

lands in cities abolished. Income exemption increased to \$900 for non-householders, and \$1,200 for householders.

1911—City of Toronto allowed to expropriate 200 feet on either side of proposed street extensions and improvements to secure increased value caused by improvement or extension of street.

Outlook 103:771-5. April 5, 1913.

Taxing Enterprise. Richard Spillane.

The history of my business is not different from that of many other manufacturing concerns. My troubles are the common troubles ten thousand others suffer under. We all know they exist; we all would like to lessen them, but we are almost helpless. How great is the handicap and how many are the obstacles we have to overcome, few persons outside the manufacturing sphere realize.

Forty years ago my father started business in a loft, in what is now the downtown district of a Middle West city. He had eleven men. His capital was small. He manufactured machinery that has lightened the burdens of men throughout the civilized world. He had courage, ability, and determination. He was not only a good manufacturer, but a wonderful salesman. He took great pride in his work. He never let a piece of machinery go out of his shop unless it was perfect. He prospered, and as his business grew he required more space. First he hired other lofts in adjacent buildings, then he bought a building or two. Still his business broadened. Every few years he had to have more space. He could not always spare the money from his business to buy the property he needed, so that which he could not buy he rented.

People who owned property around my father's manufactory took advantage of the needs of this industrial space, and they doubled and trebled rents on him. They would not give long leases, but rented only from year to year, and every year they raised the rent. But still the business spread, and the factory rambled all over the neighborhood. In some instances my father managed to have narrow alleys closed by public consent; in other instances he tunneled under thoroughfares or

bridged across them, in order to connect his various buildings. Many, many men fattened on my father's industry. For example:

A German saloon-keeper owned a piece of land separating two departments of our work. It was a ramshackle old building that the German used, and the land and the building cost the saloon man only \$4,000. We bought that ramshackle structure sixteen years ago, but we had to give \$16,000 to the German in order to acquire it.

Now, you understand that there was nothing to increase the value of this saloon man's land except the fact that we needed it for manufacturing purposes. In other words, the saloon-keeper squeezed \$12,000 out of us without contributing one cent to the community, either in money or effort. We were bled by all the property-owners in our neighborhood. The more our business expanded, the higher they raised the figures on their property. We were the workers. They held us up for a good share of our profits.

Things got to such a pass that we could stand it no longer. We were cramped for space, but could not get the space without being charged an extortionate price. We explained the situation to the property-owners, but it was no use. Then we determined on radical action. Seven years ago we moved our plant to open land on the outskirts of the city, where there was little or no population.

We fenced in several acres of land and proceeded to erect buildings so as to bring our organization together in an economical arrangement. When our new buildings were completed, we abandoned the old plant. What do you suppose was the result? All the buildings we formerly occupied are now on the market, with no takers. By reason of our abandoning them they have declined in value to the price they commanded before my father began manufacturing in that little loft forty years ago. The net decline represents about the amount we paid in premiums and excess valuation.

Now, is it just that a manufacturer should be penalized because he is industrious and because, through that industry, he has to have more space for his plant? Why should he be singled out? A railway or any other public service corporation that has to have land for enlargement of its facilities or right of way can, through the courts, bring condemnation proceedings

in case owners of property are not willing to sell at a reasonable price. Appraisers are appointed, and the railway or other public service corporation obtains the land it needs at something like its market value.

Why should a railway have greater rights than a manufacturer? We were making machinery essential to society. A railway does not perform a fundamental function other than transportation, yet it is protected from the oppression of real estate agents and land speculators.

We are to-day employing 2,300 men. In other words, our business is a revenue-producer to the community to the extent of our annual pay-roll. These 2,300 men are permanent residents of the city, but they would not be there if it were not for the fact that our industry is established in that city. According to the last quadrennial appraisalment it is estimated that every man that moves in, or every child that is born in the community, adds about \$500 to the land value. This means that our manufacturing plant has added \$1,150,000 to the land values of our city.

Now, considering three to a family instead of four, which is the usual number, this brings the total up to \$3,450,000. Our payroll is a net revenue to the community, which goes from the merchant to the jobber, and from the jobber to the manufacturer, and in turn to the farmer. It percolates through all the channels of production and trade.

It is customary to consider that the manufacturing business belongs solely to the man or the firm or the corporation which controls it. But, as a matter of fact, it belongs to the community as much as does the courthouse or the city hall. The fact that I and my associates have title to the property does not affect the community interest.

