay the bill. I am inclined to believe that with no annual charge for debt and under conditions in which people took care of themselves and did not receive all kinds of help from the state, land values would suffice. After all, it seems that the value of land measures all the advantages of living in a country and naturally should be adequate for all proper public needs. Whether that theory is sound or unsound is immaterial for our purpose. We need claim nothing more than that the site value of land is a publicly produced product and belongs to the public and should be taken for public use.

The discussion of whether land values suffice for public needs is not confined to persons who are not followers of Henry George. Single Taxers hold diverse views and I think many of these views are based on inadequate information and a failure to realize the extent to which the apparent selling value of land is in many places far in excess of the economic value. In the United States I know we have millions and millions of acres of land held at a price for which a few acres may sell. That represents a scarcity value and produces an appearance of value that is a mirage. In a rural section ten acres may be sold for one hundred dollars an acre. In fact it generally is not true that the five thousand acres are all worth one hundred dollars an acre. Each owner is encouraged to think that his acres are worth one hundred dollars because of the single sale. This is true of rural land; it is equally true of the land that surrounds cities, large and small. There is no conspiracy to hold land out of use. Owners of vacant land and idle acres would be glad to sell them for a price. That price is usually based on what some

parcel has been sold for. If an attempt is made to buy a large area of land or acres the price rises as soon as the demand is known.

We are accustomed to base our calculations on the assessed value of land under existing conditions under which it is the exception for the tax rate to exceed 2 per cent of the actual selling value. That tax rate is large enough to do a great deal of good, but not large enough to squeeze out the fictitious value I have attempted to describe.

To what degree, in any town, city, or state the apparent market value exceeds the true economic value, no one knows or can know until we try. We should not base high hopes of large revenue on fictitious values.

Few people realize the extent to which a tax on land reduces its selling value. If the capitalization rate is 5 per cent, a tax of 1 per cent would take one-sixth of the annual value and reduce the capital value by that much. If the annual tax rate should be 5 per cent the value would fall to one-half what it was before, and the tax would consume one-half the annual rent and reduce the selling value by one-half. These examples are given on the basis of economic value, not of the scarcity value we have now. We should have these facts in mind and not indulge in the expectation of excessive revenue from an increasing tax rate on land values. Our tax base will shrink as the tax rate increases.

What I have said is based upon other conditions remaining the same. Other conditions will not remain the same. With each increase in the tax on land values and reduction of the tax on products of labor in the form of buildings or otherwise, industry will be stimulated, it will feel the lightening of the load and the easier access to the materials of production. The larger the production of wealth the greater the value of land.

Many of you know this as well as I, or better. Some of you may think that this stimulus afforded by the relief to industry of taking taxes off the products of labor and increasing the tax on land values will result in a very great increase in the value of land, sufficient to effect the reduction in the scarcity value and even the reduction in the economic value. Whether this result will follow or not we should have the facts clearly before us and not base our hopes on dreams which may not come true. If they do come true, so much the better. Do not count on them.

LAND ASSESSMENT

Wherever, as in the United States, land is assessed regularly at frequent intervals and an annual tax imposed upon the assessment, the machinery of assessment has been created and is functioning. Usually it can be improved but new machinery does not have to be created.

In countries unaccustomed to the assessment of land at frequent intervals there is an exaggerated idea of the difficulty of making such an assessment. When it is

proposed many think that the task of making an assessment will take years. One of the reasons for that notion, I believe to be the theory that an assessment should determine the value of the interest of each person who owns some part of the fee. If that task be attempted, it is very difficult and an assessment would take a long time. In many places in the United States the assessor is entirely unconcerned with the ownership of the fee and how that ownership may be divided, whether vertically or horizontally.

There is a good deal of land in the United States in one place or another under ground lease. Usually the lease provides that the tenant shall pay the tax. The land is assessed as though there were no lease and the parties are left to determine who shall pay the tax by their own private contracts. The State is not concerned with it. The State is not concerned with whether a property is mortgaged or not mortgaged, with whether the owners are one or many in number. The property is dealt with, as we say, *in rem*. The land is assessed, the tax is imposed upon the land. If the tax shall not be paid, the land is sold by proper procedure and the tax collected.

Where there is no existing assessment, my recommendation would be that for the first few years a very small tax should be imposed, say $\frac{1}{4}$ of 1 per cent for the first two years and an additional $\frac{1}{4}$ of 1 per cent every year. Should we ever proceed so far I think 40 per cent is about the maximum we can ever reach. If the capitalization rate of that neighborhood is 5 per cent, a 40 per cent tax rate would take eight-ninths of the ground rent in theory.

