The Self-Supporting City

by GILBERT M. TUCKER

Author of "The Path to Prosperity"
and "For the Good of All."

"I cannot play upon any stringed instruments,
but I can tell you how of a little village to
make a great and glorious city."
—THEMISTOCLES

"And they shall build houses and inhabit them."
—ISAIAH

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FOREWORD

Mr. Tucker's program is essentially sound. Had it been adopted years ago, we should not now be forced to witness the unnatural sight of thousands of persons unable to find homes for themselves and their families.

Such a program as Mr. Tucker proposes would go far towards restoring realty values, reducing municipal debt and easing the tax burden. It would help to eradicate slums and would lend impetus to the building trade and, through it, to other trades, bringing us a long step nearer to the solution of peace-time unemployment.

During the depression years our cities had a really dreadful time. The value of their land sank so low that it could not be sold at any price. That is not true at the present time, but the conditions which have brought about the change are, at best, temporary. The real solution for the blight has yet to be applied.

Mr. Tucker comes of a family of writers and educators, for three generations conspicuous in the field of agricultural journalism. His father was the author of several books and editor of the *Country Gentleman*. After his graduation from Cornell University, the younger Mr. Tucker was also associated with that magazine. During the first World War he did food control work and, later, for fifteen years had charge of visual education in the New York State Health Department. He was born in Albany and received his preliminary education at the Albany Academy.

I commend Mr. Tucker's book to all who have the welfare of their cities at heart.

LAWSON PURDY

The following conversation between William H. Seward, Secretary of State under Lincoln, and Andrew H. Green, a distinguished citizen of New York, is recorded in the book, "A War-Time Statesman," by Mr. Seward's son.

Taking up a corporation report, Mr. Seward said:

"Mr. Green, here is something which you can comprehend but I confess I cannot. Here is a great corporation which, by its report, shows it is well managed and profitable and pays all its expenses.

Phila - Boston

"Now, the city of New York is a corporation which has vastly more property and resources in the way of real estate, streets, franchises, docks and wharves. buildings, rents, licenses, powers and privileges, than any other corporation possibly can have. And yet it cannot pay its own expenses! It has to ask the individual taxpayer to go down into his pockets and take out of his personal earnings a yearly contribution, in order to keep this gigantic corporation on its feet. Why should not the city of New York pay its own expenses? Why should the individual taxpayer be called upon at all?"

To this Mr. Green replied:

"Mr. Seward, you are right. The problem is one that I have worked on over many years. The city of New York has given away more than enough to pay its expenses many times over. But the citizens of New York don't see it, either because they are too careless, or too ignorant, or too unpatriotic, or don't care. Whichever it is, the fact remains that they don't correct it, or don't want to."

To Lady Gosford, who called attention to this conversation, and to the *Herald Tribune* which published her letter under the heading, "A Self Supporting City," thereby suggesting a title, acknowledgment is due.

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1 THE SELF-SUPPORTING CITY

The city throws away its investments, resorts to taxation, and goes on the rocks.

Municipal taxation can and should be a thing of the past: the American city can be a self-supporting corporation, meeting expenses from its rightful income. Taxation is unnecessary for the city has, in its physical properties, acquired through the years by the expenditure of its people's monies, a huge capital investment from which it collects only a very small part of the return it earns. In streets, pavements, water supply, sewers, transit facilities, parks, playgrounds, schools and libraries; in equipment of the protective services of police, fire and sanitation, and in a hundred things, it has invested much. Little of the interest which this investment might earn finds its way back into the municipal treasury and a large part of the value is destroyed by a system which prevents utilization of the benefits. Where would a business stand were its capital investment to earn nothing, leaving it dependent upon assessments against the owners? Of course city finances are headed for the rocks.

In 1935 a billion dollars of municipal bonds were in default, and some placed the figure three times as high. Municipalities in trouble numbered 851, counties and school districts about 1,000 and miscellaneous districts about 400. Actually the situation was worse than defaulted indebtedness shows for, even when some obligations continue to be met, repudiation or delay in facing any obligation indicates that the debtor is in trouble and jeopardizes his credit. A man may have but a few and trivial judgments against him but even these often forebode a grievous crash. The debts of cities of over five thousand population, aggregating almost two and a quarter billion dollars, were at least partially in default and, of the larger cities, 269 in ten states had failed to meet their obligations.

Much of this insolvency is caused by reckless spending for unsound projects engineered by speculator-promotors. Defaults are not as common in small communities as in great cities. There have been difficulties in such cities as New York, Chicago and Detroit, generally after sprees of extravagance, and Detroit probably holds the record, finding it necessary to effect compromise adjustments on indebtedness of some $400,000,000. No wonder municipal financing is a headache, with many a city on the edge of insolvency, and there is every reason to see added difficulties with conditions which coming years will bring.

Were the city to collect a just return on its assets it would be on the way to stability, security and corporate prosperity. Judging future capital expenditures by probability of earnings, as we do in business, the city would forge rapidly ahead and could do much which would be wise and beneficial, instead of being sometimes led onward and sometimes held back by pressure of political expediency. No longer would we be saddled with bond issues to "pay for dead horses": borrowings for sound projects would be self-liquidating and a crushing load would be lifted from the shoulders of the inhabitants. It is necessary only to recapture the city's rightful income and how this may be done with perfect justice we shall show.

Financial benefit from improvements made by the city reacts almost wholly to the advantage of landowners but, while this is incontrovertible, the fact remains that landowners seldom prosper and are often in dire straits. They send up a constant and justifiable wail of lamentation and, in thousands of cases, the value of their holdings completely disappears and properties are lost by forfeiture. We give landowners much but they are ruined: we lavish benefits upon them but they do not prosper. How can this paradox be explained?

The answer is simple. Urban land seldom brings in much but tax bills, unless built upon and, if building is profitless, the site itself loses value, as evidenced by forfeiture of many holdings unable to meet tax costs. It is a vicious chain. First we create value in land; then by taxing it inadequately we give much of this value away. Finally, by oppressive taxation of buildings, we prevent the profitable utilization of what the city provides, destroying potential values created.

The predicament of the city is entangled with the troubles of landowners and since cities depend on real estate taxation for most of their income, landowners and city suffer together. The two interests cannot be separated. We must restore lost values to realty, we must recapture the income which belongs to the city, and we must untax the buildings which are justly private property, no longer letting each rob the other. For this double robbery there is a simple remedy but first let us see how values created and paid for by all are given away and ultimately wiped out, leaving the pockets of landowners empty and the city confronted with a steadily shrinking tax base.

How public improvements benefit landowners who nevertheless do *not* prosper.

It is common knowledge that wise public improvements and the extension of the services of government add substantially to the value of land which benefits. New streets, pavements, boulevards, parks, schools and better protection at the hands of fire, police and health departments all increase land values in favored sections. Even before such improvements are made—often when only tentatively proposed—there is an upsurge in the prices at which land is held, and great and far-reaching developments bring sensational advances.

The effect of the West Side I. R. T. Subway in New York is shown in a most painstaking study made by a committee of the City Club, under the leadership of Colonel Homer Folks. Since the effect was relatively slight down-town where transportation needs were already met, we confine a summary of the findings to up-town and semi-suburban areas which reaped the greater benefit. The report makes allowance for increment in land values resulting from normal growth of the city, so by subtracting the increase in the previous seven years from the increase in the seven years which marked the opening of the subway, we have the enhancement brought about by that alone.

From 135th Street to Spuyten Duyvil the rise in land values in these seven years was $69,300,000. Subtracting the normal increase during the previous seven years—$20,100,000—leaves an increase of $49,200,000 directly attributable to the opening of the line. Had the property owners in this area paid the entire cost of that section of the subway—$7,375,000—they would still have had a net profit in the increased value of their holdings, resulting solely from its construction, of $41,825,000, or 89 per cent.

In the Bronx the increase was $44,800,000. Again subtracting the normal enhancement of values of $13,500,000, we have a net profit of $31,300,000 brought about by the subway. The cost of this section was $5,700,000 and had those who directly benefited paid the bill, there would have remained a net profit of $25,600,000 or almost double the normal rise. The cost of the entire subway, from its start at the Battery to its upper reaches in the Bronx, was about $43,000,000. Had this been borne by the landowners in favored areas who reaped the benefit, they would still have had a net profit of $37,500,000.

A similar instance is offered by the George Washington Bridge across the Hudson, which an official declared increased New Jersey land values by some $300,000,000 or more than six times its cost. These illustrations show how such undertakings bring enormous profit to landowners. Is there any valid reason why such improvements should not be assessed against properties benefited? They more than pay for themselves and could be made self-supporting, self-liquidating and often very profitable.

Winston Churchill cites examples.

In contrast to these great enterprises take a petty but comparable example cited by Winston Churchill in a speech delivered at King's Theatre, Edinburgh on July 17, 1909:

"Some years ago there was a toll-bar on a bridge across the Thames, and all the working people who lived on the south side of the river had to pay a daily toll of one penny for going and returning from their work. The spectacle of these poor people thus mulcted of so large a proportion of their earnings appealed to the public conscience, an agitation was set on foot, municipal authorities were roused, and at the cost of the ratepayers the bridge was freed and the toll removed. All those people who used the bridge were saved sixpence a week. Within a very short period from that time the rents on the south side of the river were found to have advanced by about sixpence a week, or the amount of the toll which was remitted."

But it is not only from officially financed operations that such results ensue. Private beneficence has identical effect and again we quote the distinguished statesman:

"In the parish of Southwark, about three hundred and fifty pounds a year, roughly speaking, was given away in doles of bread by charitable people in connection with one of the churches, and, as a consequence of this, the competition for small houses, but more particularly for single-roomed tenements, is, we are told, so great that rents are considerably higher than in the neighbouring district."

Once more we quote from Mr. Churchill:

"Roads are made, streets are made, railway services are improved, electric light turns night into day, electric trams glide swiftly to and fro, water is brought from reservoirs a hundred miles off in the mountains—and all the while the landlord sits still. Every one of these improvements is effected by the labour and cost of other people. Many of the most important are effected at the cost of the municipality and of the ratepayers. To not one of these improvements does the land monopolist, as a land monopolist, contribute, and yet by every one of them the value of his land is sensibly enhanced. He renders no service to the community, he contributes nothing to the general welfare; he contributes nothing even to the process from which his enrichment is derived."

Mr. Churchill then goes on to draw conclusions with which it is hard to disagree: "All goes back to the land, and the landowner, who in many cases—in most cases—is a worthy person utterly unconscious of the character of the methods by which he is enriched, is enabled with resistless strength to absorb to himself a share of almost every public and every private benefit, however important or however pitiful those benefits may be."

Specific operations like these are not the only forces which bring profit to landowners. There are other factors which, acting in the same way, enable "the land monopolist . . . to sit still and watch complacently his property multiplying in value, without either effort or contribution on his part," as Mr. Churchill puts it. These are increases in population and the general progress of all society, both of which contribute to constant enhancement of land values. Therefore it is needless to deduct from the figures quoted in the subway example the increase of land values due to population growth, for this is just as truly a socially-created value as is that wrought by the transit system. Glance back at those figures and note how great would be the profit were these included in our totals: the increase in land values was more than two and a half times the cost of the subway.

The profit of what we pay for goes to those who do not even live in the city.

The diversion to private pockets of the revenue earned by the city is bad enough at best but when this purely local social product goes to alien owners remote from the community, the iniquity is peculiarly irritating. A great building in Indianapolis stands on a leased lot and ground rents are paid to the owner who lives thousands of miles away and does not contribute to the income which he enjoys even by living in that city. This annual charge, according to the terms of the lease, steadily increases over a long period of years from $16,000 to $35,000, indicating the expectation of unearned profits. The landowner takes no chances, all risk of a decline falling on the tenant. Nor is this all. An initial payment of $100,000 was made by the lessee and presumably the great building, costing well over half a million dollars, will ultimately revert to the site-owner. Can such a procedure be justified by any argument except one of very doubtful ethics —a return on speculation which involves no *quid pro quo* other than the privilege of using the land, the gift of the Creator, to which society gives value?

One wonders how the good people of Chicago view giving their support to the pro-Nazi activities of Sir Oswald Mosley in England. It is said that funds devoted to the treasonable movement which landed him in prison were derived largely from Chicago ground rents. What reason is there, in common justice, for the people of that city paying tribute to him, to be used in his nefarious purpose? Does not a policy which leads to such results go against the grain of every right-thinking man?

But, to avoid misunderstanding, we repeat that often the landowner suffers acutely and we have no disposition to blame him for profiting, if he can, by a system which is universally accepted. Besides, despite all that is done for him, he often profits little or not at all. Before entering into these questions, consider the nature of land values and how they differ in character, origin and corollaries from values created by personal effort.

Why land has value.

2 When our forefathers landed on these shores, the whole continent was open to settlement and land could be had anywhere for the taking, for we ignore, as did the pioneers, the rights of the Redman. Land had no value and commanded no price, but as soon as the more desirable spots were

pre-empted, they acquired substantial value in comparison with land in the wilderness, for established settlements made possible companionship, co-operation and some measure of safety. The mere presence of a few neighbors and the simplest of government gave protection from the Indians and brought advantage.

As population increased and as the better land was appropriated, recourse to the less desirable became necessary. Immediately there was a differential in desirability which found expression in rent and in price, for owners of better land would not part with it without compensation. As time passed and as numbers multiplied, this differential increased, for the free land became relatively less and less desirable, and accordingly rents and prices of the better land advanced. To this there is an important corollary: as rents increase, labor's share of production decreases, and the economist calls labor's share a wage whether obtained by the direct production of a man working for himself or paid by an employer. We are here dealing with urban land, but why this follows is best illustrated by a simple agricultural example and the principle is universal and applies to all land.

Suppose a unit of labor produces on the best land five bushels of corn: this constitutes the natural wage of labor for, if land is free, it is the reward of the worker for planting and cultivating. But as the best land is taken up and newcomers are forced to be content with poorer land, the same toil produces only four bushels. Their wage is therefore only four and this is all that any man can earn by his labor, for the owner of better land, if dispossessed of his holding, must take up with the poorer and can produce only four bushels. His extra bushel is the result not of harder or more intelligent labor but of ownership of better land. Land has now acquired value, for it will bring a price at sale or in rent, and, if the first settler had the foresight to take possession of plenty of land, he can live on rents without working, deriving support from values created by the growth and progress of the colony.

But pressure of population is not the only cause of increasing rents, for government plays a part, as in the protection from savages which it affords. As progress comes and as the community provides roads, fire and police protection, water supply, sewers and schools, rents in favored sections advance with each improvement, and land in established communities far outstrips even much better land in the wilderness. Cooperation and collaboration enter into it: increasing population makes possible efficient division of labor and each settler does not have to be his own blacksmith, spend his time teaching his children, or try to cure his own ills.

Invention, too, must be reckoned with. Without the combination of numbers, the division of labor and invention, the railroad or the automobile would be impossible and even so simple a thing as the elevator has enormous effect. Would the site of a great skyscraper be worth what it is if we could do no better than build a "walk-up" of a half a dozen floors? For the rural hamlet it does nothing and may even draw off population to the cities. Consider the telephone and telegraph: without them Wall Street would not long remain the financial heart of the continent and what would happen to its values?

Value implies monetary worth and the possibility of exchange: it is much the same as price and quite different from usefulness. The air we breathe is a first essential of life but it has no value. Being limitless, present everywhere and incapable of ownership, it commands no price. So it is with land which may be had for nothing.

Manhattan Island once sold for twenty-four dollars worth of gimcracks plus a disputed jug of rum and that land is now worth at least a half a dozen billions. A few Indians and a handful of Dutchmen have given place to millions and it is the center of life to scores of millions. The people of the island and of the hinterland have created its value. What would it be worth if a scourge wiped out a hundred million of our people or if elevators and subway trains stood still, telephones were silent and electric circuits went dead?

The lesson from "made-to-order" towns.

