A NOVEL FRANCHISE SOLUTION

The franchise recently granted by the Board of County Commissioners of Franklin County, Ohio, to the Columbus Street Railway Company for its Westerville extension, for a copy of the terms of which we are indebted to E. W. Doty, offers a somewhat novel solution of the much debated question of public utility corporations and their relations to the community. The recent discussion of this question in the REVIEW makes the terms of this franchise of interest to our readers.

It appears that this Westerville extension was in operation but the franchise had expired. The company claimed to be losing money and expressed a willingness to accept a franchise which would give it a fair return on capital invested. An appraisal was had which fixed the actual value of the line. The franchise provides that the company may charge a rate sufficient to enable it to earn interest at six per cent. per annum upon the present aggregate valuation of the capital invested, and eight per cent. interest upon new capital. A schedule of rates is adopted ranging from four tickets for ten cents (a 2½cent fare) to five tickets for thirty cents (a 6 cent fare); cash fares to be six cents when the fare is more than four and one-half cents on a ticket basis, otherwise five cents.

Operation of the line commences with five tickets for twenty cents. A working capital fund of $25,000 is provided and whenever at the end of a month the capital exceeds $35,000 the next lower rate of fare shall be put in operation, and when it becomes less than $15,000 the next higher rate of fare shall be put in force. Deductions are made from the working capital fund not only for the actual cost of operation, but also monthly for one-twelfth of the estimated taxes. There seems, however, to be no provision for depreciation.

The County Commissioners are empowered to designate a street railway commissioner to represent them and supervise the service and operation of the cars. These are the main features of the franchise. As the company gets only a fair rate of return on the capital actually invested in the construction of the line and its equipment, there can be no franchise or privilege value. As soon as the earnings show a surplus above return on capital invested, the rates of fare are to be lowered. Taxes on the tangible property will, of course, be paid by the riders, but there will be no franchise value to tax.

BOLTON HALL TRIPPING

EIDTOR SINGLE TAX REVIEW:

On page 89 of "*Thrift*," Bolton Hall's new book, occurs this sentence: "Of course all charges for the use of land have to be paid out of the final price of articles sold, and, as usual, the ultimate consumers pay the bill—they are the goats." If this means anything, it must be be that the prices of individual articles to consumers are raised, each consumer thus suffering a loss or damage. If Mr. Hall had said that all charges for the use of land have to be paid out of the total of sales, no one could dispute the assertion, but this might be true even if each individual customer obtained goods at a price lower than would have to be paid where land values or charges were lower. Very high prices for land—very high land cost charges—have to be paid at Macy's store, for instance, in New York, and these high prices or charges must be met out of total sales, but what evidence is there that Macy's customers are "the goats," having to pay extravagant prices for goods because of high land values or charges?

Dealing first with land values which, while even very high, are what may be called normal—where land is worth no more than is justified by comparing the possibilities of using the location rather than some others much lower in the scale of values, it may, I should say, be held that land value or land charges have no effect whatever on prices, and that low prices for goods may even be the rule at places where land values are quite high. In such cases, then, Mr. Hall's statement would be very far from justifiable.

In a paragraph preceding the sentence quoted, Mr. Hall writes of some rooms being rented for years at a rent twice what they were actually worth. It would be interesting to know by what rule the author determines the worth of a room in a building. If it brings in $200 a month rent, the presumption would seem to be that it is worth it. That a tenant would pay for years as rent twice what a room is worth, in the current situation, seems incredible. But suppose we assume that land speculation or other cause really materially increasesland values and rents, what is the foundation for the claimthat even if the normalrent cannot be added to price, certainly the abnormal portion of rent can be added and convert ultimate consumers of goods into "goats?" Who will explain this claim, sometimes made? Possibly this is what Mr. Hall really had in mind in producing the sentence quoted above.

Against the contention that the abnormal, if not the normal part of land value is to be considered as likely to be added to price, we have Louis F. Post as authority. Mr. Post holds that while a merchant can recover normal land value charges in the total of his business, any excess of land value charge, brought about by general land monopoly conditions, is a clear loss to a merchant, he being unable to recoup himself for this overcharge out of business earnings.

Clearly it cannot be true that consumers are burdened by land value charges which merchants are unable to recover either out of additions to specific price items or out of increase of sales.—GEORGE WHITE.

TAXATION OF FRANCHISES AGAIN

EDITOR SINGLE TAX REVIEW:

Those who oppose the taxation of public service franchises do not apply to the problem the well established and fundamental economic principle that the taxation of land or franchise values cannot be shifted to the user, but stays where it is put—that is, on the owner of the land or franchise. They do not differentiate between the effects of taxing labor products or "tangible property," which tax is shifted to the user or consumer, and the effects of taxing land or franchise values, which tax cannot be so shifted. The mistake is precisely the the same as that of the farmer who owns his farm and fails to differentiate for taxation purposes between his income as laborer and as landowner.—JAMES W. BUCKLIN.

THE COMING NEW YORK STATE LEAGUE CONFERENCE

On Labor Day, Monday, September 3,will take place, probably at Union Square Hotel, hallowed by old memories, the annual conference of the New York State Single Tax League. In the evening a banquet will be served, at which well known speakers will deliver addresses. James F. Morton will tell of his year's lecture work in the State. A successful conference is hoped for. Single Taxers in city and State are urged to make this conference worthy of the occasion.

LAND AND FOOD SUPPLY

The big food speculation, the big food monopoly is in the land.

Lord Northcliffe, in his article in last Sunday's *Post-Dispatch,* made the significant statement that next year Great Britain would be able to handle her own food problem because 3,000,000 additional acres of land were under cultivation.

A short time before the war Great Britain awoke to the importance of the land question. The increase of unemployment and poverty and the drift to cities by farm hands, resulting in severe hardships, forced the question of free ing for cultivation and other uses the land monopolized by great land owners. Taxes were laid on land values and surtaxes were laid on unused lands to force their use or sale.

The food crisis caused by the war has made the land issue more acute and has forced the cultivation of vast tracts of game preserves, park and meadow reservations.

The food crisis has brought the world to a keen realization of the value of land and the evil of land monopolization. It has made the question of land cultivation acute everywhere. Even here in America, with vast undeveloped acreage, we have learned that victory depends upon the products of the soil and we are forced to reverse the order of progress from the farm to the city and induce migration from the city to the farm.

If Great Britain can break in 3,000,000 new acres to meet her food necessities, how many acres can America bring into cultivation?