The machinery of assessment should be set up. Assessors should be required to use land value maps and they may find it expedient to invite persons interested to appear and give their opinion as to unit values. Let the assessment be made two years after the effective date of the act and a tax be imposed at $\frac{1}{4}$ of 1 per cent. That is such a small rate that no harm will be done by such inequalities as are inevitable with a new assessment. Opportunity should be given for persons interested to apply for a reduction of the assessment. Knowledge will be gained by the assessor as a result of such appeals. The following year the assessment should be better and so each year the assessment should approach more nearly the actual value of the property.

UNIT VALUES

In the United States for urban land probably the most common unit in use is a depth of 100 feet, and the value of land is expressed in terms of the value of a parcel 100 feet deep of suitable size for development. There is nothing holy about a unit of 100 feet in depth. Assessors should conform to the practice of the community. In some places known to me lots are normally 125 feet deep. In one place I know the common unit in use is the square foot. That is used but it is understood to mean the

value per square foot for a lot of normal depth which in that community I think is 100 feet.

There are tables in use in the United States giving the normal value of a lot which is shorter or deeper than the ordinary lot. Such tables must vary according to the practice of the community and must vary in different parts of the same community. Experience indicates that the variations are not very great. They do not vary much above or below a norm, a lot 50 feet in depth being worth two-thirds as much as a lot 100 feet in depth. On a business street where small shallow stores are in demand the first 25 feet of the lot may be worth almost half as much as a lot 100 feet deep, whereas in a residential section in which the demand is for lots of full depth a short lot is often a damaged parcel and has less value per square foot than a lot 100 feet deep.

In these matters it is well to be acquainted with the rules in common use but they must be used as servants not as masters, and the experienced assessor must be guided by what is the truth in the particular location. That he can find out from his own experience and the experience of others.

The assessment of corner lots presents a problem which must be solved in the same way as the problem of short lots and deep lots. When two streets intersect each other, being about an equal value, and the demand is for retail shops, the ordinary sized corner lot may be worth twice as much as an inside lot. In certain favored locations it may be worth even three times as much. On the other hand, in a residential area the value of a corner may be very little in excess of the value of an inside lot. These are problems to be solved by intelligence and experience.

In general, I believe that an assessing department should be so administered that the actual work of assessment should be performed so far as possible by men thoroughly familiar with the locality in which they work. An administrative unit might be an area of considerable size containing various sized towns, cities, and rural districts. Under these circumstances so far as practicable men having local knowledge should be selected for duty in each section.

In English-speaking countries the ordinary unit for rural property is the acre. Whether it is an acre or a *hectare* is immaterial; people think in terms of the value of the unit to which they are accustomed.

CONCLUSION

The sum of the matter is that the assessment of land for purposes of taxation upon its capital value has been carried on in various parts of the world for a good many years. There is plenty of experience to guide an assessing department. There are certain elements common to all countries and to all times. The administration of an assessing department is an art which differs little

from the administration required for any other function of government. It is above all things a human problem. It may be met with reasonable intelligence and diligence and it can be improved progressively year by year.

We know that as taxes upon land increase land will become more and more available for use. As taxes upon the products of labor decrease more and more of the products of labor will go to the producers and more and more prosperity will bless the land.

Increased Recognition

I HAVE been browsing around book stores for many years with my attention generally gravitating to titles pertaining to economics or business. Thumbing through pages, in recent years, I have been accustomed to see chapter headings such as: money, social planning, price system, the business cycle, collective bargaining, etc.

Last fall I was pleasantly surprised in looking through a book entitled, "Creative America," by Mary van Kleeck, of the Russell Sage Foundation, to see Henry George's name favorably mentioned.

Another book that is of interest to Georgeists is Ida M. Tarbell's book, published last November by The Macmillan Co., entitled, "The Nationalizing of Business, 1878-1898." Miss Tarbell starts on page 118, gives a biographical sketch of Henry George with various comments and concludes on page 125 with a reproduction of a photograph of Henry George.

She quotes from the New York *Herald* reference "Progress and Poverty," ". . . it has had no equal since the publication of 'The Wealth of Nations,' by Adam Smith, a century ago, or, at least since Malthus formulated his theory of population and Ricardo his theory of rent."

A statement which she makes that will be encouraging to Georgeists is: "There is no place in the thinking world where he is not still read, where he has not followers. He is inextricably woven into the liberal thought of the world." She also mentions John Dewey's opinion of Henry George.

In the latest economics catalog of The Macmillan Co. is a book that caught my attention. It is: "Pioneers of American Economic Thought in the Nineteenth Century," by Ernest Teilhac, Professor of Political Economy, St. Joseph's University, Beirut, Syria. It is translated by E. A. J. Johnson, Assistant Professor of Economics, Cornell University, New York, and published 1936, 187 pages.

Quoting the catalog: "Through a detailed analysis of the work of Daniel Raymond, Henry C. Carey and Henry George, Professor Teilhac has made way for a greater appreciation of what American economists have done in building an essentially American economic philosophy."

The other day I saw the following three books in each