It is not easy to analyze the influences which have created land values in older cities through many years and better illustration is afforded by towns which, starting recently from scratch, have had a meteoric growth. The land which Gary, Indiana, occupies was, prior to the founding of the city by the steel company, almost worthless and practically uninhabited. Much had been abandoned and gone at tax sales at less than a dollar an acre although some of it cost the company as much as $800 an acre when plans were noised about and future possibilities became apparent. Twelve years after the steel company moved in this land was valued at $22,000,000 above its cost, plus all that had been spent on public improvements. In 1908 Mr. Lawson Purdy stated that ". . . excess value had been created by the large population attracted by these great manufacturing industries. Had the steel company bought all the land in the town of Gary and kept it, it might have conserved that value for itself or for the inhabitants of the town. The value has actually been scattered about: some have profited and some have lost, as many always do when they speculate in vacant land. The town has the reputation of being well managed, but its revenues are inadequate for the public services which would make such a town most attractive. If, today, it enjoyed the revenue represented by the rental value of the land, it would have two and a half times the revenue it actually spends." One wonders what would have been the result had this conservation of rent been coupled with the exemption of building values. Surely it would be a better city with even greater industries and with more residents, and the wise expenditure of the added income would have made possible countless municipal improvements. And these figures take no account of surrounding lands outside of the city of which much of the potential value has been lost.

In the town established by the Lackawanna Steel Company conditions are not as good as in Gary but they are similar. The excess land value was about $7,000,000 when studied years ago but since that time population has increased from 16,000 to 24,000 and land values have expanded accordingly. When the town was founded the population of the present area was about six hundred and land, which could have been bought in 1899 for about $2,700,000, was assessed seventeen years later—and assessed on a very low basis—at $10,400,000.

For many years Lackawanna had the name of being a dismal town with "none of the amenities which make town life pleasant"—no parks, playgrounds or libraries. But it did have some things, including plenty of saloons—a hundred and forty of them!—some with great barracks housing a hundred men, day and night shifts sleeping in the same beds. It tells its own story in the fact that 60 per cent of the shop force and 75 per cent of the office force preferred to live in Buffalo and put up with the expense and annoyance of commuting rather than live in Lackawanna. Mr. Herbert S. Swan, from whom we have drawn, concludes with a statement that such industrial towns would do more to stabilize labor by a solution of the land problem than by any other policy they might adopt, saying, "there is a right on the part of the community to enjoy and to benefit by the values which it in itself creates." Looking at the picture presented by these two industrial towns one wonders if even our shrewdest business men might not profit by the study of economics.

In such towns as these the cities might well have acquired all the land when the city was founded and continued to hold it, leasing it for ground rent, but in a going city there is no need for purchase, and titles and tenure should not be disturbed. It is true that title to land rests on a very different foundation from a claim to that which has cost us of our time, "the stuff that life is made of," but the buildings we erect, the orchards we set out, the wells we dig, and all that we create by our labor, belong to us and, to protect us in their possession, tenure and title must be respected and these things, themselves, untaxed. What we make we feel instinctively is ours, for it has cost us of our time and labor: it is the fruit of our natural rights to "life, liberty and the pursuit of happiness," but claim to land cannot rest on human production and this difference has long been recognized. It was a principle of the Mosaic law that land could not be permanently alienated and primitive peoples, governed more by instinctive feelings than by codes, will seldom sell lands in perpetuity. Innumerable law-givers through the ages could be quoted and the principle is recognized by common law in restrictions on sale, transfer and inheritance and by such established usages as the right of eminent domain. The constitution of New York State declares that "the people in their right of sovereignty are deemed to possess the original and ultimate property in and to all lands within the jurisdiction of the State," and the same principle is firmly established in many other states, although often forgotten.

Our only right to land is the right to share in the common patrimony of mankind from our Creator. Can anyone maintain that the Almighty created the earth for the benefit of a few to the exclusion of many? We hold it in trust and there can be no justification for holding it out of use, to profit by the denial to others of a share in the first essential of life. To have full enjoyment of what we do to and on land, we must have undisputed tenure, but it is only just that we should make fair compensation for values created by all in that portion of a common birthright held for personal gain and benefit. Lincoln well said: "The land, the earth, God gave to man for his home, sustenance and support . . . An individual, company or enterprise requiring land should have no more than they have in actual use in the management of their legitimate business."

The wrong done to landowners.

So much for restoring to the city the values which it creates, but we cannot impose added burdens on the realty owner who is, by the taxation of his house, already denied the full enjoyment of what is rightfully his. His rehabilitation is quite as vital as is the financing of the city, for the city depends on his prosperity. The two problems are essentially one. We create enormous value in land, as shown by the subway example, then we fail to profit, and finally, in the consummation of our folly, we prohibit anyone from profiting.

That much and sometimes all of the value of land is destroyed, is evidenced by countless cases of forfeiture rather than pay tax bills. Driven by a crazy system, we destroy all value in good and useful buildings which are razed to the ground, and then, by unjust and oppressive taxation we ban future use of the sites, killing even land value. No wonder we groan under our assessments!

How these ruinous processes work is illustrated by an example which finds parallel a hundred times. There is a lot a couple of blocks above the state capitol in Albany, well located, with eighty-foot frontage on two good residential streets. It was formerly occupied by the houses of prominent families, one house with an extensive garden. Some years ago it was sold for development. Pending drawing of plans and arranging of financing, the first step was to tear down existing houses, to cut tax bills. This meant a double loss: the value of the houses to the new owners was wiped out and tax receipts of the city were cut, and that was that.

Plans were drawn for buildings in keeping with present-day needs but study showed that they would be in much the same predicament as the houses razed: taxes would absorb so large a part of earnings that little or nothing would be left. Things dragged along for some years, with revision of plans and re-examination of the problem: there were changes of ownership but nothing was done, for the dilemma was unconquerable. The lot might remain vacant, bringing in nothing but tax bills—the assessment was $48,000 and the taxes about $1,700—or it might be built upon and yield a substantial return which would be gobbled up by the tax collector. For some years taxes were paid but, finally, the owners, tiring of sending good money after bad and unable to find a purchaser, gave up and the property is now in process of forfeiture. It pays no taxes and there is little likelihood of a sale which will restore it to the tax books.

This may be an extreme case but there are plenty like it and the process goes on day after day, in varying degrees, the country over. Regardless of what the assessment books say, the value of land is sharply reduced and often wiped out by a prohibitive tax on buildings without which the site can earn nothing. Herein lies the explanation of the universal howl against assessments: by a prohibitive tax on buildings we so reduce the value which would otherwise attach to sites that, of course, assessments are out of line and the source of endless complaint. In many cities it is rare indeed for realty to sell at its valuation and often sales are at a mere fraction of that figure. The sale of a large holding in New York City is reported at less than a tenth of the book valuation and we note an advertisement of a well-located house in that city offered at a quarter of the assessment. There has been, recently, a marked recovery in many cities but the inflation of realty prices resulting from war conditions does nothing to help those who were cleaned out and ruined during depression days. Only by sound basic reforms can we do away with these disastrous cycles of inflation and speculation followed by depression and stagnation.

A simple remedy.

For this double wrong—loss to city and injury to realty owners—there is a simple remedy:

Transfer the tax load from building to land values. This will restore to owners what is justly theirs, enabling many to derive a profit from holdings not even earning tax costs today, and it will increase site values—not sales prices but true value measured in earning capacity.

This transfer of taxation, if we so like to call it, actually means the ending of taxation, for collection of a just ground rent by the city is no more taxation than is its collection by a landlord. In dictionary words, taxation is "a compulsory contribution for the support of government" and a just rent cannot be so described no matter to whom it is paid. It is payment for values received in the improvements, services and progress of government and of society, and it should obviously go to those who create these values.

Such change will involve some readjustments but, if made progressively over a number of years, reducing the tax on buildings and increasing ground rents each year until the change is complete, it will not be difficult. The method is worked out and a general formula offered, but first a word about some broad general principles.

How land and labor values differ.

Differences between land values and those produced by labor are many and far reaching. Land is the gift of the Creator and not the product of human toil. It is rigidly fixed and limited, but crops, houses, gadgets and whatnot can be produced until the end of time, granting access to land and its resources and willingness to labor. Land is sometimes almost an abstract thing with its value lying, not in intrinsic physical properties, but in mere space and location. These are fixed, unlike things which man can produce and move about. True, the Empire State Building cannot be moved bodily to western prairies but its mate could be erected there and the value of the location is an attribute of *site* and not of building. A hydroelectric plant must be built where there is water power but, again, its peculiar value is of *site* and not of iron and concrete. Even when we "make" land we must have site and space, and values represented by filling, draining and grading are as truly labor values as those of building, and entirely apart from land values.

Each tract of land is unique and cannot possibly be duplicated. There are four corners of Main and Market Streets, but only four, and they lie on different sides of the street and differ in exposure and desirability. Your ownership of a knife does not preclude my owning its mate but the land you own I can never duplicate in every detail. For these reasons land is capable of monopoly in a way impossible in the case of most commodities.

The price of ordinary commodities is determined by supply and demand. When the latter exceeds the former, prices rise and increased supply, stimulated by unfilled demand, brings about a balance, but if supply is excessive, production halts until the surplus is exhausted and price again spurs production. To insure supply, price must cover all production costs or output will cease, and taxes are as integral a part of costs as is what is paid for material, power or labor. With supply fixed by inability to produce, demand is the only variable and alone determines price. So it is with land: its price, whether at sale or in rent, is fixed by competition in the market and is influenced by monopoly of ownership and not by any production costs.

How land values are determined.

The true value of urban land is generally greater than that shown by appraisal, assessment or sale. Such figures reflect only value to the owner, but the city also has an equity since it collects a tax on it. If a lot is held at $1,000 this value is reached by capitalizing, at the prevailing rate of interest (assumed to be 6 per cent), its net yield of $60 after payment of taxes. For most purposes this is correct enough but it fails to reveal the full capitalization of the $90 paid by the tenant—$60 to the owner and $30 to reimburse him for tax costs if the tax rate be 3 per cent. If the city figures its return at 6 per cent, its equity is worth another $500 but if the city is content with a return at its present tax rate, the actual worth of the lot is $2,000, for occupancy costs $90 a year, 6 per cent on the first thousand to the owner and 3 per cent on the second thousand to the city. If the city must have 6 per cent, the capitalized value is $1,000 to the owner and $500 to the city. If we double the tax rate, these figures will be reversed and the value to the city is $1,000 and to the owner only $500, or, if we go all the way and the city collects all ground rent, $90—the entire value—is lodged in the city with nothing left to the owner. *Nevertheless, the true value is unchanged for the occupant pays just what he paid before*—$90—and it is all a matter of the allocation of rent which is collected by the city instead of the owner getting two-thirds. Though sales value is wiped out, true value is not diminished and if buildings are freed from taxation, use-value, whether to owner or to tenant, will be materially increased.

Failure to distinguish between true value, reflected in what a tenant will pay, and sales price, leads to much confusion. It is sometimes asked how ground rents will be computed in the absence of sales price: the answer is that the capitalized value of land, as we see it today, is figured from rent and not the other way around. There is not the slightest necessity of going in circles, first computing capitalization from rent and then rent from capitalization. Think in terms of ground rent—what use and occupancy is worth—and avoid this roundabout circumlocution.

Some contrasts and benefits.

All of man's needs—his food, clothing, shelter and all that makes life possible or worth living—must come, in last analysis, from the land, if we include in that word all the resources of the world about us. To make what nature offers available and useful, labor is always necessary, for we must discover, extract, produce, fabricate and transport the raw materials if they are to serve us. Therefore, whatever is taken to support government must be obtained by levies on either land, the source, or labor, the means of production.

This argument may appear too materialistic, ignoring the greater things of life, but here we deal only with the material and not with the metaphysical. If man is to be anything more than a brute, he must have the things of the spirit—vision, conscience, companionship and aspirations—but even these are dependent upon physical existence. The child cannot have the full measure of a mother's love and care unless both have the physical necessities of life. If it be said that we make too much of property rights, remember that property has no rights whatever. Your shoes have no right to walk the pavement unless you are in them and your car has no right on the highway although you have a right to drive it there. What we call property rights are always personal—the right of the person and not of the things—and any attempt to distinguish between what we thoughtlessly call property rights and personal rights leads only to confusion.

Government must be supported either by a charge against the value given land by our common life or by taxes on the use of land by labor. The landowner cannot escape: he must pay either on the share of our common heritage which he holds, or on the use to which he puts it. There is no alternative. The only way in which the right to what labor yields can be fully respected, is by levying a charge for values and services which society gives to the land he calls his. In land values, or ground rents, we have an automatic index to what society does for him. We must therefore choose between collecting ground rent for the support of government or taxing labor values. In one case we give advantage to idleness and speculation: in the other, we give incentive to the production of men's needs. No matter how heavily we tax the land, we cannot reduce our resources one iota but rather we give stimulus to production. If land must carry a heavy overhead, it becomes increasingly imperative to use it productively, but taxing what labor puts into or takes out of the land reduces the profit of labor and the incentive to production, keeping all mankind the poorer.

To contrast the effects of taxation, take a simple illustration. What relation has the value of a rare postage stamp or a treasured autograph to the cost of paper and ink? Most of us could spend our days signing our names on the finest paper and with the costliest ink but the materials would only be wasted, whereas the rough scrawls made by other men on the cheapest paper are sometimes worth thousands of dollars. The value lies in something not measured in production costs. When we buy a Rembrandt, do we buy canvas and paint? Contrast the effect of taxing books published today with the taxing of rare first editions. Every tax which enters into the cost of publishing this little book, every tax all along the line from the time the trees are cut to make the paper and ores mined to make type and machinery will—we hope!—be covered in what you pay for it, for if the publisher cannot recover his outlay he will soon be out of business. Every tax on every element increases price, restricts markets and, finally, means fewer books.

A tax on an irreplaceable volume has an effect diametrically opposite. It depresses price instead of raising it for were the ownership of such books heavily penalized by taxation, they would be far less coveted. Make the tax high enough and few could afford to own them and such volumes would soon find their way to junk piles or to tax-exempt libraries. With land it is precisely the same as with other irreplaceables: taxation decreases price and, if high enough, would destroy all sales value. Few would wish to own land just for the sake of owning it. We would seek only as much as could be put to profitable use, and use-value would be greatly increased were buildings untaxed. Man is absolutely dependent upon land and we can never tax it out of use. Rather, we can tax it into use.

The effect on "rents."

What we call rent is usually made up of two very different components: true rent for the site and an item more accurately interest, for the use of the building and, perhaps, its contents. This is clear if we hire a lot on long-term lease and build with borrowed money, and many of our greatest buildings are erected on that plan. Then we pay rent for the site and interest on a mortgage covering building value, but the latter is no more true rent than is payment for the use of a rowboat or a typewriter.

It is only with the tax on buildings that the tenant is concerned, for it is this tax, and this tax only, which adds to his "rent" bill. As we have seen, what is paid for the use of the site will be unchanged whether collected by city, by landlord, or by the two jointly. True rent we must always have as long as different sites differ in desirability, for rent is only the expression of this differential. Taxes on a building are passed on and re-collected from the tenant. A tax on the site, if we like so to call it, comes positively and finally out of the pocket of the owner and he will be more than compensated by opportunity to use his lot profitably without added tax penalty. Therefore, the collection of true rent by the city will not increase by one penny what the tenant pays while the elimination of the tax on buildings will be a definite saving.

If money is worth 6 per cent and the tax rate is 3 per cent, a house costs 9 per cent a year and on this basis the tenant must pay, and the cost to owner-occupant must be figured in the same way. Were the house untaxed, the "rent" *of the house* could be reduced by a third and, as we have seen, the increased levy on the site cannot be passed on to the tenant. The owner would still net 6 per cent *on the house*, which is all he clears on it today. With this reduction in "rent," he could often fill premises now vacant. This saving would do much to solve the housing problem for its real crux lies in the fact that with rents so inflated, tenants cannot afford to pay enough to make it profitable to build. Reduce his costs by the elimination of the tax on houses, and many who now live in habitations scarcely fit for swine will be able to afford decent quarters. Such a saving would mean much to many and there would be a livelier and more profitable demand for decent homes. To the frequent but not very bright comment that it matters little how we assess the tax if the amount remains unchanged, the answer is that it makes all the difference in the world. Taxes may increase "rents" and discourage building, or they may have exactly the opposite effect, reducing "rents" and giving incentive to new construction. No matter how we tax the site, untaxing the house will make building more profitable and give incentive to those who contribute to meeting housing needs.

