TAX FACTS

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TAXATION—TRANSPORTATION—HOME-BUILDING

It has been demonstrated beyond the shadow of a doubt that the extension of a car line into territory in need of transportation brings to the land of that territory a value greater than the cost of the car line. This was the finding of the City Club of New York in its report on the building of the subways in 1908. The same conclusion was reached by the Federal Electric Railways Commission report in 1920. It was the experience of San Francisco when, by means of the four and a half-million dollar Twin Peaks Tunnel it opened up 4,000 acres of home sites. It is the judgment of municipal expert, Delos Wilcox, of New York, and of traction expert T. E. Mitten of Philadelphia.

This is a new factor in the transportation-home-owning-tax-paying problem. It recognizes, on the one hand, the necessity of transportation to new territory; and on the other, it shows the effect of transportation on land values, and the relation of land values to taxation.

When the electric service displaced the horse car it opened up a new field for city development. For the same nickel fare the passengers could travel three times as far in the same time. Street car lines were doubled, trebled, and quadrupled in length. Electric lines were built between cities, giving more frequent service, at two-thirds the fare of the steam roads. Electric service not only made the larger city possible, but it made available a vast number of cheap home sites. Congestion was relieved, individual dwellings multiplied, and living conditions improved.

But this movement was short lived. With rising wages and prices, and a fixed fare, net earnings of transportation companies dwindled to the vanishing point. Increased fares gave little relief. Service fell off. Many roads went into bankruptcy. Others limped along without paying dividends.

It was this condition that led to the appointment of the Federal Electric Railway Commission. Three facts were discovered by the Commission. First, there was not sufficient patronage in the territory served by the roads to carry the overhead charges at the original fare; second, there was a large increase in land values in all the territory served by the roads; third, a large amount of the land was held vacant by speculators who profited by the service, but who contributed nothing to its revenues.

These facts led the Commission to say in its report to the President:

> Your Commission would urge that in every community, where and to such extent as may be practicable, consideration be given to the advisability of requiring extensions and rapid transit systems of subway and elevated to be paid for, not out of new capital invested through the medium of bonds or stock, which means for all time an added burden upon the car rider, but from special taxes assessed against the owners of property in the district, the value of which is enhanced by such extensions.

This conclusion of the Commission follows the analogy of special assessments for opening and paving streets. Since the new street or the pavement adds the same value to the vacant lots as to improved lots, but does not add any value to houses or personal property, it is the practice in enlightened communities to levy the cost of the street upon the lots benefitted, and not upon the buildings that are not increased in value. It was logical, therefore, that the Commission should commend for financing railed highways the same system that had been found so admirable for paved highways.

The City Club of New York, after an exhaustive inquiry into the building of the subways of that city, reported in 1908:

It will be noted that the aggregate rise in land value in Manhattan from 135th Street to the Spuytin Duyvil, and in the Bronx, due to the building of the subway, was $80,500,000. The cost of the entire subway from the Battery to the Spuytin Duyvil and the West Farms Branch to Bronx Park was but $43,000,000. The property benefitted, in the districts above noted, could have paid the entire cost, and yet have had a net profit, due solely to its construction and operation, of $37,500,000.

The chairman of the Board of Local Improvements of the City of Chicago, 1921, said:

A subway in any district will result in the landlords boosting rents. The tenant will have to pay the increased rents whether subways are built by special assessment or in other ways. My plan is to make the landlord pay part of his increased income towards subway construction.

The chairman estimated that one-sixth of the additional income-producing power of benefitted property would entirely pay for the Chicago subway.

Mr. T. E. Mitten, the man who brought order out of the traction confusion in Philadelphia, endorses this principle of financing extensions of railways, and in his report of 1922, says:

One advantage of applying the principle of assessing property for benefits received, is that it acts as an automatic check to the demand for unwarranted extensions. If the land to be benefitted is not able to stand the burden of any assessment, then it is evident that the development is premature.

The principle of requiring citizens who receive pecuniary benefits not enjoyed by other citizens from public improvements, to bear the expense of those improvements is fundamental, and is of universal application. It is an inseparable part of the traction problem, and of every home-owning and farm-owning movement.

But of all the opportunities for the application of this principle it may be doubted if there is another equal to the present Los Angeles traction situation. The city has entirely outgrown its transportation facilities. Land speculation has caused the extension of lines past so many thousands of vacant lots that the overhead charge has eaten up the profits of the company, and the home-seeker is forced to go so far from the center of the city to find a lot within his means that the time and expense of going and coming is a burden.