My father invested all his earnings back into the business, in the improvement of our product, in the enlargement of our facilities. My associates and I have continued the same policy since my father died. The plant is owned by those active in the business, and none of us has anything, aside from this business, except our homes and a few insurance policies.

The statistics of our city show that there is involved an investment in machinery, lands, buildings, etc., of approximately \$1,000 to every man employed. About ten years ago we had a

strike, which, in loss of production and profits, importation of strike-breakers and detectives, cost us \$100,000. The cost of this strike became known in the community through the newspapers, and it was a common expression that we were a rich concern and could afford it. In fact, that the loss of \$100,000 meant practically nothing to us.

The fact that this was the only strike that we have had in the forty years of our existence would indicate that we have dealt with our employees justly. I wish we never had had this one strike. It is one of my sorrows. As I look upon it now, I was to blame in a large part. The men were to blame, too. They were bent on making trouble. What I cannot forgive myself for is that I did not maintain a closer relationship to them, learn of their discontent earlier, and remedy the wrongs that brought about the trouble.

I have told you that it was current report that we lost \$100,000 through that strike. We did not actually lose that amount. The loss was to the community. We would have invested that \$100,000 in more machinery, more buildings, and more business in order to employ more men. With this \$100,000 that was dissipated through the strike we would have employed one hundred additional men, who would have brought that much more revenue to the city. Now our pay-roll averages approximately \$1,000 per year per employee. One hundred additional men means that that strike cut \$100,000 from the total of what our pay-roll would have been. Thus the community has lost that many dollars per year. Consider this for ten years and you have \$1,000,000 loss to the community. Consider this compounded in the many ways in which such things ramify, and you have a total that is not pleasant to contemplate. Do you appreciate that the community has a decided monetary interest in our plant?

In moving the 2,300 men to the open acreage which we purchased, we thought we had settled one kind of our trouble. We brought all our plant together, in something like an economical arrangement, and this was a great relief to us. Much as we rejoiced over this, we rejoiced still more in our proud belief that the old gray wolf of the land speculator was not looking in at our door any longer. We rejoiced too early. We have another wolf at our door. This is a young one; an

offspring of the one that preyed upon us when our manufacturing plant was in the heart of the city.

We found that by moving 2,300 men to the open acreage in the outskirts of the town we created land values around us. A troop of speculators have trailed us. These men are laying out acreage property into town lots, selling the lots to our men and others who are attracted by the system of trade which 2,300 workers naturally would build up. We thought we were establishing our plant on cheap land, yet to-day we find lots adjoining our property selling on a basis of \$50 per foot front. The tax appraiser comes along and sees that these 40-foot lots close to our plant and used for store property are selling at \$2,000. What do you suppose he does? He estimates that if that storekeeper's land is worth \$2,000 a lot, our land is worth as much, if not more, and we have been put on the assessment roll according to that valuation. We are being punished for that which we have built up. We have been fined for our industry; we are punished for investing the earnings back into our business. We put this money back into our business because we had pride in our achievement; because we gloried in the fact that we were producing more and better goods for the benefit of mankind than any other men in our land. We have great pride in the big plant that has resulted from our efforts.

Money is not our only aim. We draw generously from our earnings for our needs, but it has been the one aim of our lives to increase and to broaden our business. This business has become a monument to our families. We might have been selfish and have prospered more. We have been producers, workers. If, instead of being producers and workers, we had invested our earnings in real estate and become parasites, we probably would have done much better in a financial sense.

At first glance you would suppose that when the tax assessor puts his valuation of \$2,000 a lot on our land, and we pay the increased tax, that ends it so far as we are concerned. But it does not. The effect upon us, aside from the tax, is indirect, but is more vital than the tax itself. As the land values increase around our place, it is natural that the men who work for us, and who live on these lands, will have to pay more rent or more for their home, or higher taxes. The land around our plant affects our pay-roll. Speculators are beginning to under-

stand that the price of this land to-day is less than it is going to be five years from now. When our workmen buy from the speculators who have grabbed up this land, or rent from those who have put up houses, they must pay both principal and interest. Their rents become higher and they have less for food and clothing; they naturally will come to us for increased wages. If they do not get the increase, they are likely to strike and paralyze our industry. The price we pay for this strike is the land speculator—a man who has not handed one dollar, either in service or industry, to our community wealth, but has fattened wholly by our productive industry.