It may be well to enlarge on this argument for it is frequently misunderstood and misrepresented. If building and site values are equal for a city as a whole, to exempt the former will necessitate doubling the levy on the latter. What difference does it make if the tax be figured at $500 on the house and $500 on the lot, or if the entire $1,000 be assessed on the latter alone? The "how" of taxation is quite as important as the amount for, under the change, the building becomes far more profitable and the mere holding of land matters but little. Surely the owner will be far less inclined to tear down the building if demolition will not cut the tax bill and many a house will be preserved. Leave things as they are and many an old but serviceable house will be razed for no other reason than to cut the tax bill. Surely the owner of a vacant lot or an obsolete tenement will be more disposed to build if by so doing he incurs no added levy. We shall have more and better housing at lower "rentals," and speculative land, now held idle, will be built upon with profit to all.

The effect on mortgages is self-evident. Most urban mortgages are on properties which are improved or about to be improved. Taxes generally have priority over all other claims and must be paid before interest, so even what we call a first mortgage is actually a secondary obligation. Wiping out the tax on the building will increase the margin of safety of all subsequent obligations and loans will be negotiated with greater ease and security and at a lower rate.

In one city a great building has bonds outstanding and in default, aggregating about a million dollars. The property is assessed at $1,750,000 and the tax bill is $52,500, of which $37,500 is on the building. Under the proposed plan, it would pay about $30,000 in ground rents and enough would be saved to cover half the interest on the 4½ per cent bonds. This saving, coupled with earnings, would meet interest charges. The whole situation would be stabilized, with tax payments assured, but, if conditions are unchanged, this property will sooner or later be lost, bringing disaster to all.

Speculation and its evils.

In a growing city land values tend normally to rise and outlying sections, which give promise of early development, are snapped up by speculators, sometimes to be held for many years. Beyond this belt lies a remote section which shows little speculative advance and to it many must resort to procure homes within their means, suffering all the drawbacks and expense of time-consuming transportation. Thus we have a congested core with prices correspondingly inflated, surrounded by a speculative zone where little or no development is taking place. Beyond that belt there is a semi-suburban tract fast being taken up but, in the intermediate area, neglected and deserted, everything is held up pending the realization of speculative hopes and, though these are often doomed to disappointment, the harm is done. There are tropical plants which send out growth in all directions while the parent plant dies off, and many a city presents a comparable picture. The city itself decays and areas are all but abandoned; outlying sections, beyond city limits and contributing nothing to its finances, thrive and flourish, while the city faces a constantly shrinking tax base. A wiser policy would give us better planned cities with land values more uniform and normal. The tax on a $5,000 house on a lot of equal value is half against the house but, were the house untaxed, its cost would be no factor in the tax bill and there would be every inducement to spend $9,000 on the house and only $1,000 on the lot. Taxes would then be paid on an assessment of $1,000 instead of $10,000 and cheaper sites in less congested neighborhoods would be sought, providing better housing and a better-balanced development of the city.

Such idle speculative areas are most wasteful, necessitating extension of the services of the city and the utilities through profitless belts to serve outlying districts. In Los Angeles County, for instance, there were water mains, sewers, paving and sidewalks for twice the present number of houses and the upkeep cost of these almost useless things was estimated at $3,000,000 a year. The Municipal Finance Officers Association declares that "the most fundamental requirement for stabilizing real estate values, and therefore municipal revenues, is the control of land use and prevention of blighted areas," and surely great tracts of vacant land entailing heavy and profitless expenditure are as blighted areas as can be found.

The waste from speculation in Florida is everywhere apparent and the statement that civic improvements always benefit landowners requires qualification, for unwise and untimely public expenditure profits nobody. Great stretches around existing towns were laid out by the over-hopeful, lots surveyed, streets paved, water-mains and sewers laid and even street lighting provided. When the bubble burst, all was abandoned: grass grew in the streets, sidewalks became overgrown and poles lay in the gutters. Even when speculation does not blow up completely there is terrific waste from premature development and the profit, when there is a profit, often goes to outsiders who contribute little or nothing, only gambling on what other men do. "To foment a good-sized boom requires the invasion of both men and money from other places," as witness the wild Florida bubble which drew both profiteers and victims from all over the country.

The extent to which speculation in urban land often goes is seldom realized nor do we appreciate the evils it brings. As Mr. Harold S. Buttenheim says, "Bitter experience is demonstrating that the great American game, land gambling, instead of being an innocent venture or a speculation of concern only to private individuals who play the game, is too often a public tragedy with most of the losses underwritten by the tax-paying public. How to regulate land speculation with justice to legitimate and socially useful business interests, is one of the most important and difficult of civic problems." The simple and direct way is to frame our policies so that enterprise will be encouraged and speculation checked.

Speculation discourages the would-be home owner. The hope of speculative profits arising from increase of site values often deters an owner from selling at a reasonable price to one who would gladly build or purchase his own home, for the landlord capitalizes his hopes and asks a proportionately higher price. Were the city to collect full ground rent, there would be no increment to the landowner and there would be every reason for selling and the tenant's buying or building an untaxed house. The city would tend to become one of homeowners, to be desired on every count, for those with a stake in the community enjoy the satisfaction and security of ownership and make a far better citizenry.

Examples of our folly.

Obviously there will be greater incentive to build if the builder receive all the profit from his investment than if the tax collector take it in part or in whole, but this is only a portion of the story. Reconstruction, renovation and even decent maintenance bring higher tax bills. Apparently some cities prefer to look shabby and to disintegrate, for even the painting of a house frequently means a tax penalty and material improvement is heavily taxed. In a large and thriving village a well-to-do retired farmer lived at the intersection of the two main highways. He was active in affairs connected with agriculture and neglected his place. Shabby and run-down, it needed repairs and paint: the lawns were a disgrace. Finally he pulled himself together, rebuilt his porches, painted his house, resodded the lawns and did some excellent ornamental planting. The whole town presented a different aspect, by reason of his conspicuous location—but his tax bill was so increased that he declared that never again would he spend an unnecessary penny on improvements. There was no more work for artisans and gardeners and all the town suffered.

Such instances can be multiplied indefinitely. An acquaintance of the writer found his tax bill jumped when he built a simple sleeping porch: in one town the assessors snoop around and raise assessments of every house which has been insulated—and this in a time when fuel must be conserved! Is there any earthly reason why such sensible, employment-giving operations should be penalized? They stimulate business: they save needed fuel: they make life easier and healthier. For such policies there is neither argument of justice nor excuse on a shabby plea of expediency. In other lands, chimneys and windows were once taxed and, consequently, houses were smoky, dark and ill-ventilated. We see the folly of it now but is it any wiser to tax insulation and sleeping porches, making our people suffer from the cold of winter and the heat of summer? If it is folly to tax windows and chimneys, how about roofs, floors and walls? We tax not only windows and chimneys but the whole house!

In a city where they had taxation of personal property—that unsavory combination of guesswork and perjury—a substantial business man who had escaped personal taxation by mere luck, built an $18,000 house. It was assessed at $20,000 and on it he paid a tax of about $800, but the assessors were not content. On the undeniable assumption that if he could build such a residence he probably had at least $10,000 salted away, he was taxed another $400, so actually the building of the house cost him $1,200 in taxes each year. His business flourished and outgrew its hired quarters. Unable to find a suitable building, preliminary investigation was made of the wisdom of building to house his enterprise. Mindful of past experience he moved slowly, knowing full well that a $100,000 building would be taxed $4,000 a year and that his personal assessment would be doubled or perhaps multiplied several times. While weighing the pros and cons, he received a good offer for his business and sold. It was moved to another city, many employees moving with it, while others were out of jobs and the city lost a long-established business as the result of a crazy tax system.

The benefits of greater wisdom.

An immediate effect of the transfer of taxation would be to halt the demolition of good and serviceable buildings, to spur new construction and to encourage the modernizing of old buildings. Slums and fire-traps would give way to new housing and one problem would be on the way to solution, with profit and without subsidy. The aspect of many sections would be changed and there would be a stabilizing of city revenues, with substantial economies, for sociologists tell us that decent housing means real savings in relief and in police, fire and health departments. In New York City the incidence of tuberculosis, diphtheria and meningitis is more than twice as high in "old-law" tenements as in "new-law"; and in Philadelphia the death rate from such diseases in some districts is five times that in others. Boston shows striking variations in infant mortality and the same contrasts are evident wherever studied. Crime, too, is related to housing as is also juvenile delinquency. We grant that cause and effect are not always readily unscrambled and which produces which is like the question of the hen and the egg; but there is no question whatever that slum housing is a direct and very costly cause of many evils.

New residents and new industries would be attracted by the change. Opportunity for employment would be increased, with immediate activity in the building trades, but this is only the beginning. Heating, plumbing and electric equipment would be called for and everything which goes into building must be cut, mined, quarried, fabricated and transported. Glass, paint, wallpaper, hardware, and a hundred things are needed and, when completed, a house requires, or the owner thinks it does, carpets, furniture, decoration, refrigerators, radios, clocks and countless gadgets. Finally, new buildings must be serviced by streets, water-supply, sewers, transportation, electricity, gas and telephones and then they must be insured. Building is a basic thing and whatever helps the construction trades will bring benefit to all industry and to every corner of the land.

3 **The city's problem.**

How can this change be simply and painlessly effected? Details of procedure must be worked out for each city, for no two are alike: but a general formula can be worked out, susceptible of modification according to circumstances.

The principles are simple, but in application there are complications: accurate data are lacking and, pending thorough study, we must work from assessment figures, often far from accurate and not always untainted by fraud. These figures change from year to year but it is doubtful if these changes materially affect their relations or their significance. In some cities detailed valuation maps are available, prepared by insurance or realty interests, and these are generally far more accurate than assessment figures. Programs are proposed only in a general way, for the aim is to illustrate broad principles.

An essential consideration in working out a plan for any city is the ratio of improvement values to land values. This determines the increase in levies on land necessary to offset reduction in revenue resulting from exemption of buildings, and guides in deciding how rapidly the change may be put into effect. This ratio varies widely, often, apparently, because of questionable assessment methods. The law generally requires separate assessment of land and buildings but neither assessors nor taxpayers have been educated to understand the significance of these totally different values and the impression persists that, since the tax is computed only on the total figure, this is all that matters. Often assessors, instead of first determining the value of the site and then the value of the building, estimate the total and then, to comply with what they call "a silly law," split this into two items by a haphazard guess.

Generally, higher ratios are found in the smaller cities for, in large centers there is a broader disparity of values. The differential in desirability of sites is greater, for in one-street villages there is little preference and sites even beyond corporate limits may be worth almost as much as those on Main Street.

Another cause of the wide spread in these ratios lies in the radically different make-up of our cities. Some are compact, close-knit and congested, while others spraddle all over the countryside. Los Angeles, in pre-war days, had a population density of five to the acre, compared, for instance, with twenty in Philadelphia. It might seem that annexation of broad areas of farm land or wilderness would, by increasing total land values, reduce the ratio of buildings to land, but more often the effect seems to be the opposite, explanation lying in the fact that speculative annexation and subdivision depresses general land value. Such unsound ventures often mean higher tax rates to cover unwise city improvements, and this, plus increased tax delinquency and forfeiture, can work havoc in land values.

The importance of this ratio should not be exaggerated. Granting that a high ratio is justified and not the result of careless or crooked assessment, it is an index to the degree of improvement which may be looked for in individual holdings. Unless everything is thrown off balance by speculation, annexation and division, a city showing a high ratio for the city as a whole will also show a correspondingly high index of improvement for each developed parcel. Were all properties developed to the same proportionate degree, tax bills would remain unchanged, for untaxing buildings would counterbalance increases on land. It might seem that under such hypothetical and impossible conditions nothing would be accomplished by the change but actually such a situation would be ideal for reform. No one's tax bill would be either increased or decreased: there would be no opposition to the change and all would be free to build and to improve without incurring any added tax penalty. All would benefit and the future increment of land values, capitalized by the city, would make possible innumerable desirable and far-reaching public improvements. These would be self-sustaining, self-liquidating and, often, very profitable. Higher ground rents, justified by sound values and real benefits, would be met by property owners without the slightest hardship.

The following pages give a survey of a number of cities, serving to show how we may proceed. Perhaps this preliminary study will lead to thorough research in various localities, including the more progressive cities, to formulate a definite program and blazing a path of action.

Albany as an example.

We lead off with a detailed study of Albany, a city of 130,000, sixth in size among the cities of New York State and sixty-fifth among American cities. It is reasonably prosperous but not a boom town nor a war industries center. The capital of our greatest state, it occupies a position more conspicuous than many cities of its size and it would serve ideally for demonstration and example. Albany has unusual opportunity and, if it will awake to it, the fine old city will enjoy a growth and prosperity such as it has never had in its long history.

The city shows a steady, healthy growth but nothing phenomenal. Not much of a manufacturing city, it is strategically located with many possibilities as a distributive and administrative center. Its activities are diversified, depending on no one industry. Inclined to conservatism and perhaps a bit slow to accept new ideas, it is above the ordinary in education and intelligence. Like all cities it has its blighted areas and slums. Housing needs are average and it contains many old buildings, business and residential, which might well be replaced. It is the writer's home city of which he has long and intimate knowledge and where he has learned, to his cost, of the difficulties in which realty owners often find themselves by reason of present tax methods.

Albany is favorably situated to act, with building values a bit lower than site values. Possibly the city has been quicker than some to make allowance for building obsolescence on account of changing trends, and it has been spared the wild excesses of annexation and subdivision of outlying lands which so often aggravate tax problems. Assessments are erratic and generally in excess of sales prices but, were improvements untaxed, site valuations would not be unduly high.

Land is assessed at $125,000,000 and buildings at $116,000,000, a ratio of 1.00 to .925, and the present tax rate is just under four, with prospects of material reduction in the very near future. Assessments are supposedly at 86 per cent so, to bring land to its full value by present standards, the figure should be raised to about $145,250,000, but, in land, the city also has an equity. It collects, at its accepted tax rate, revenue based on present assessments and, therefore, to arrive at the full actual value of the land in the city, we should add the assessed valuation of $125,000,000, which is the capitalization of the present tax revenue from land, making the true land value $270,250,000. This might give a basis for computing ground rent, but were land raised to this figure without corresponding decrease in building assessments, the total for the city would be unduly high, and it is desirable to keep this figure constant. Often bonded indebtedness is conditioned by assessed values, and some states have a state realty levy, so inflation of the total would subject some cities to more than a just share of the state tax. Per contra, sometimes, state-collected taxes are allotted to municipalities on the basis of realty assessments. Therefore, it is necessary to keep constant the total of all assessed values for the city as a whole.

How Albany can get rid of city taxation.

Our objective is to untax buildings within the period of the change, set arbitrarily for Albany at eight years. This means that taxes on buildings must be reduced by 12.5 per cent a year, but since the assessed value of land exceeds building values, levies on sites will be increased by 11.3 per cent. Keeping the basic tax rate at four, we must, therefore, increase the rate on land by that percentage each year and reduce the taxable basis of buildings by 12.5 per cent of present assessments, taxing them at the present rate but on the reduced base. Doing this, we keep assessment figures unchanged both for individual properties and for the city as a whole. How it works out for the city is shown below. Note that ground rent increases and tax collections decrease by the same amount, $565,000 each year, although the *rate* of increase in the former is less than the *rate* of decrease in the latter. The total return to the city is not carried out for we assume a constant budget. If the budget is increased it is necessary only to increase the rate on land and, if decreased, to reduce that rate.

	GROUND		BUILDINGS	
Year	Rate	Total Rent	Per Cent Taxed	Building Tax
Now	4.000	$5,000,000	100.0	$4,520,000
1st	4.452	5,565,000	87.5	3,955,000
2nd	4.904	6,130,000	75.0	3,390,000
3rd	5.356	6,695,000	62.5	2,825,000
4th	5.808	7,260,000	50.0	2,260,000
5th	6.260	7,825,000	37.5	1,695,000
6th	6.712	8,390,000	25.0	1,130,000
7th	7.164	8,955,000	12.5	565,000
8th	7.616	9,520,000	0	0

Levies on specific properties can now be readily computed. Multiply present site assessment by the rate in the first column: multiply the proper percentage of building value by .04: add the two and we have the total bill. We suggest it be rendered as: ground charge so much; building assessment so much; percentage taxable; the tax, and then the total of the two items. It is sometimes said that since what we call ground rent is actually payment for services rendered by government and for values created by society, the charge against land should be made in such terms. This seems like hair-splitting, for of these values ground rent is a fair and automatic index. However, to meet this objection, and because of misunderstanding and resentment which might arise from making a charge as rent, where neither tenure nor title is questioned, it may be well to call ground rent a ground, site or service charge. Few realize that ultimate title to all land is lodged in the people and it would be unwise to use the word "rent" in any sense other than its accepted meaning.