In addition to this hardship is the fact that the downtown conjestion calls for the introduction of subways through the heart of the city. But the traction companies and the city authorities hesitate on account of the expense. Their fears are groundless. The evidence cited, and the logic of the situation, point to one way, and only to one way, to meet the emergency. The building of a comprehensive subway system through the heart of the city will add two dollars to downtown lots for every dollar the subway costs. That was the experience in New York, Boston, Philadelphia, Chicago, and every other city that has introduced rapid transit. Why not, then, take one of those dollars to pay for the improvement that causes the value?

To do this it will be necessary only to create a rapid transit subway district, embracing the lands as nearly as may be that will be increased in value by the improvement—as is now the practice in drainage districts, sewer districts, and park districts. The cost of the subway built in this way will not fall on any citizen who has not received more than he pays, and it will not appear in the increased capitalization of the traction companies to be met by the fares. Better facilities for traction, without increasing the capitalization of the companies will enable them to give better service at lower fares. Better service and lower fares will be an aid to the home-owning movement.

Transportation, home-owning, and taxation are inseparably bound together. No one of them can be solved without solving them all. And the only way permanently to solve these vital problems is to require citizens whose property has been increased in value by public service to pay to the city such part of that value as may be necessary to meet the cost of the service that causes the value.

THE DENVER IDEA

It will be interesting to see how the voters of Denver, Colo., respond to the charter amendment to be voted upon, May 15. This measure purposes aiding home-owning—and incidentally stimulating business—by lifting some of the tax burdens that speculators have been able to shift to industry, and put them back on monopoly. The amendment provides "that for the year beginning January 1, 1924, the tax rate for municipal purposes on personal property and improvements on land shall not exceed 90 per centum of the rate levied for municipal purposes on land and franchises in public ways; and the tax rate then levied for municipal purposes on personal property and improvements on land shall be reduced 10 per centum each year until such taxes are completely abolished."

It is encouraging at this time when the ultra radicals are trying to tear down the house to make it sanitary, and the conservatives are insisting there is nothing the matter with the plumbing, to see some one come forward with a simple plan that will stop the sewer gas, without even disturbing the family.

Here is a measure that does not question established property rights in any way, shape, or manner. It merely makes a change in the tax laws now in force. And in order that no shock or strain may be put on the commercial structure, the change is made at the rate of ten per cent. a year. Pittsburg, Pa., has made a similar shift of taxes from improvements to land at the rate of ten per cent. every three years; and notwithstanding forty per cent. has been transferred, nothing but good has followed each change.

Unfortunately, in the campaign of education that must be waged before May 15, the present friends of the measure are handicapped by lack of funds, while the land speculators have plenty. Persons who would like to see a sane system of taxation demonstrated cannot do better than send contributions immediately to the Denver Lower Rent League, 449 West Colfax Ave., Denver, Colo.

TAXATION IN THE AIR

It seems peculiarly fitting that the first Singletax speech to be sent by radio in California, or, possibly anywhere else, should have been made by the daughter of Henry George. March 26 was Hollywood night with the Anthony (Examiner) radio service, and Mrs. Anna George de Mille was accorded the honor of speaking for the city. After enumerating the beauties of the capital of moviedom, and the greater glory that awaits it, Mrs. de Mille called attention to certain influences that are working against the fulfilment of these promises. Among these evil influences she named the speculators and profiteers who are trading on the merits of Hollywood, through unwise tax laws that play into their hands.

Regarding these tax laws, Mrs. de Mille said in part:

> A tax is a deterrent. It is like a fine. It has a tendency to stop the thing it is levied on. If a motorist breaks a speed law he is fined so that he won't speed any more. If a man robs a chicken coop he is fined; but if he builds a chicken coop he is fined every year. If he digs an irrigating ditch or sows fields of crops, if he builds a house or a barn or a store, we fine him—or tax him—as though he'd done a detrimental or a wrong thing, rather than a good and fruitful and desirable thing.
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> Do we not want more houses and stores, do we not want more crops and fruit trees? Certainly we do! Well, then, let's lift the fine off them. Do we want so many empty lots in our Hollywood? Certainly we don't! Well, then, let's tax them, tax them so that the land profiteers will find it doesn't pay to hold land idle, but will be encouraged to put it to use. For the value of the land is not due to the work of any one person, but is created by the whole community. If the people of this vicinity should for some reason move away, the land value of Hollywood would drop to what it was long years ago, before there were any white settlers here. If, on the other hand, the millions now crowded on Manhattan Island should move out here, the value of land in Hollywood would be as great as the value of land now is in New York City. Land value is a group, or community, or people's value, and it should be taken by the community for the big housekeeping fund that is needed to keep our streets and water ways and sewers in order, our fire and police departments going, our hospitals and parks, and the manifold things that are needed in every well ordered city.
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> So my dream for the future of Hollywood is this: that we will gradually exempt the products of labor from present fines, and as gradually levy a bigger tax on the bare value of land. In other words, we will untax what a man earns, instead of what he doesn't earn, so that profiteering in Mother Earth may be discouraged, that the creation of beautiful and useful things may be encouraged, that the burden may be lifted from industry and thrift, that involuntary poverty may disappear, that want and privation may come to none but those who are too lazy to work.