We made one serious mistake, in view of the present evil system of our tax laws, when we relocated our plant. We should have acquired all of the land around our factory in order to control the price, and then we should have sold it to our men at a moderate cost. But even this would have been doing an injustice, because we can provide a greater revenue to the community and perform a higher duty to society by making this investment in machinery and buildings. As I consider it now, it probably was better to do as we did rather than protect ourselves against the machinations of the land investor.

I moved our plant out into the country to escape real estate and tax injustice. I have not escaped either. No man objects to paying an honest or just tax, but he does object to an unjust tax. Manufacturers throughout America have suffered as I am suffering, and all the while they see crafty, clever men, who are doing nothing for the world's progress, escaping an honest tax on their property simply because they will not improve it. For example, buildings in the downtown districts of the city should pay the bulk of taxation, those nearest the center of trade and traffic being assessed the highest. In our city, right in the heart of the busiest section, you will find various one-story structures, "taxpayers," they are called, built to provide carrying charges until such time as the owner thinks it wise to put up a fair-sized structure or a sky-scraper. These "taxpayers" not infrequently adjoin some of the finest structures in the city. The tax on the "tax-payer" is trifling in comparison with the tax on the sky-scraper. In the same neighborhood, too, there are a lot of superannuated buildings, structures that were erected forty, fifty, sixty, and in some instances seventy

years ago. Rents in them for offices are very high, but the tax on these buildings is very low because the buildings are not worth much. As a matter of fact, these superannuated buildings are among the best revenue-producers in the city. All land values are based on desirability, and in the case of the mercantile section it is traffic that provides the element of desirability. Naturally, each of our employees supplies a unit of this traffic. If taxes were placed on the lands of these congested sections, and laws passed that would relieve a man from a fine for putting up a building and performing a social service, then the owners of some of these superannuated buildings, and these taxpayers who are holding the land simply for increased value, would be forced to pull down those structures and put up ones that would pay them revenue. Rents to merchants would be cheaper by reason of the competition of many and more tenatable buildings. Under a proper system of taxation there would not be the inequality and injustice that there is to-day. It seems to me that the people who perform useful functions to society are burdened with the heaviest taxes, while a lot of rich but indolent people live on unearned increment.

Our whole taxation system is wrong. There ought to be a readjustment. Suppose I make a chair for my own use in my own house. The community has no right to participate either in its value or in its use, but the tax man comes along and says: "This is a perfectly good chair. The man who is able to make and sit in such a chair certainly is able to pay taxes." So he assesses, say, five per cent of its estimated value, and as long as the chair continues in use and I do not hide it, five per cent of its value goes into the public till, until its entire value has been absorbed in twenty years.

My enterprise and general desire to produce is dulled by reason of the fact that the community takes away my product in installments. The same principle is proved if the chair had been made in a factory, except in this latter case it is not only taxed as merchandise, but the buildings and the machinery of the factory are taxed, all of which must be added to the final selling price. The individual or the industry producing with hands or brains is penalized.

The purpose of taxation is for public administration and for public improvement. It is supposed to be for the good of all.

That which is for the good of all should be derived from that which all produce, and that is the land values of the community. Land values are made by population. They are socially created.

To my mind, the tax question is more important to the American people than the tariff. Unjust taxation has hampered the growth of many an industrial establishment and, I believe, has ruined many a concern. It has driven hundreds of plants away from one community to another, uprooted tens of thousands of families, and done no end of wrong. The man who solves this problem so that the inequalities and the injustices of the present system are wiped out will do a great work indeed.

Kansas City Times. March 13, 1912.

Tax System Created a Fortune.

In 1866 John H. Nagle of Seattle took the 160 acres just east of Broadway in that city and north of Madison Street. That it had no value then is shown by the fact that anyone could have had it who thought it worth taking. In 1874 Nagle became insane and was taken to Steilacoom, where he was left at the expense of the taxpayers until 1897, when he died.

That his land had little value in 1866 is shown by the fact that he traded five acres of it for a blind mule a short time before this. A trustee of his estate had been appointed by the court when he became insane, who sold enough of it from time to time to pay the taxes. The remainder in 1898 was worth fully \$300,000.

Now it is evident that this value was not created by John H. Nagle, who was in an asylum. It was created by the people of Seattle. Yet the city had to pay \$11,000 to his estate to get the three blocks on which the reservoir and Lincoln Park Playground are situated.

It is also evident that when this \$300,000 was given to Nagle's nonresident heirs, who did nothing to earn it, that it was taken from the people who did create it. Every man, woman and child in Seattle was poorer because of this being taken from them. If anyone gets without earning, others must earn without getting.