How various classes of property would be affected is shown in the next table. The first column gives the ground rent per thousand of present site valuations: the following columns give the total charge against holdings showing varying ratios of building to site values, in terms of total charge on the entire property, per thousand dollars of present site assessments.

Year	Vacant site	Ratio of Building Values to Site Values			
		Equal	Twice	Triple	Five Times
Now..	$40.00	$80.00	$120.00	$160.00	$240.00
1st	44.52	79.52	114.52	149.52	219.52
2nd....	49.04	79.04	109.04	139.04	199.04
3rd	53.56	78.56	103.56	128.56	178.56
4th	58.08	78.08	98.08	118.08	158.08
5th	62.60	77.60	92.60	107.60	137.60
6th	67.12	77.12	87.12	97.12	117.12
7th	71.64	76.64	81.64	86.64	96.64
8th	76.16	76.16	76.16	76.16	76.16

Since building values almost equal land values in the city as a whole, there is little change where in any particular holding the two values are equal, but where there is a high rate of improvement, the saving is considerable; yet the total tax revenue remains unchanged.

Effects on specific properties.

To show the effect on specific properties, we first take the four savings banks owning their own buildings, of which three are great office buildings. The fourth occupies a magnificent temple on a valuable corner, with no tenants, and may well pay for that privilege. On this, the taxes will increase: on the three which contribute more to the city's needs, bills will be materially reduced. In New York State, savings banks are mutual and co-operative, operated for no profit other than that of the depositors, the majority of them of moderate means or institutions or endowments. It is to the savings banks that the mortgage-seeker and home-builder turns, and whatever strengthens the bank makes it easier, safer and cheaper to borrow and brings benefit to many. It is justice and sound policy to treat them fairly. Note the real savings to three out of four.

The National Savings Bank now pays about $104,000—$48,773 on site and $55,227 on building. The former item will increase by 11.3 per cent, or $5,511, each year, while the latter item is reduced by 12.5 per cent, $6,903, making a net annual reduction of $1,392 and cutting the yearly bill by $11,135 on completion of the program.

The City and County Bank, paying $40,000, will see their bill reduced each year by nearly $900, with a final annual saving of $7,198, and the Home Savings Bank, which now pays $68,000, will have their bill reduced by about $2,787 each year with a final annual saving of $22,300.

The Albany Savings Bank presents a different picture, with a site worth far more than the building. Their bill, about $34,000, will be increased each year by about $2,166, finally amounting to $51,330, an increase of $17,330, but before shedding too many tears over their plight, remember that they share the advantages of their valuable site with no tenants. Is it not right that they should pay for the privilege? It is Albany's oldest and largest savings bank and it can afford luxury if it wants it.

Despite this increase, this bank, too, will probably gain for, like many others, it is saddled with a lot of real estate which, on sale, often fails to meet the amount of the mortgage it carries. Running over the assessors' books, we note a property held by this bank, presumably acquired through foreclosure, in which building values are far in excess of site values. On this holding there will be a tax saving of nearly $3,000 a year, and it is safe to say that there are many like it in the bank's portfolio. In many of these cases prospects will be far brighter: on some the taxes will be reduced and on those of lesser building value, opportunity to build or to rebuild will often make it possible to put what are now more than doubtful assets on a profitable basis. Often the real estate departments have grown to such dimensions that the tail is wagging the dog, with these difficulties presenting the bank's greatest problem. The rehabilitation of these more than doubtful assets may easily be a greater factor than the taxes on the banking house.

With the leading banks of discount, the situation is similar. Three have great buildings in keeping with the value of the sites, and two house many tenants. The fourth, a smaller but most substantial bank, occupies a valuable corner with its own little building of relatively small value. The State Bank, now paying about $110,000, will pay only $102,800, saving $7,200 each year, after a progressive cut of $900 annually for eight years. The National Commercial, now paying $30,000, will pay about $22,000 on completion of the program, saving $8,000 a year, and the First Trust will have a reduction of about $370 each year, finally paying $34,650, instead of $37,600, and saving nearly $3,000 a year.

The Mechanics and Farmers will face an increase, with a site worth more than twice the value of the building. They now pay about $7,600 and this will be increased by $275 a year, so, at the end of eight years, the annual bill will be $9,800 or $2,200 more than at present.

So much for the banks: now for a few illustrations from miscellaneous buildings. A hotel paying $44,000 will effect a final saving of $6,000 a year, while a small hotel will have a greater proportionate saving, with taxes less than half of what they are now, since the building value is higher in proportion to site value than in the case of their bigger rival. Of office buildings, four will show savings ranging from 20 per cent to 46 per cent in their final tax bills: the Labor Temple will have a 28 per cent cut and a large, spraddling manufacturing concern occupying five buildings will pay a little less than half of what they now pay. On the Telephone Building the saving will be enormous, for the building is far and away more valuable than the site. Their tax bill will be cut from $160,000 to $17,136—about eight-ninths of it lopped off!

Some residential properties.

The first is a fine old house on one of Albany's best streets but the march of progress has ended the one-family occupancy of such residences. The district is fast being given over to semi-business, professional offices, "shoppes" and boarding or rooming houses, with the old homes converted by makeshift alterations. The site is assessed at $15,000 and the house, made over for roomers, at $7,000, allowance being made for obsolescence. The tax bill is $880 and for years the property has struggled to meet it with indifferent success. Three times it has changed hands by virtual foreclosure, selling the last time for a mere fraction of the assessed value although this same property sold for $40,000 just before the collapse of 1929.

The taxes on this property would be increased about $33 each year and, at the end of eight years, would be about $262 higher, but the owner would be far better off. Again and again thought has been given to replacing the old home by a modern apartment house but always it is the same story: taxes would eat up most of the earnings. What would an increase of $262 signify if an untaxed apartment house could earn a liberal return? The site is deep and wide, running through to another good residential street, the rear lot vacant and earning nothing. The combined holding would easily justify a hundred thousand dollar development if untaxed, and property, now earning scarcely tax costs, would become a truly profitable investment—a sure, instead of a most uncertain, source of tax revenue to the city.

The second property has a higher ratio of house to site value in a section not yet invaded by business. The total valuation is $17,500. The present tax bill is $700 and it would be cut just about in half. The third property is typical of many, a house worth $10,300 on a lot valued at $2,200. The tax bill would be cut from $500 to $167.

The fourth property is the home of a working-man, the house valued at $3,600 and the site at $400. The present bill of $160 would be reduced by $16.20 a year and, finally, the owner would save about $130 annually, enough, at terms now offered by local banks, to cover both interest and amortization of a mortgage for more than half the cost of his house. There are many such holdings in the less highly developed sections, but most lots similar to this are vacant and delinquent. With buildings untaxed, many a home would go up and tax collections would be assured. Despite a higher levy on sites there would be fewer forfeitures and much-needed homes for low-income families would displace dumps, billboards and dead cats. The city would gain. If the tax on such a house and lot stays at $160, many lots will long remain vacant and will be lost but, if values are stabilized by exempting buildings, houses will be erected and the city will collect twice what it tries to collect today—and we say "tries" advisedly.

If there is neither building nor sale, the plight of some owners may appear even worse than today, but seldom can an unwise purchaser, buying at inflated, speculative prices, save himself. Injury may result to some who persist in playing a losing game but should our policy be framed for their protection? If an obstinate holder refuses to sell or to utilize his holding, there are two possibilities. He may continue to hold, retarding the development of the city, ultimately profiting by what others do, or he may hold indefinitely, sending good money after bad, until he finally loses all. In any event the city loses: either the property is dropped from the tax books or the owner reaps a harvest which justly belongs to the city.

If it be argued that the greater savings accrue to the wealthy, consider the home-owner and more particularly the owner of the modest home. He gains, and he gains far more proportionally than do the owners of great buildings, and remember that whatever helps the lender helps the borrower and freeing buildings will reduce "rents" and do much for tenants.

Some practical aspects.

In such a city as Albany there should be little difficulty in effecting the change were intelligent effort made to educate the public to its benefits. There would be opposition—we always growl about taxes—but every objection can be answered and change would come gradually with ample time for adjustment by building or by selling. Perhaps the greatest problem would be that of old business structures in the downtown district and there are plenty of obsolete buildings, uncomfortable and involving grave fire hazards. We can hardly hope that they will all be razed over-night to make way for modern buildings although, allowing time for the change, that may happen in many cases, for old rookeries often occupy excellent sites. Probably the answer will be rebuilding and modernization. However these problems are met, it is only common sense to give every inducement to improvement rather than follow a policy which results in razing good, serviceable buildings to give way to wretched little "taxpayers" of only a story or two.

The writer is familiar with one building taken by a bank under foreclosure. It does not earn even its taxes and all equity has been wiped out. An effort to sell to one of the few tenants elicited the reply that he would take the building as a gift only if accompanied with a substantial cash bonus! And yet, the site is admirable, with frontage on two good streets in the very heart of the city. Were it a sound business venture to displace the present ramshackle structure by a modern office building, the site would become valuable and tenants would gladly pay good rents instead of which only a few will pay for quarters in an old walk-up fire-trap with leaky roof.

Other New York cities.

So much for Albany: now consider some other cities and their problems. In Greater New York complications arise from differences between the various boroughs but, in the city as a whole, valuations of buildings are but little higher than of land and in Manhattan they are practically equal. The metropolis should follow the Albany plan and individual tax-bills would be affected in much the same way. With housing problems acute and with a real slum problem, progress might be even more rapid, and that great city will soon face an appalling employment problem. Real estate is in difficulties: taxes are high; block after block clamors for reconstruction and the problems of housing and finances are a constant headache. Were the city to act promptly and vigorously, these evils could be greatly ameliorated and the way smoothed for trying days ahead. In the past there have been severe crises in municipal financing and the city can ill afford to neglect action which will stabilize realty values and city revenues.

In some cities, a partial start has been made along the lines proposed. To encourage slum eradication, certain classes of housing projects are made possible without entailing increases in taxable assessments, but such plans are closely restricted and put those who have anticipated housing needs, and those who cannot comply with requirements, at unfair disadvantage. Furthermore, much as lower rents are to be desired, home-ownership is quite as much to be encouraged, and the home-owner or home-builder must pay higher taxes by reason of discriminatory exemptions in which he does not share. We cannot too strongly insist on the imperative necessity of treating all comparable property alike if justice is to be done.

Speculation plays a great part in the problem of many cities. To the study of the extent to which it sometimes goes, Mr. Philip H. Cornick has contributed much in his report to the New York State Planning Council on "Premature Subdivision and Its Consequences," published by the Institute of Public Administration. Working out from present density of population the area required to serve increased numbers, for both residential and business purposes, he shows the utterly absurd degree to which urban land speculation can go.

In Buffalo, in 1930, there were vacant lots, resulting from premature subdivision, which would serve for over 94,000 persons, and during the ensuing decade that city increased by fewer than 3,000. At that rate it will be three centuries before these lots will be absorbed and the hopes of speculator-owners fulfilled! Buildings are assessed at about 40 per cent more than land, so it will be necessary to collect almost two and a half times as much from land if all buildings are exempted. This may seem a pretty steep increase on lots which cannot possibly hope for adequate development for decades to come but will any change make things much worse for these owners? Sooner or later the inflated prices which they have paid must go through the wringer and many holdings will be forfeited whatever we do—so the one hope lies in restoring some value by permitting untaxed building. Were figures available for the real city, excluding these speculative areas, it is probable that the ratio would be much closer and on these holdings the change would not be drastic. However that may be, were the change spread over eight years, adjustment would not be too difficult. If necessary, the period might be expanded to ten years, increasing land levies 14 per cent a year and reducing the tax on buildings 10 per cent annually.

In Rochester there is a similar condition, with 14,661 such lots—enough to take care of 25,000 more than the total population of five surrounding towns. When these lots will be absorbed lies in the infinite future for they would serve 76,000 persons and, in the past decade, the population of Rochester decreased by more than 3,000. Much of the increase in taxation will fall on these speculatively-held vacant lots but some would be saved by the opportunity to build untaxed homes. With things as they are, most of these lots will be lost anyway, to the injury of owners and of city revenue alike. Should we try to save such hopeless situations at the expense of home-owners and of those who really make the city? In Rochester buildings are assessed at about twice land values and it may be necessary to spread the change over ten or a dozen years but the city is losing population and things will get worse unless something is done.

In Syracuse things are not very different although the ratio, about two to one, is a little more favorable. Syracuse also has the problem of premature subdivision and annexations, as indicated by a decrease in population density of nearly 15 per cent in the past ten years, with vacant lots which would take care of an increase of 69,000, while the population declined by about 3,500 in the past decade. It is said that Syracuse already grants some degree of tax concession to new industries by building exemption and, if this be true, it is an added argument for making the change, since a start had already been made. That city might well work on a ten year program.

The next city in point of size—Yonkers—is well situated to act, as are a number of other cities in the neighborhood of metropolitan New York. Yonkers, and smaller Mount Vernon, both show rapid growth and this would make the change far easier. With growing population, land values always tend to rise and these rising values should be captured before the increment is any greater, for there may be increased opposition later. Both these cities show a ratio of about 1.8 and an eight year program should be practicable. Other towns in the neighborhood of the metropolis could safely embark on an eight, or perhaps a six, year schedule. Glen Cove has a ratio of only 1.2; Long Beach 1.6 and growing rapidly; White Plains and New Rochelle each about 1.56 and both show growth, and Rye has a ratio under 2. Throughout this broad suburban area, change should be easy and quick. Not in this district, but with comparably favorable conditions, is the little city of Middletown, with a ratio of about 1.7 and showing moderate increase.

Utica is in much the same situation as a number of other cities, including Niagara Falls, Binghamton, Newburgh, Poughkeepsie, Schenectady, Troy, Tonawanda, Glens Falls, Geneva and Watertown, with ratios of between 2 and 3. How fast they could move depends on local conditions. Doubtless the change could be more easily effected in cities of rapid growth but, on the other hand, cities which are losing population can ill afford to postpone action. Perhaps if Troy were to act promptly the decline of population would be checked and, were it to beat Albany to a sound reform, Troy might attract some of the growth of the Capital district now centering in Albany. Schenectady has had its ups and downs for it is a manufacturing city affected by war conditions and economic cycles. Although between 1930 and 1940 it lost population heavily, today it is very much alive. What will happen with readjustment to peace? It is safe to say that Schenectady will face serious unemployment problems unless prepared. Niagara Falls is in somewhat similar position but their population is normally increasing so the change would be easier.

Binghamton shows a healthy normal growth but nothing striking, while its metropolitan area, including Endicott and Johnson City, shows far more rapid progress. Were Binghamton to make the change, one wonders if it might not lead to the annexation of the suburban districts, their great and thriving industries and rapidly increasing population seeking to share in the benefit. Were such consolidation the result of voluntary action by the free choice of the people, it would unquestionably bring many advantages.

Most of the other cities of the state—and they are comparatively small places—have ratios of three to one or even higher and Lackawanna, Rome and Hornell have ratios well over five. One suspects that assessment methods may not be all that they should be, especially as there is little indication to the superficial observer that improvement in some of the high-ratio cities has gone very far. As has been pointed out, Lackawanna long ago missed her chance and it may not be easy to recapture what has been lost: there is very little evidence that building, housing and general advance have kept pace with community needs.

Difficult as it may be to effect a reform which would involve large increases in the levy on land, there are considerations not to be overlooked. If a town with a ratio of five to one shows this high proportion of building and development generally, property owners would gain as much as they would lose, for building exemption would counterbalance increased levies on sites. If these figures are correct and indicate a city-wide condition there are few vacant neglected or run-down holdings.