NOTES

Three reasons for imposing a heavy inheritance tax: First, it makes up in part for evasions practiced during life. Second, it is the last chance of the tax gatherer. Third, the deceased will not need it where he is going.

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Any head of a family arriving in Los Angeles to stay is estimated to add about $4,000 to the value of the real estate of the city. If you own a lot you get your share. If you don't own a lot you are likely to pay your share in increased rental and living costs.—*Los Angeles Examiner.*

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The New York law exempting new dwellings from taxation for ten years was declared unconstitutional by a local judge in March. The decision was reversed in April by a unanimous appelate court. New Yorkers may think this a legal now-you-see-it-and-now-you-don't-see-it game. But of one thing they feel certain: as a means of relieving the housing shortage there is nothing that stimulates building like removing the taxes.

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One of the encouraging signs of the times is the fact that more than 35,000 business firms have joined the Manufacturers and Manufacturers Federal Tax League (Chicago), which is doing such fine work for the Keller bill in Congress. This bill, it will be recalled, aims to relieve business, industry, and agriculture to the extent of $1,250,000,000 now levied on production by a federal tax of one per cent on the monopoly holders of unused natural resources and valuable city sites in excess of $10,000, after deducting the value of improvements.

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THE WAY TO PROSPERITY

Every period of so-called prosperity, or good times, is attended by certain definite manifestations. Prices rise. Business expands. Profits increase. Wages advance. Consumption grows. This starts a second round of the spiral. Again prices rise, business expands, profits increase, wages advance, and consumption expands.

This spiral ascent might continue indefinitely, were it not for a false factor that enters into the problem. When employers sell more goods they can pay higher wages; and when labor has higher wages it can consume more goods. Labor and capital are the compliments of each other; their interests are mutual. Their co-operation can continue indefinitely. Any advantage that comes to either will be shared by both.

But let a false economic element be introduced. Suppose a pirate seizes goods in transit, or a tyrant levies tribute, taking part of the goods created, without rendering any service in return. Labor and capital will still co-operate, but with less profit and lower wages. And if this seizure of goods, or taking of tribute continues, there is certain to come a time when the greed of the despoiler, which grows by what it feeds upon, will overwhelm the weaker industries. Labor will lack employment, wages will fall, consumption will decrease, and more industries will go to the wall.

The descent of the economic spiral will continue until the depredator ceases activities long enough to let industry recover. When the panic has spent its force, and the goods on hand have been used up, business will gradually begin to function, wages will go up, consumption will increase, and the cycle of prosperity will be repeated.

Modern industry is afflicted by an agency whose activities are pure confiscation. The gain to business is not divided between capital and labor, but among capital, labor, and monopoly. This monopoly finds expression in a number of forms, as franchises and patent rights, but most commonly in the form of land speculation. Capital can increase its earnings only by producing more wealth; labor has more employment and higher wages only as production increases; but the monopolist who controls the raw materials that labor and capital must have, increases his gain merely by advancing the price. As there can be no production without the use of land, employer competes with employer as business increases, until they push the price of land so high that there is no longer enough left for wages and profits. Business ceases and hard times return.

The common and invariable experience during prosperous times is the advance in the price of land. Vacant land that employs no labor and produces no wealth, yet increases in value, and renders gain to its owner. This gain does not come from nothing. It is not drawn from the air, or from any other element. It comes from the labor and capital that produce all wealth. Whatever the speculating monopolist gains, producers must lose. Labor and capital may stave off the evil end for a time by working harder, or by using labor-saving devices and discoveries. But these only whet the appetite of the speculator, and he advances his toll the faster.

Why the land speculator? What does he contribute to the community? Without capital there would be no business. Without the speculator there would be, what? The land owner who enriches himself, not as a laborer or an employer, but merely as a speculator, makes the same contribution to the wealth of the community that the pirate does who levies on passing ships.

The remedy is as simple as the disease. Government must have revenue. It may take this revenue from labor and capital, or from the land speculator. If taxes be taken from capital, there will be less to employ labor. If taxes be taken from labor, there will be less to buy goods. If taxes be taken from the land speculator, what? There will be no less wealth. He produces none. And there will be no less land. He can not advance the price because there is more land than industry can use, and other speculators will be as anxious as he to sell. His only recourse will be to reduce the price.

When it is recognized that the whole gain of the speculator,—plus the loss he causes by holding valuable land idle—comes out industry, it will be realized what the change will mean to capital and labor to shift taxes—little by little, to avoid shock—from industry to community-made land values.