In all probability, were a few progressive cities to act, other cities, even if less favorably placed, would be almost forced to follow their example in order to hold their own. Which city would attract new enterprises and new residents—that where homes and factories were heavily taxed or the town where they were exempt? There seems to be a tendency for industry to locate in smaller places where conditions of life and labor are easier, freer and more agreeable and where land may be cheaply acquired. Where would the business man build a million dollar factory—in the town where he would be taxed $40,000 a year or in one where it would be tax free? In which city would labor conditions be more favorable—in a city of home-owners or one filled with tenants and lodgers, going and coming all the time, with no stake in the community? And land for factory or for home could be bought more cheaply where the land bears the tax than where improvements carry the load.

Some cities in other states.

Cities the country over parallel what we find in the Empire State. Chicago shows an apparent ratio of 1.3 but it is hard to determine just what these figures mean, for assessment methods are peculiar and on different bases in various sections and on different classes of property. Some are notoriously high and some notably low and it looks as if political conditions are not spotlessly pure. They still stick to an iniquitous personal property levy, giving every advantage to elusion and perjury and described as "a system of voluntary giving and not of just taxation." The city has experienced severe financial difficulties and until confusion is reduced to a semblance of system, consideration of the problem may have to be deferred. Our only suggestion is that capable, nonpartisan authorities make a thorough study of the tax question in all of its phases, incorporating this reform in a broad reconstruction of the entire set-up.

Detroit should act at once and move rapidly for the city was deep in defense work and faces a trying period of readjustment with the coming of peace. Unemployment will be widespread: industry will call for drastic realignment and there will be plenty of problems. The city has had its financial jams and they must prepare for what the future will bring. The ratio is fairly high, about 2.35, but they should take the bull by the horns and get ready for a tough time ahead. Potentially the city is very strong, with a sound future, and now is the time to act when things are prosperous. They can ill afford to stretch the transition over more than eight years.

Cleveland shows a ratio of 1.8 but complications make comparisons difficult to one who does not know the city. They, too, will have problems in days ahead, for much present employment is in war industry. Providence has about the same ratio as Cleveland and that city, too, should act promptly. Indianapolis is a little more favorably fixed with a ratio of 1.6. These three cities should make the change in eight or ten years. Boston lost over 10,000 inhabitants in the past decade and is slipping fast. Building valuations are only 50 per cent above those of land and the problem is not difficult. Make the change in eight years, or, better, in six, and start it without delay for the prospect is not good as things are.

New Orleans, with buildings valued at only 25 per cent more than land, could make the change in eight years. St. Louis assesses buildings and sites separately but, apparently, no one understands the significance of separate assessments tions are static or decadent. Something must be done if the blight is to be halted and, with things as they are, the change might be made in eight or ten years.

We have gone into some detail regarding Saint Paul, for what is going on there is duplicated elsewhere. All over the country many are moving into suburbs and getting away from the congestion of the city. Some of this movement is to be expected and is desirable, but many make such a move frankly to save taxes and to buy where land is cheap. The drift brings many difficulties to the city for its tax base contracts and although, practically, the population of the city is increasing, this increase is not reflected in tax receipts. To generalize about these conditions and trends is not easy for we have no clear-cut definition of what is "suburban" but it is interesting to note that, despite decreasing population of many cities, what is called their "metropolitan area" often shows rapid growth. Apparently Syracuse, Rochester, New Haven, Kansas City and St. Louis—just to mention a few—are all losing population to their suburban environs. Of this condition, Boston is a striking example and it is probable that much of her trouble springs from this suburban drift. In the past ten years the population of the city declined by over 10,000 while that of the metropolitan area increased by over 40,000. Indications are that, were the city to make the reform suggested, annexation of some of the outlying districts would follow.

Reports from Seattle show that conditions may be more favorable than is at first apparent. In that city the law requires assessments on a 50 per cent basis but, while this is generally observed in the case of improvements, land assessments are often at about 25 per cent. Land is assessed at $83,500,000 and improvements at $122,000,000. Were assessments equalized, land values would be the higher and doubling the levy on sites and exempting all building values would give the city greater revenue. For this information we are indebted to a reliable authority, qualified to judge by many years of experience in real estate appraisal, insurance, mortgages and management. Seattle is in a timber country and much construction, even in business districts, is of wood and it is reported that displacement of obsolete and hazardous buildings by modern construction is held back by the higher taxes which would result. Here we have definite, unimpeachable confirmation of much of our argument.

In the State of Washington they have perpetrated another folly. By constitutional amendment they limit the realty tax rate to 4 per cent which, with improvements assessed on a 50 per cent basis and land often at 25 per cent, despite the law, practically results in a rate of 2 per cent on improvements and only 1 per cent on sites. This means low returns and city deficits must be met by other taxes which bear the most heavily on those of limited means. They have a 3 per cent sales tax, probably soon to be raised to 5 per cent, and water rates have been increased by 50 per cent, not based on water costs but to meet general deficits. Seattle is a city of low-cost homes, it being estimated that 98 per cent of the single-unit dwellings are assessed at under $1,600. While these owners save from $25 to $50 through tax limitation they pay from $60 to $100 in sales, nuisance and excise taxes, imposed to make up the deficit caused by tax limitation. As always, it is the little fellow who suffers.

In New Jersey conditions are especially favorable, not only in the cities, but in whole counties and even in the entire state, for the total assessed value of improvements for the state as a whole is a trifle less than twice the valuation of all the land.

We are considering only city problems but the same principles would apply to greater units of government. Ocean and Sussex Counties show a ratio of building values to land values of 1.34 to 1.00 and Monmouth County is only a trifle higher. Of the cities, Hoboken, Bayonne, Perth Amboy and Asbury Park have ratios ranging from 1.08 to 1.25. Long Branch, Hackensack, Cape May, Ocean City, North Bergen, Englewood and Atlantic City are higher but still under 1.5 —and perhaps the last named city would suffer fewer disastrous fires if encouragement were given to replacing its many old fire-traps with buildings of modern construction. Camden, Newark, Jersey City, Orange, East Orange and Union City form the next group, still under 2, and Trenton, Paterson, Passaic and New Brunswick range from 2 to a shade under 2.5. Were the state to enact a permissive law, it might be possible to get action first from cities, then from some counties and, finally, the state.

An outstanding city is the nation's Capital. From our figures, tax-exempt property has been generally eliminated and in Washington the percentage of exempt property runs very high. The ratio is 1.74 and the tax rate 1.75, notably low and less than half of what is found in many cities, for the federal government carries a large part of city expenses. The government of the city is a federal function, with little or no local, self-administered government. With the nation owning almost half of the city and paying most of the costs of its operation, it would be wise to go all the way and virtually nationalize land to all intents and purposes by recapturing its values. This would make future acquisition for the needs of an ever-expanding government easier and cheaper.

Washington is a city of tragic contrasts. It is one of the beautiful cities of the world in some of its aspects but areas are indescribably squalid and its alleys and slums are notorious. The housing situation is a national scandal and we need have no fear of over-building for many a long year. With so low a tax rate, land could easily carry a much heavier load were much needed buildings exempted and the owners of vacant lots and obsolete buildings would have every opportunity to protect themselves by improvement and by sale.

Were the change made in a single year, little hardship would result. The rate on land would be raised to only about 4.8, no higher than in many cities where buildings are also taxed. Should it be necessary to spread the change over two or three years, the successive increases would scarcely be felt, especially in these days when housing is so imperatively needed. New and and untaxed building, and the consequent demand for lots, would soon render any levy on sites a negligible matter. What political difficulties would be encountered cannot be foreseen, but the Capital City would be a splendid example to all the nation. Slums and eyesores would be wiped out fast, housing conditions would be eased, future acquisition of land by the nation facilitated and Washington would be on its way to becoming what our Capital City should be.

Communism or justice?

Our argument may involve recasting some habits of thought and it will probably give rise to questions. There are two lots, side by side and of the same dimensions, one vacant and the other occupied by a great skyscraper: would we tax them both alike? Yes, why not? The owners hold for personal advantage equal allotments of our common heritage and they are provided with the same services of government and facilities of society. It is true that one utilizes them and the other does not, but if you only scan the headlines of your morning paper while your neighbor reads his from start to finish, do you expect to pay less for your copy than he pays for his? The seller gives you both the same value and it is no concern of his what use you make of it. It may be said that the great building makes more demand on such public services as streets, sewers and transit systems but, on the other hand, it offers far less hazard to the city, in disease, fire and crime than does the old rookery or the vacant lot, harboring ragweed, mosquitoes and nuisances.

But presumably the skyscraper yields a good income while the vacant lot yields nothing but tax bills: how does equal taxation square with the commonly accepted doctrine of "taxation according to ability to pay?" If one refuses to benefit by what is provided for him, that is his lookout and, with improvements untaxed, it will certainly pay to put land to adequate use. As for "taxation according to ability to pay," or, as Karl Marx put it, "from each according to his ability," the writer is not a good enough communist to accept that dictum! It is fallacious and unethical—a principle which we flatly reject. It is nothing but extortion, taking what we can get wherever we can get it, exacting by the force majeure of the state without a thought of justice or of right. If we mail a letter, the stamp costs three cents, whether bought by the mink-coated or the flannel-shirted. Why should not the services of the city be sold on the same equitable basis?

The objection is sometimes raised that "big business" will profit by the change. It will, but so will little business and the residents of the city. The temper of the times is to lay as heavy a charge as possible on corporations, particularly those in the utilities field, but we must deal justly with all and whatever strengthens industry will increase our general prosperity, create employment and benefit all. The utilities do much for a city. A large part of the benefits received will be passed on to employees, consumers and the public and, if the companies do profit unduly, Uncle Sam's income tax man and state authorities will take care of that! No city can afford to over-tax business or services essential to our common life.

In one town, dependent upon a single great corporation, effort is made to saddle as heavy a tax as possible on that company and the city is beginning to pay dearly for its short-sighted oppression. Until defense brought a transient boom, the city was losing population very fast. The dominant company is establishing plants in other cities and, if the home-town does not watch its step, it may again slip into the doldrums it experienced for many decades prior to the establishment of its great industry.

Another instance of dealing oppressively with a corporation comes to mind. A great and prosperous company employing many is located in a city where political conditions are a scandal and taxes ruinous. Founded on the proverbial shoestring, this company has grown phenomenally and operates a plant which is a show-place, drawing visitors from all over the world. The executives and many workers own their own homes and the management has long been noted for fair-dealing, liberality and public spirit. But they are considering removal to another state where taxes will be but a fraction of what they now pay, even though the move will cost them dearly in the sacrifice of realty. The city is advertising to attract new industries but, meanwhile, it continues to drive away long-established concerns. Does this make sense?

Who would pay the city's bills?

It is sometimes said that it is not right that those who own no land should pay no taxes. But nobody would pay taxes. The city would support itself from its own earnings. One reader of the manuscript says it makes little difference whether we call what the city collects taxes or ground rent, for it is all the same to its people. Is this distinction a mere quibble?

As has been pointed out, what a tenant pays and loosely calls "rent," consists of substantially (1) true rent for the site and (2) interest on the building and comparable improvements. Clearly, if the house is not taxed, this latter item includes no taxes. As for the true rent, that, as we have seen, is unchanged: the tenant pays what he now pays but the landlord passes it all on to the city, as is just and right. The tenant, then, unquestionably, pays no tax.

The case of the owner-occupant is no different. He is wholly freed of taxes on the house but instead of making only a partial payment to the city for benefits and services enjoyed, he settles this bill in full. Such a payment for values directly received is no more a tax than is, say, payment for postage stamps. Furthermore, the increase in the ground rent which he pays will be less than the taxes he has been paying on the building, providing he justifies his tenure of the site by employing it adequately.

Land is the first essential of life, labor and even of death. We must all have it and we must all use it—even the chap who disclaimed all interest in land because he lived on the third floor and worked on a ferry-boat—and, since it differs in desirability, it is only fair that those who hold the most of it or the best of it, should compensate the rest of us for the advantages which they enjoy. This really is the sum and substance of our case: instead of confiscating private property for the support of our city we would support our common needs by collecting an equalization payment which would restore to all the people a just sharing of what the Creator has given to all and of values and services provided by our common life.

Taxing the vacant lot.

The justice of imposing certain charges on the vacant lot is sometimes questioned. A vacant lot cannot be carried off by burglars; it will not burn up; it does not walk the pavements, ride in the subway or go to school. Why then should it pay to provide services which it cannot use? The answer is clear if we remember that these things, whether used or not, increase its value. We foolishly prohibit, by taxation of buildings, the utilization of these services and thereby impair their value but nevertheless the owner reaps a benefit and often, as in the case of the subway, a very great benefit. Try to buy the lot once offered when all was a wilderness, after the city has expended millions in the conveniences of civilized living. Does the owner tell the purchaser that these services are worth nothing and hold his price down accordingly? He does not! He jacks the price up to several times what he would have been glad to take and we pay a second time for what we have already bought with our taxes. We may all enjoy the parks, read in the libraries, visit the museum, send our children to the public schools and listen to band concerts in the square, *but we pay for what we get, not once, but twice.* Sympathize with the vacant lot owner because we ban utilization of services provided but, remember, the empty lot produces nothing, consumes nothing, houses no one, employs no one and does nothing but hold back progress and swell living costs. Let the owner put his lot to profitable use and he, too, will gain.

Overbuilding, zoning and "the poor widow."

It is sometimes feared that this program would lead to overbuilding. Is it always wise to encourage construction in congested sections where there is more need for elbow-room, breathing spaces and parking lots? The fact that people live, work and die in such areas indicates a demand and, if determined to stay there, they should be decently housed. Many would seek homes in less congested areas and, with speculative prices deflated and with freedom to build, there would be a drift away from the old rabbit-warrens. Should this result in decreased ground rents in blighted sections, the enhancement of values in newer areas would more than offset any loss in city revenues. Another factor, too, would add to the attractiveness of less central locations. We have seen how improved transit increases ground rents and, were the city to recapture these values which it creates, transit would be better and cheaper with fares no longer a problem. If the real need is for open spaces and wider and straighter streets in some sections, the remedy is city planning and the reform proposed, coupled with excess condemnation, would facilitate the acquisition of necessary land and sound public improvements could be made on a self-liquidating or even a profitable basis. Those who would sell would gain and those who could afford to build wisely would be vastly bettered.

Men will always err in judgment and make mistakes and we have no starry-eyed scheme for making everything foolproof, but demand for housing, both residential and commercial, is almost limitless. With "rents" falling, it will rapidly increase. It is estimated that there is a backlog of some two million homes badly needed but not built because of war restrictions and the call for new homes and the replacement of old is set at about a million a year. To meet this demand on a basis satisfactory alike to builders and tenants is, today, impossible, but, with profits to builders increased and with "rents" reduced, opportunity is boundless.

But will there not be a temptation to build too high and to cover too much of the site, sacrificing yards, light and air? It may be necessary to guard against these evils as we do today: require set-backs, restrict the proportion of the lot that may be built upon and the building height, but these problems will be far simpler. The proposed program will encourage a better-balanced growth in our cities. Avoiding congestion and the deflation of speculatively inflated land prices will make sites more readily available and at lower cost. In some cities there is abominable crowding, the building up of alleys, rear lots and other areas which should have been kept open—all a flagrant cause of slums. Lower land prices and decentralization will more than offset any urge to crowd too much building on a lot.

Some controls will doubtless long be necessary but the problem will be eased and not aggravated. Buildings of excessive height often destroy more land value than they create, supplying space beyond what demand at inflated prices justifies and shutting in the older and smaller structures. Better balanced development will distribute land values more uniformly and, by and large, will enhance them. Fifty- and hundred-story structures will be fewer but the old two- and three-story rookeries which surround them will give way to buildings consistent with needs, say of eight or ten stories, and these will kill the demand for over-powering monstrosities.

Zoning, a point sometimes raised, is irrelevant to questions of taxation. How would we prevent the slaughter-house from operating in a residential district or prevent a dance-hall from opening next to a church or a school? We have no cure-all: the answer is zoning ordinances as at present, regulating the character and use of buildings in various sections. The problem would remain, but it would be simplified. Is it not probable that the higher cost of holding land idle or ill-used would promote usage in keeping with neighborhood needs? Today there is little to prevent the perpetuation of old and out-of-keeping buildings where they are not wanted for, if replaced with better ones, the tax bill goes up. With improvements untaxed, many a slum building would give place to desirable construction and unwanted neighbors would drift to localities where lower ground rents testify to their being less of an annoyance.

Always we get the time-worn question of the poor widow's little cottage in a great business neighborhood or among more pretentious mansions. Would it not be hard on her to give up the old home with years of treasured memories? But how often do such situations arise? Do many impoverished widows live next door to great banks, hotels and apartment houses or in the shade of palatial homes? Under any plan there will be isolated cases of individuals having to do what they would not choose to do but this is no problem in comparison to the hardships of today. Is there any reason why a valuable site, capable of serving many, should be monopolized by a single resident or by a trivial business, at the expense of the welfare and progress of all, unless adequate compensation is made for what the city gives? And the poor widow could sell more readily, and at a better price, were the untaxing of improvements to create a demand for her property.

Would forfeitures be increased?

How can vacant land, or obsolete and decadent buildings, stand any increase in tax bills? Would not hardship result to many already in trouble, increasing delinquencies, forfeitures and losses and cutting city revenues? In some few cases this may result but more often both owner and city will gain, by the restoration of value to site through building exemption. This is illustrated by the Albany lot, of which all value, both to owner and city, has been wiped out.

Where there is an absurd excess of vacant lots, resulting from speculation and premature subdivision, the same forces will operate. We have cited the $3,600 house on the $400 lot and have shown how the owner would gain, and the same factors which benefit him would operate to give to the surrounding lots added value now being lost. Many would be built upon, and values would be restored both to owners and on tax books. Where cities are caught in an orgy of speculation, many lots will be lost in any event, but how can this be prevented with speculation and subdivision so far in excess of any possible demand? Today there is no hope whatever but, with buildings untaxed, new industries and residents will be attracted. There will be demand for sites and some of the harm of unwise subdivision may be averted. Can things be much worse than they are today for these unfortunate gamblers?

Illustrative of the difficulties encountered is the case of a city of some 20,000, detailed in a letter to the writer. The little town is in a bad way. "Small industry is going out, leaving shell holes and dumps, with abandoned factories and vacant real estate all around." Our correspondent says that there is only one substantial taxpayer left and most of his tax is on the building and not on the site. What would happen to such a town?

The picture is not very reassuring but what will happen if conditions are unchecked? Shall the town continue at the mercy of a single taxpayer? Why is "small industry going out?" To answer these questions requires a knowledge of the town which we do not possess but our guess would be that things in this little city are comparable to what is found in many another. We know of a great metropolis which is sliding down hill fast, for the simple reason that it is taxing industry to death. A small business was started in that city on limited capital but it grew and prospered. Production, sales, employment and gross profits steadily increased but taxes more than kept pace with expansion and net profits were not materially greater when thousands were employed than when the business was born with half a dozen workers. Recently the business just folded up; the owner was tired of "working to pay taxes," as he put it. And in the same city, another and very much larger business is today planning to move to another state, to cut tax costs and for no other reason whatever. Is it not possible that the same unfortunate forces have played their part in bringing disaster to the smaller city?

We can hardly believe that things are quite as bad as they are pictured by our correspondent. The little city is within ten miles of a great seaport metropolis, in a section where other towns are flourishing and even this city shows some growth of population. Were the change advocated spread over a dozen years, much land value would be restored. Industrial life might again pick up and suburbanites now locating in other centers would have inducement to build and to live in this city. We do not know local conditions but hazard a guess that, if things are as bad as described, decadence will continue unless something is done. Is it not better to take some chances rather than to let the little city go to destruction without an effort to save it?

Who loses?

It is hard to have much patience with one objection sometimes raised. It is occasionally argued that somebody must lose, for one man's gain is always another's loss. Thank God our lives are planned on no such vicious philosophy. In no Polyanna spirit of sentimentality, but just as hard, common sense and cold-blooded reasoning we must see that we all share and depend upon each other's prosperity. If we had the wit to grasp this simple truth there would soon be an end to much short-sighted selfishness.

In the long run we cannot possibly live or thrive by swindling one another. If the shoemaker and the tailor trade their products, each must gain or the loser will quit; production of one commodity will halt, trade will stop and no one will profit. To continue to benefit by specialized skill, mass production and the division of labor, both must profit. Life should never be a game of privilege, of exploitation or of taking advantage, and what is proposed will bring benefit to all excepting only those who seek to harvest where others sow. Don't be confused by fallacious argument based on the unsound premise that for one to gain another must lose.

The question of assessments.

All that can be said for the use of assessment figures in this study is that they offer the only available data. Methods and practices vary widely, as evidenced by recourse to equalization rates, and comparisons between cities mean little unless assessments and tax rates are taken in conjunction with one another. The assessors' oath "to assess all properties fairly, impartially and at true sales value," is a dead letter, for assessments are often frankly made at a definite percentage of that figure and, sometimes, at several times the market value.

There is scarcely a city where politics does not play a part in assessment and often taxation is seen as an instrument in the hands of the dominant party to curry favor and influence votes. In one city, officials tell protesting owners to learn to "vote right" before airing their grievances and the first move is to win the support of the ward leader. As this is written we have a story of political henchmen seeking to buy a property at far less than its worth and threatening that were the offer refused, increased assessment would force a sale. The owner, a poor woman unable to secure redress, refused the offer and, apparently, the threat was carried out.

The change advocated would go far to remedy these conditions. Taxation of buildings opens the way not only to corruption but to honest errors for, even with the best intentions, it is difficult to appraise buildings with accuracy. One house is larger but the smaller is newer and better built: one has a slate roof but the shingled house has one more bath: one is insulated but the other has a better heating system. It is almost impossible to agree on relative values and a gorgeous opportunity is open to political skullduggery.

There is another phase of this question, too. A comparatively new six-story building stood on a valuable lot. It was taxed at a substantial figure, and properly so if we accept the present system. Long before the building showed any deterioration it was torn down to make way for a building three times as high. The old building, modern, fire-proof and fully rented, certainly could not be said to be worthless but, when razed, its value was less than demolition costs. How is such a building to be assessed, even with the best of intentions? It might be said to be worth several hundred thousand dollars or it might be held to be utterly valueless and politically-minded officials could justify either position. Remember the Belmont Hotel in New York City? What was that first-class modern building worth for the last few years before it was razed to cut tax bills?

With taxation of buildings ended we would get rid of these difficulties so conducive to corruption. Assessing only sites leaves far less opportunity for error and discrimination is too obvious to be condoned. Two lots, side by side and of the same dimensions, cannot be differently appraised, though one be owned by a Republican and the other by a Democrat. Land can be seen, measured and valued by anyone and tax books will be purged of fraud, error and favoritism, and this is notably true of urban land which seldom contains concealed improvements such as artificially produced fertility or drain tiles. The veriest tyro can judge its value better than the expert can appraise the building, its contents or what is concealed in a safe deposit box, and experience has demonstrated the difficulty of even defining income in a fair and satisfactory way. There are systems of land valuation almost scientifically exact, taking into account street character, exposure, proximity to other streets and corners, transit facilities and nearly every factor. Assessing only ground rents, the problem of assessment would be simple and many evils and injustices would vanish.

A minor complication may arise from the fact that some municipal improvements have been paid for by property owners through special assessments and therefore belong, in equity, to them and not to the city; but these charges seldom include such greater items as reservoirs, main trunk lines, filtration and sewage reduction plants and similar major costs. The city, therefore, has some equity and generally it bears the expenses of upkeep and operation. Except where such special assessments are comparatively recent, property owners have generally been compensated by years of service.

To meet the problem of recent assessment of such charges, a deduction might be made from ground rents for some years and all unpaid charges of this character remitted. By such course, the city will virtually repurchase these investments and future outlays should be met by it. Expenditure should be regarded as capital investment, to bring return in higher future ground rents, justified by services rendered and higher value of tenure. This will reduce delinquency and forfeiture, for frequently sudden and sometimes heavy assessment of such costs brings real trouble. In Saint Paul many fine homesites, with all local city improvements, have been forfeited "because too large a share of the costs was assessed" against the properties. The city lost not only normal taxes but special assessments as well, resulting in a deficit in their improvement fund of nearly $4,000,000. Had the city met these improvement costs and exempted all buildings, most of these lots would have been saved to the owners and would have paid ground rents in increasing volume.

Peace and the post-war problem.

This book was written while we were plunged in war and its note was preparation for the future but, as the manuscript goes to the printers, victory is won. What were seen as future contingencies have become actual realities, clamoring for immediate decisions. The future can be judged only by the past. We all know what followed the last war but that conflict was as nothing contrasted with the recent Armageddon and the depression, with all its unemployment, impoverishment and suffering, may look like good times in comparison with what we may face unless we take wise, vigorous and prompt action.

All the world is in revolution and we speak not of armed conflict but of upheaval in habits of thought and ways of life, political, economic, social; in the philosophy of life and of justice and even of religion. We ask "why," no longer content to take things for granted. Great majorities in Britain and in France accept a political philosophy supported, until recently, by only a small and discredited minority, and in America we travel much the same path.

Discussion of the wisdom of these changes is apart from present purposes and this has already been treated by the writer in other pages. What we now emphasize is the inevitability of change: like it or not, the world of tomorrow will be very different from the world of yesterday. To oppose all change is futile and our task must be to guide it into safe and beneficent channels.

Too often we fall prey to an indolent habit of seeking to escape thought by recourse to names and labels. The word "radical" connotes a crank who would throw overboard much which has proved its worth, but the true radical is not one who uproots the flowers with the weeds but one who goes to the root of every question. "Conservative"—sometimes the brand of the stand-patter—more correctly means one who "holds fast to that which is good," accepting only change which gives promise, and "liberal" should mark those who seek all righteous liberty, not extremists and fanatics. Thought is the first prerequisite to action and it is the first duty of every man to think without prejudice, not content with tags and slogans. What is proposed in this book is radical, for it goes to the roots of the preservation of our rights, but it is far more conservative than present tax policies which take, regardless of justice. It is liberal in that it will give a larger measure of liberty, restoring much that is destroyed today and providing broader opportunity.

The specific problems ahead are (1) to provide abundant employment in a sound way and not by borrowing from ourselves and each other to pay wages: (2) to meet the needs of our people, and housing is a vital need: (3) to facilitate the readjustment on which depend employment, production and prosperity, and (4) to protect every worker, whether of brain or brawn, in full enjoyment of what is justly his.

Plans to aid the ex-service man are as plentiful as blackberries but in many there is an inherent fallacy. Like the man who invites a chap to dinner and then skips out before the waiter brings the check, we leave the men themselves to pay the bill. These supposed benefits must be paid for by the taxpayers and, though the day of reckoning may be postponed by borrowing, the bill must be met. Had we a great surplus in the treasury, we might give much to those who deserve more than we can ever repay, but today we must borrow to provide all that which we in our "generosity" propose to "give" them. It is upon the younger men, the men of military age and their children, that the burden of debt and taxation will fall and they it is who must pay the piper long after the older generations are gone. Shall we not do better to provide, instead of a pseudo-charity, opportunity to earn a livelihood? The veteran himself will fare better under a program which builds self-reliance and self-respect than by dependence on character-destroying doles.

Today industry struggles under a crushing load of taxation and this burden will become increasingly oppressive in days ahead. Already we approach the proverbial last straw and industry may be literally taxed to death. Some imagine that taxes can be levied only on men of wealth and on "big business" but our lives and interests are so intertwined that no group can suffer alone. In a world of contracting industry it will be the job-seeker who suffers first and we cannot oppress those who give employment without injury to those who seek it. It is to private enterprise and free industry that we must look to take up the slack. It is futile to look to public employment, hoping to provide wages for "boondoggling" by borrowing from one another. Make our public undertakings self-supporting and profitable and it will be quite another matter: then public employment will become possible and sound.

The city's responsibility.

The reader will look in vain in these pages for a ready-made plan for the reconstruction of the world. We know nothing of the boundaries of Latvia, the problems of Poland, or of the turbulent Balkans, nor do we know how the "four freedoms" are to be guaranteed to every savage tribesman. These problems must be solved, if they can be solved, by wiser heads than ours. The aim of most of us must be to meet questions nearer home, questions of which we have more intimate knowledge than has any world-state or even those at Washington. These problems are yours and mine and if we fail to answer them they go unsolved. Whatever else we do or leave undone, each city should carry its own load.

Some ten or twelve million men now in uniform will ultimately be discharged, with as many more in war industries, all seeking places in a world of peace and production instead of one of war and destruction. They must have homes: they must have jobs: they must have opportunity to get ahead. Shall they return to chaos and confusion, with their every need taxed, to sell pencils on street corners and to depend on uncertain doles and "made work"?

A revival of building will go far to give employment through the whole chain of industry and it will do much to re-establish business on a firm foundation. It will give relief to productive industry, no longer mulcted of a large part of its earnings to support local government. It will solve the problem of housing and rid our cities of festering slums. The city alone cannot meet every difficulty but we deal here only with the city problem and that in itself is vital. Considerably more than half of our people live in the cities and on them the farmer is dependent. Setting our own house in order will make a good start and, as a practical matter, it is easier to bring those of a city to a wise course of action than to induce a hundred and thirty millions to think and to act.

Not one of us can escape a share in the guilt of today. We permit—we encourage—the monopolization of a common birthright and of a common product: we deny to the worker—and that means the executive and the thinker as well as the laborer—the full reward of his toil: we encourage idleness and speculation and discourage production, and all mankind suffers. The American people are at heart fair and generous: it is a question of blindness and not of selfish depravity, but fools often work quite as much harm as do knaves. Our blindness is the result of indifference, mental inertia and willingness to accept without thought traditions and usages which hark back to feudalism.

No one with a conscience can view complacently things as they were in even the best of times, when a third of our people lived on the very edge of mere animal existence. For generations we were a young country, blessed as was no other land with opportunity which appeared limitless. A great free frontier lay open to all and that was the secret of much of our growth and progress. But that day is gone forever and each year we approach more closely to the problems and difficulties of older lands.

We speak for no group and for no class. The landowner is no more to be blamed than are the rest of us: he plays the game by rules made and accepted by all and he, too, often suffers. We preach no "class consciousness" and still less do we condemn the wealthy, "Wall Street" or any imaginary hobgoblin of the "trusts." Our only plea is to protect every man, rich or poor, in rights which are his—the individual right to his own earnings and a share in a common heritage to which value is given by the common life.

Objection may be raised to the proposals offered on the ground that, moving too fast, changes will be drastic and hard. We might make the change more gradually but city financing, already acute, calls loudly for relief, as does the real estate owner. Peace is at last won, thank God, and the problems which it brings will not wait. In normal times we might stretch the change over longer periods but times are far from normal and delay is dangerous. We cannot afford to be caught doing "too little and too late." Unless we do something and do it quickly disaster will be upon us, and it can come through our own folly quite as readily as by alien aggression. Listen to Macauley's warning to America of almost a century ago:

"I cannot help foreboding the worst . . . Your government will never be able to restrain a distressed and discontented majority. Either some Caesar or Napoleon will seize the reins of government with a strong hand or your republic will be as fearfully plundered and laid waste by barbarians in the twentieth century as the Roman Empire was in the fifth; with this difference, that the Huns and Vandals who ravaged the Roman Empire came from without, and that your Huns and Vandals will have been engendered within your own country by your own institutions."

What lies ahead for our cities?

Studies by the New York State Citizens' Public Expenditure Survey indicate that the base for realty taxation in that state shrank by about 20 per cent during the past decade, reducing taxable values by some seven billion dollars, and much of this shrinkage is in the cities. The twelve counties with the greatest decline are those in the greater New York area and the counties in which are found the six largest upstate cities, Buffalo, Rochester, Syracuse, Yonkers, Albany and Utica.

As time passes things will grow worse and not better unless we show some sense, for many cities are reaching, if they have not passed, their zenith. Excluding cities in the vicinity of New York, which have grown at the expense of the metropolis itself, the larger cities of the state and many smaller ones, too, show either a markedly reduced rate of increase or a positive loss. Taking the ten largest, outside of the New York metropolitan area, six had a smaller population in 1940 than in 1930, whereas in the previous decade all had gained, as shown below.

	Gain 1920-30	Loss 1930-40
Rochester	32,382	3,157
Syracuse	37,609	3,359
Utica	7,584	1,222
Schenectady	6,973	8,143
Troy	767	2,459
Elmira	2,004	2,291

This is a contrast in the total of a gain of 87,319 against a loss of 20,631.

In cities which show an increase it is far slower than in the previous decade.

	1920-30	1930-40
Buffalo	66,301	2,825
Albany	14,068	3,165
Binghamton	9,862	1,647
Niagara Falls	24,700	2,569
A combined increase of	114,931	10,206

The aggregate population of the ten cities listed in these tables shows a net decrease of 10,425 whereas had the former rate of growth been sustained, the total population would have been 212,675 greater than today. What lies ahead of the speculator who bought in expectation that the rate of growth would continue unchanged?

It is true that these comparisons are between periods of depression and of relative prosperity, but depressions, like the poor, we have always with us. It is more than probable that in days soon to come we will face a situation which may make recent depression days look like good times and city financing, as well as real estate investing, must be framed on a long-time basis, taking account of lean years as well as fat.

These are figures only for New York State cities but the condition is nation-wide, for the rate of growth of 412 cities of over 25,000 declined in four decades from 38.6 per cent to 7.6 per cent. It is not confined to stagnant or "hick" towns for New York City is growing only a third as fast as it did ten years ago and Boston, Philadelphia, St. Louis and San Francisco all lost population.

Apparently the population of the entire country will soon become static. Recent estimates of the Census Bureau indicate a decline in the population of New York State of three-quarters of a million or 5.7 per cent since 1940 and, for the entire country the rate of increase, once about 35 per cent, declined to 16 per cent in the decade from 1920 to 1930 and, during the next ten years it fell to 7.5 per cent. The decline goes on at an accelerated pace and one wonders what the late Dr. Malthus would say to it and how he would reconcile it with his ridiculous theory. The heyday of land speculation is past and, in the future, there will be little opportunity for reaping where others sow, except where conditions make it possible to garner benefits which result from improvements paid for by others, as in the case of the New York subway.

In view of these broad demographic trends, cities must unquestionably prepare for days when growth, if there be any, is far more limited than in the past. There is a constant drift towards decentralization "to escape excessive land prices, labor costs, taxes and congestion," and the automobile, the extension of electric service and many other advances make rural and suburban life increasingly attractive.

City population declines: realty values fall: tax rates go up, as does bonded indebtedness: buildings are saddled with an ever-growing burden. What will happen to the finances of our cities? Facing a crisis and in frantic effort to escape, they resort to a dangerous expedient and seek to transfer their responsibilities to state and nation. They clamor for subsidies for this and that, but the difficulty can never be eased in that way. By whatever agency our taxes are levied we, ourselves, must keep filled the pork barrel from which we would grab and, by and large, the taxpayers lose more from subsidies than they gain. All such schemes are open to another grave objection: he who pays the piper calls the tune and trying to shoulder off onto state or nation obligations which are ours, means the loss of self-government and the destruction of our liberties. We clamor for subsidies for schools, roads, public improvements, housing, the relief of destitution and for many a supposed benefit, and for this mess of pottage—and a mess it is!—we sell our freedom. Remember Franklin's warning: "They who can give up essential liberty, to obtain a little temporary safety, deserve neither liberty nor safety."

Tax delinquency and forfeiture.

The problems of delinquency and forfeiture will be eased but they must still be faced and it is not improbable that, when peace brings deflation of values, they may be aggravated. What shall be done with realty on which taxes remain unpaid?

Taxes constitute a lien collectible by seizure in one way or another, but legal formalities are complex and so costly that it is often impossible for a city to secure clear title by any reasonable procedure in any reasonable time. For years rights of redemption are vested in former owners and, even if seldom exercised, title is cluttered and neither city nor purchaser can secure unquestioned ownership. The usual process of foreclosure is frequently of little avail, involving costs scarcely justified in the case of small undeveloped parcels of low value. A simple measure sometimes adopted will help: provide for foreclosure "in rem," as the lawyer puts it, instead of "in personam," doing away with the necessity of hunting up and serving all individuals concerned and proceeding against the property instead of against all who may possess a shadow of a claim.

The problem of forfeitures is primarily a problem of vacant lands. In Dearborn, Michigan, of 4,000 lots, 3,000 were vacant and 1,240 were tax delinquent in 1930, but ten years later, this number had increased to 2,600. In one town in western New York, tax arrears on over 22,000 vacant lots make up over 96 per cent of total unpaid taxes. In Saint Paul, although there has been delinquency even in the heart of the city, with substantial and well-located buildings forfeited, the city has acquired 18,000 vacant lots against 334 improved parcels and in Jamestown, New York, of the four thousand parcels acquired through non-payment of taxes, only 120 are improved. The magnitude of the problem is illustrated by nine cities where the total of accrued and unpaid taxes exceeds the amount of annual collections.

All this means expense in assessing and handling worthless claims. One city sets the cost of assessment at $1.70 a year for each parcel, accounting at $1.20 more and, in a single year the cost of advertising tax sales has been as high as $14,000. In at least one state, cities must also meet another obligation, for each municipality must pay all state and county taxes on realty even though the city is unable to collect. Every city faces these problems in one form or another and every unpaid tax bill increases what others must pay, so things go from bad to worse and the disastrous process rolls up like a snowball.

Sometimes non-payment brings little result except abandonment with title so clouded that it is not worth the effort to clear it. Mr. Cornick tells of a subdivision in which lots were given away as premiums with boxes of soap. On one such lot, of which the deed was recorded almost a half-century ago, no taxes have ever been paid. Who owns the lot today? It is Mr. Cornick's guess that the original owner has long since been gathered to his fathers, the estate distributed under a will in which this most doubtful asset was not mentioned and whatever claim remains is lost and scattered among scores of descendants. Meantime, unpaid taxes and penalties have piled up, amounting to more than seven times the assessed value. True, the lot may be worth nothing in itself, but there are hundreds, if not thousands, of such parcels. A simple and inexpensive procedure should be established by which the city can take clear title, for no one profits with things as they are. It may seem to matter little what becomes of such holdings but, with improvements untaxed, they would often acquire some value and would justify the payment of ground rent in many a case. If, however, this is utterly hopeless, such lots in the aggregate may have considerable value if consolidated and the harm of foolish subdivision undone. Even isolated lots are sometimes useful for widening and straightening streets, and often it is possible to effect desirable exchanges.

Such land may have possibilities for community uses—parks, playgrounds, boulevards and "green belts." One city has developed a park which will more than reimburse it for lost taxes through resulting increment in value of surrounding property. In another, reverted holdings provide a playground and, in still a third, a small pond gives the people a winter skating rink. Many cities in Europe, and a few in America, have established municipal forests or nurseries to provide plants for parks and boulevards. Land in crowded, neglected, slum areas may provide parking lots or playgrounds and serve for municipal garages or storage.

Some simple reforms.

Simplify the way in which title to delinquent holdings can be taken and then, instead of trying to force profitless or impossible sales, let the city hold such properties, leasing for ground rent, with all improvements, past or future, exempt. The best way to fix rent on holdings of uncertain value would be by auction of long-term leases, taking bids in terms of annual rent, readjusted at intervals according to changing conditions. Titles would be kept clean, income restored to the city, demoralization of realty values ended and many a holder now wiped out would retain and improve his property. In one city 80 per cent of vacant lots acquired by forfeiture have been improved when sold and artificial values deflated, showing what might be done were improvements untaxed. Some similar course may be worth consideration by the small, decadent city now relying on the single taxpayer.

It is possible that such procedure might place those who continue to pay taxes at a disadvantage, encouraging nonpayment. To obviate this, and to expedite the collection of ground rent instead of taxes, permit any owner so electing to deed his property to the city for a nominal payment, retaining tenure and thereafter paying only full ground rent. Then he can build the home so long desired, incurring no added levy, and city revenues will be assured.

Under existing laws cities seldom have the right to buy, hold or lease realty for purposes other than actual public use. The rights of the city should be broadened to permit such undertakings. There is sometimes provision for what is called excess condemnation, giving city or state the right to acquire land beyond that directly needed, in order that it may reap the return from public improvements. Such legislation, however, is often obscure and forgotten and excess condemnation is exercised far less often than it should be. We can learn from European experience, where cities are often far more progressive than American municipalities. The opening of the famous Avenue de l'Opera in Paris cost the city some $11,000,000 but, by the sale of benefited land acquired by excess condemnation, it realized a profit of almost six times the cost of the new street—another instance of the increase in land values by public improvements. Excess condemnation may be of minor import if the city recovers in higher ground rent the greater revenue resulting from improvements, but there are practical aspects not to be ignored. Sometimes the opening of new streets, or the widening and straightening of old, leaves property owners with small, misshapen remnants of little or no value. What good is a long wedge of land five feet wide at one end and a few inches wide at the other? About all it is good for is a billboard, and this injures surrounding values. Of course there is vociferous objection to proposed improvements which leave property owners with such worthless scraps of land and sometimes they recover in damages more than would have been the cost of purchasing the entire parcel under excess condemnation.

A complete overhauling of present procedure would overcome many evils and end many hardships. Consider the case of a famous hotel in one of our great cities. For years it has been unable to earn its taxes, high because of the levy on the very valuable building. No taxes whatever are paid and the city is powerless to act. If a tax sale is forced, there will be few bidders, for the hotel is well operated and has a good name—new management could do no better with it than the present owners. The city would gain nothing and would suffer from the closing of its famous hostelry, especially as the cause of the jam became known. Tax conditions in both city and state are notorious and they can ill afford to add to discontent and unrest. There is little question that, were the property offered on lease for ground rent, the owners would re-establish things on a profitable footing and the tax yield, while theoretically less than is charged today, would actually be far more than the nothing now being collected.

When the Florida boom collapsed it brought ruin to many and financial chaos was widespread. Many governmental units were in default—47 counties out of 67: 165 municipalities out of 289: 204 school districts out of 882, and, since many units overlapped, the difficulties of many districts and counties involved the cities. To clean up the situation, bonds, purchasable often at fifty cents on the dollar or even less, were made acceptable in payment of delinquent taxes and this discrimination made it an object to let taxes accumulate. Delinquency still dragged, sometimes for many years, and now payment of taxes for only a single year and that made in depreciated bonds will often clear all arrearage. Were the cities to reform their policies they could take title and, leasing for a fair ground rent with improvements exempt, many an owner, now dispossessed to the benefit of no one, might hold and improve his property instead of being wiped out.

This modification of present usage need not be deferred till more settled conditions make building possible: it means no higher taxes for anyone—only collection of some revenue where nothing is now paid—and it would save many an owner. We call to mind a delightful apartment house in a Florida city, offered to the writer at a sacrifice price, but with a mass of unpaid tax liens. The owner would not have been forced almost to give away a potentially valuable property had the building been tax free and at least some tax revenue would have been collected by the city. Ground rents would have been willingly paid, the burden on other taxpayers eased, and the owner would have been safe in the possession of a property now lost.

Increased city revenue.

With building values no longer eaten into or destroyed by taxation, owners will gain enormously but, since the value of a building is fixed primarily by replacement cost, we cannot look for enhancement beyond this point. Absolute increase of value will attach to sites and not to buildings, reacting to the benefit of the city. With the restoration of land values and with the income returned to the city, finances will be established on a sound basis and we may reasonably anticipate an ever-growing revenue, with many economies in city administration. The influence of social conditions on land values has been recognized for ages, even Cicero calling attention to it. Zangerle, in his book, "Real Estate Appraising," quotes a suggestive passage from John B. Sharpe's "New Political Economy":

"Those efforts at social amelioration . . . such as the promotion of temperance, the purification of politics, greater efficiency in moral and religious instruction, the heightening of the civic sense and the political judgment, every aspiration indeed for what is higher and better, every impulse toward what is good and noble that finds organized expression in society, serves but to increase the rental value of land . . . Imagine . . . a community in which all citizens were honest, temperate and industrious: in which vice and indolence and immorality were no longer to be found! Would not many persons eagerly seek homes in such a community? . . . Is it not clear that it would find expression in increased rent, and that those who owned the land . . . would charge a premium for the use of it? Manifestly they would and . . . it becomes apparent that the economic effect of such reforms is not to increase wages . . . but to increase the value of land."

This may sound like the Elsie books and some may question if life in such a community would be very exciting, but the principle is sound. In a community of angels, none would endanger life or property: police would scarcely be needed: courts would be idle, prisons vacant, and calls for charity would be few. The schools would do their job in half the time, with half the expense, teaching infant paragons who would never throw peanut shells on the streets, scribble on fences or break windows. Economies in city and private expenditures would be reflected in higher land values and ground rents, gladly paid. To reduce these complex factors to figures and formulas is impossible but competent students see an almost certain probability of city income increasing far beyond what now seems possible.

It is sometimes argued that the proposed reform will open the way to extravagance and corruption but the direct nature of the levy, doing away with the chicanery of indirect taxation, will curb and not aggravate these evils. It is as silly for a city to refuse to collect its rightful income as it would be for a man to refuse his pay envelope lest he use the contents unwisely. Every city could use profitably far more than it now collects, especially as such outlays will be profitable investments reflecting greater future income. There is not a city which would not be a better place in which to live and work, with good pavements, parks, playgrounds and cultural advantages.

Collection of present revenues by ground rents instead of by taxation has been emphasized, for this is the first step, but it is only a beginning. A constant budget has been assumed and we have considered only changing the method of its collection. This, in itself, will not increase city revenue but collection will be easier, cheaper and surer. But, having gone this far, *we should then go all the way and collect for* *common needs all the income which justly belongs to the city and this can be done without the slightest hardship or injustice for property owners will reap the benefits from the use of these funds.*

How to use this surplus.

The increased revenue might well be absorbed in part by remission of other municipal taxes, oppressive to industry and to the well-being of the people. The personal property tax, shown by long years of experience to be incapable of impartial imposition or collection, should be abolished if only in the interest of fair play. Particularly objectionable is the taxing of so-called intangibles—things in themselves of no intrinsic value and serving only as evidence of ownership of things already taxed. The factory is taxed in ways innumerable but, if incorporated, the stock is again taxed in many states and cities, subjecting the same property to double or triple taxation. To tax both the property and vouchers for it, is as unjust as it would be to tax a man on his watch, as some states and cities attempt to do, and then tax again the check which the repair man gives him for it. The man who owns his house free and clear is taxed once but, if unfortunate enough to have a mortgage on it, he is taxed in some states also on that lien, again double taxation and particularly odious because it falls on the debtor class.

The sales tax falls in much the same category as a tax on buildings. It is a tax on enterprise and on free exchange upon which much of our prosperity rests, and it falls the hardest on those already close to the margin of subsistence. The same objection applies to a tax, camouflaged as a license, on the conduct of a legitimate business or profession. Ultimately it is paid by the consumer and again those of smallest means suffer the most. It operates precisely like the sales tax. Why in the world should the poor fellow with an aching tooth have his sufferings increased by higher charges resulting from a tax imposed on the practice of dentistry?

In these days there may be a shadow of excuse for some levies imposed by the national government openly and avowedly to keep us poor, in the fallacious hope of curbing inflation by preventing our spending to meet our needs, but such devices, even aside from any question of their wisdom, have no legitimate part in the operations of the city. There are taxes which are primarily the exercise of police power, such as the dog tax to keep our canine population within bounds, or the tax on dance-halls and pawn shops. Perhaps potential nuisances should pay the costs of their supervision but, as revenue measures, it is hard to defend them.

Some taxes, city or otherwise, are open to argument, notably those imposed on the liquor traffic and on gambling. The principle is clear and clean-cut if we can agree on our premises. If such operations are desirable business undertakings, they should not be taxed; if they are immoral or even anti-social, they should not be tolerated because government "takes a cut in the swag." The difficulty is that we are not all of one mind on our premises, so logic falls down and the best we can do is to compromise as we do today.

Having abolished many objectionable levies, there will probably still remain a surplus and for it there are many uses. In some cities it may be wise to use it in reducing bonded indebtedness but, with the city established on a solid footing, a reasonable debt need bring no more anxiety to either debtor or creditor than does a moderate funded debt of a thriving corporation. Beyond such material improvements as we have mentioned, there are many services which a city might render to its people, were costs met from legitimate income and not by the exactions of taxation.

The writer is no friend to communism in any of its forms and decries programs which take from some to give to others. Government should not be a charitable organization, doing for men what they should do for themselves and undermining character and self-reliance, nor should it be an instrument for the redistribution of what men earn by their toil. Increasingly we are taking from all—or worse yet, from a few—to do things for and give things to favored classes, and this is the very substance of communism. We say nothing of this communistic practice as a voluntary way of personal life—that the writer has discussed in other pages—but, *as a political policy, compelled by the force majeure of the state, it is immoral and unjust.* To deal fairly with all, to show no discrimination and to enforce justice with an even hand, is the paramount duty of the state.

But much as we decry the socialistic-communistic trend of the times, under whatever colors it may sail, expenditure of a common income for a common good—for the good of all and not of a few—is free from this taint. In one great city the hospitals verge on bankruptcy because of inadequate payment by the city for charity cases committed by the authorities. These payments—only about half of actual costs—mean heavy deficits which have to be made up by constant "drives" and by increased charges to paying patients. We take from the charitably disposed to pay expenses which could be met from city funds, were the city to collect its rightful income. Instead of making the fairly well-to-do pay for the unfortunate, the city might well reverse its policy and pay enough to cover not only the full costs of indigent patients but also a good part of hospital overhead, thus reducing the financial burden of sickness to all. Even those in good circumstances often carry a crushing burden when sickness is prolonged and, could the city afford it, we see no objection to free hospitalization for all with no more stigma of "charity" than in the case of public education. Hospitalization is not much subject to abuse, even if free: no one wants unnecessary operations and most of us would rather be up and around than on our backs in a hospital. This is but one example of how a larger municipal income could be wisely and justly used.

Lessons from experience.

Our argument has been largely theoretical and questions will arise regarding experience in line with this proposal. In Denmark a plan shaped on easing the burden on improvements has been a glowing success and all observers agree that the tremendous advance of that enlightened little country was due almost wholly to land reform. Between 1932 and 1937 levies on land values increased by about 50 per cent while taxes on improvements were cut by more than 40 per cent, with full exemption of houses up to $2,500. The results speak for themselves: the average number of dwellings built annually increased by 74 per cent in about eight years and "the problem of how to make room for those without shelter has simply ceased to exist."

With this new construction, the number of old tenements razed each year has been multiplied by more than sixteen and Miss Margaret Bateman says that "by taking ground rent for public use the slum problem has been eliminated in Copenhagen." Tenantry is estimated at only 5 per cent—a mere fraction of what it is with us—and a great feudal system of land tenure has given way to broad ownership of small holdings by the masses, with only 2 per cent of the farms exceeding 150 acres. These great gains are reflected in all the life of the people. The standard of living has advanced enormously; poverty is gone and, in their cultural and educational life, a progress has been made which is truly remarkable. Let us hope that the seizure of that once happy land by the ruthless Nazis did not permanently check the progress of what is, perhaps, the most highly civilized country in the world.

In New Zealand, Australia, the British Colonies in Central Africa and in many scattered spots, progress has been made and the soundness of the principle demonstrated. In a few Canadian cities they have for years levied all real estate taxation solely against land values, with general satisfaction. In the United States we have gone more slowly but partial steps have been taken in many places.

In some cities it has long been the practice to grant partial exemption to new enterprises, often in ways more or less extra-legal. The weakness of these discriminatory programs is that they are unjust to the already-established, putting them at a disadvantage. Surely those who anticipate housing needs should not be made to suffer by unfair competition with later entrants into the field. This objection applies, also, to the exemption of limited dividend and non-profit undertakings, raising taxes and making things more difficult for those who would meet housing needs on a clean-cut business basis. Thus they retard a lasting solution of the problem.

Give private enterprise the green light and we will go ahead without public subsidies and many will build or buy their own homes. Public financing works real injury to realty owners. First, as taxpayers, they must meet initial costs, and then they see their own tax bills increased by the exemption of competitors. How can private enterprise enter the field in the face of such iniquitous competition? Sometimes public projects work more harm than good, by deterring private operations and British experience shows that these developments often so inflate land values that investing builders do not have a chance. Our own experience shows that frequently injury rather than benefit is brought to those most in need. Rent in many new developments, even with tax exemption, is often more than those driven from their homes can pay for the more pretentious dwellings erected. Were building made profitable to private enterprise, there would be no call for costly, wasteful, bureaucratic operations and construction would be better gauged to needs.

In many sections there is a dangerous contraction of the tax base as a result of the acquirement of broad areas by the federal government. How far this purchase of land has gone few realize and one wonders if much of this purchasing power is not in direct violation of the Constitution, which authorizes the nation to buy land only for definite, specific uses, and then only "by consent of the legislature of the state in which the same shall be."

That some of these holdings were necessitated by war conditions, no one can deny, but might not many have been better taken under lease? Attempt has been made to correct the injustice of paying no local taxes by what is called "in lieu" payments but it is hard to see why the nation should not meet its just share of local government on the same basis as does the individual owner. Even in the case of city-owned realty—schools, fire houses and the like—though payment of taxes would mean taking from one pocket to put in the other, there would at least be the merit of putting accounting on a sound basis with costs allocated where they belong.

Any discrimination between various classes of property, between new industries and old, new housing and old, or between developments financed on different plans or from different sources, opens the door to many evils, especially when exercised in ways not quite legal and above-board. Often there is a time limit on exemption: at best the future is uncertain and always favoritism, politics and corruption play their part. Whatever we do should be done openly, legally, impartially and in a way as detached as possible from politics.

A lesson from Pittsburgh.

In 1913 Pennsylvania passed the so-called graded tax law, providing for the progressive shift of municipal taxes from improvement values to land values in cities of the second class, namely, Pittsburgh and Scranton, until, practically, the city taxes on improvements were cut in half and the burden transferred to land values. For reasons which it is scarcely possible to discuss here, there have been some complications in Scranton, due largely to the fact that the city is built upon coal lands, which make it a less desirable "guinea pig" than its bigger sister city, where about three and a quarter millions of taxation have been transferred to land values. That the results are good is attested by almost every interest and class, including the Chamber of Commerce, the Board of Trade, the Civic Commission, the leading business houses, innumerable labor unions and many representative groups. The Taxpayers' League reports that 95 per cent of all home owners now pay lower taxes and although the savings in dollars is greater in the case of great commercial buildings, "the home owner stands out as the chief direct beneficiary and his savings in proportion are usually greater than those . . . of any other class." In a typical residential ward, out of a total of 3,272 owners of improved property, only twenty-two fail to show a saving and, in these cases, buildings are relatively of little value.

The effect on building is shown by building permits which increased per capita during the transitional period: 25 per cent over New York; 52 per cent over St. Louis; 66 per cent over Philadelphia and Cleveland; 87 per cent over Buffalo; 186 per cent over Detroit, and 238 per cent over Baltimore. That the effect on city credit is good is evidenced by the way in which bonds of that city stood up during depression years.

Although Pittsburgh has gone ostensibly half way, actually they have covered but a quarter of the road, for, by restrictions of state law, county and school taxes are not affected and these, combined, almost equal the regular city levy. Furthermore, an unfortunate change in methods of assessment has operated to counteract some of the benefit. Nevertheless, this beginning has accomplished much and has proved the value of the plan and the soundness of the principle. The Tax Limitation League of Pittsburgh is seeking the necessary State legislation to permit the city to go all the way in granting complete tax exemption to all buildings. It is hoped that this will be achieved both for their own sakes and to furnish a bright and shining example to the rest of the country.

To the enactment of the necessary laws to make possible the change there will be some opposition but objections are trivial contrasted to present evils. Old and established as is the underlying principle, to many it will be new and there is always inertia and prejudice to be overcome. Change calls for thought and that is something which most men dislike: it means reorientation and readjustment, but change we must always have or stagnation brings death. There will be opposition from speculators who desire to reap where others sow (although the harvest is generally a disappointment), and from some short-sighted owners who will gain if they will but see it. But, any hardship which may result to a few, will be as nothing compared to the disaster which will be brought to many by the present system.

We have no panacea. Man is fallible, often unconscionably stupid and frequently selfish. These frailties will be with us until the Golden Age but, because some evils will long persist, shall we close our eyes to a reform which will clear away many difficulties and make far easier the approach to others? For the broad principle advocated there is every argument and it is this which we stress, suggesting only tentatively details of procedure and method.

A program and a formula.

The first step for a city which would recapture what belongs to it and which seeks prosperity and not stagnation, is to make a thorough study of its specific problem.

The example of Albany gives a method and formula generally applicable. Dividing the total of building assessments by the total of land valuations gives the ratio and indicates the percentage of increase in ground rent required to counterbalance building exemption—92.5 per cent for Albany. Dividing this by the number of years over which the change is spread—eight in the case of Albany—gives 11.3 per cent as the required annual increase in ground rents. Use the present tax rate as a basic constant and increase it by this percentage each year to find the current rate for land levies. Then reduce the taxable proportion of building assessments by one-eighth each year, and tax these decreasing fractions of building valuations at the present rate. At the end of eight years, the transfer complete, buildings will be free and the annual total tax collections each year will remain constant. Having the ratio of building to land values for the city as a whole we can decide how rapidly the change can be made and, with this general formula, charges against each property can be easily computed.

Initiative in making such a study may well be taken by some civic body such as the chamber of commerce or, better, by a wider and more representative group, without necessarily any commitment until justified by findings and study. Funds will be required but no very great sum at the start and, when a definite program has been worked out and approved, effort should be made to enlist as many elements as possible to work for its acceptance. The keenest interest may be expected from those who will benefit most directly —the owners of improved property, whether modest homes or great buildings—and the many who suffer under the conditions of today. The principle has been approved by a special committee of the American Institute of Architects and it should be easy to win the support of engineers, contractors, supply houses and labor groups in construction and affiliated trades. Because of the effect on housing, those interested in this problem, and in its twin, slum-eradication, should be approached. The co-related economies in both public and private charity and the broad social aspects will appeal to many. Tenants should be educated to see that whatever reduces the cost of housing will reduce "rents," and bring substantial savings. This educational work may call for patience, for rent payers are sometimes short-sighted and let animosity to landlords blind them to their true interests. The tenants in one great building, incensed by a raise of "rents," sent a committee to the city hall to "get back" at their landlord, demanding an increase in the assessment of the building on account of the greater rent roll. They accomplished their purpose, taxes were increased, and they themselves had to meet another jump in rents. Just one more instance of the passing on of taxes on buildings to tenants!

A more direct approach would be through the city fathers but experience shows that those whom we call leaders are more often followers, reacting to pressure of constituencies and seldom themselves taking much initiative. We generally get what we want, or what we think we want, and there will be less difficulty and less resentment if the people themselves demand the change, instead of seeking its imposition by authority through the pressure of a few.

Legislation, and perhaps constitutional amendment, will be necessary but lobbying should not be undertaken prematurely without study of local conditions, some degree of public education, and the formulation of a definite program. Into detailed questions of legislation we do not enter for requirements are different in each state and the writer has no training in the subtleties of law. It is believed that no national action will be required, except of course for the city of Washington, but state legislation will generally be necessary and it should be permissive and not mandatory. Home rule must be rigidly preserved, with each city free to follow its own lights and to act without compulsion on or from its sisters. Permissive legislation is more desirable anyway, for each city can act without awaiting the time when others all concur.

However long may be the period over which the change is spread, *first legislation should go all the way, for fickle change is dangerous.* Benefits will be cumulative and not too much should be expected in first stages. Pittsburgh's experience shows that much good will result long before the change is complete and the assurance that, ultimately, the city will go all the way, will give a sense of security and confidence to those who would build.

Legislation should be framed to cover all taxes levied on urban realty. There is often a state tax and nearly always some overlapping of city and county taxation. Generally, school taxes are a thing apart from the regular municipal levy and frequently there are special districts of one kind and another. Under the plan outlined, assessments are unchanged and where a unit other than the city imposes a realty tax, it should be levied against the city on the basis of present assessments perhaps corrected by equalization figures, to be added to the city budget and then re-collected and allocated in whatever manner the city accepts.

The first objective should be the transfer to land values of the entire burden now placed on improvements. But there are details not to be overlooked. Set a ceiling on building assessments at present levels, permitting any justified reduction, but no increase. Experience shows that this is necessary to prevent manipulation and it will give immediate incentive to construction and rebuilding. Provide that any owner who so elects may immediately place his taxation on the basis to be established on completion of the change, if such action will not reduce his present bill. This will give immediate inducement to improvement and will stabilize city revenue. In the case of the vacant lot paying $14, the owner may have his bill jumped at once to $27 (using Albany figures), with freedom to build without further increase. The owner now considering razing his building to cut tax costs will continue to let it stand and bring in revenue, pending the opportunity to replace it with a better structure, for the building will be no factor in tax costs. The Albany lot in process of forfeiture would probably be restored to the tax books could the owner look forward to a day when building would become possible and profitable.

Having gone thus far, we can then proceed to progressive increase in ground rents until the city shall recover its full rightful income. This increase in city revenue will pave the way to the abolition of other objectionable levies, such as a city sales tax, taxes on the conduct of business or the practice of a profession, and the most unfair personal property tax. There is often another tax which, although we may not see it as such, is as truly an impost on improvements as is the direct city realty tax. Some states have a mortgage tax, generally shared by state and cities or districts concerned. However phrased, and regardless of who ostensibly pays it, it comes out of the borrower, and there is neither wisdom nor justice in penalizing borrowing to build the homes and the factories which make the city. Whatever it yields might far better be included in the regular tax on realty. It may take time to secure the repeal of this tax and revision of direct city taxation should not be deferred until this is accomplished but it is a goal to be kept in view. The principle of a state law imposing state-collected taxes, to be used for local purposes by local governments, is unsound and we might better have permissive legislation enabling cities to impose this unjust tax if they are foolish enough to do so. There is nothing to be said for the state imposing an iniquitous local tax and then turning back the revenue to each locality, nor can such a law be defended on the slippery grounds that it enables a city to circumvent a tax limitation law.

Coupled with this basic legislation should go other reforms discussed, making it easier and cheaper for a city to take title when taxes remain unpaid, although this will be far less of a problem with delinquency reduced. Provision should also be made permitting the city to hold forfeited properties, leasing them for ground rent instead of making demoralizing forced sales, and excess condemnation should be strengthened and more generally practiced.

A broader view.

Our argument has been primarily of economic principles and of practical benefits, but it has a deeper aspect. Does a creed that the earth, the first necessity of life, was given to be monopolized by a few to the exclusion of the many, square with our ideas of the fatherhood of God and the brotherhood of man, or even with the most rudimentary conceptions of fair dealing among men? Is it right that some should be denied all access to the source of all, without payment of tribute to others? Should not all share in this common gift of the Creator, not by dividing up, which would accomplish no good purpose, but by sharing a common heritage? And, conversely, does not respect for individual life and for the primary rights of "life, liberty and the pursuit of happiness" predicate our right to the full enjoyment of their fruits?

Since the support of government must be derived either through the collection of an income which justly belongs to all, or by the confiscation of what is justly private property, *there is no other way in which we can be protected in the rights which are ours than the plan proposed.* The only alternative is the acceptance of the communistic doctrine that "property is theft" and the repudiation of the principles upon which our republic was built. Substitute for taxation a

open to bid,
opening competitive bid.

just charge for benefits, advantages, services and values provided by the common life.

To seek a passing expediency at the expense of principles is to supersede justice by the faulty opinions of men, substituting human decisions for immutable laws. Such course can lead only to disaster. Doing right we shall prosper and, leaving man's conscience free, we respect individuality and liberty. Men will be enabled to earn their livelihood in self-respect and self-reliance and this is infinitely better than soul-destroying doles and humiliating charity exacted from others.

A thoughtful reader of this manuscript questions if enthusiasm does not lead us to anticipate too much. The only answer is that long years of study bring a broadening vision of possibilities and a growing confidence. Conviction is not a recent growth but the product of decades of open-minded consideration.

Perhaps we are over-sanguine—but, "so what"? If we can eradicate only a few evils and curb only a few injustices, shall that hold us back? Fair dealing and right action must bring practical benefits, for if we believe that evil brings good and good works evil, all morality crumbles into dust. Doing right, we are content to leave results to the Power that shapes our lives and if we earnestly seek the Kingdom of Heaven on Earth, we shall find a better way of life.