



William Nissley McNair

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The St. Louis Extension of the Henry George School of Social Science reprints as a token memorial this last address of Wm. N. McNair, former Mayor of Pittsburgh, which was given in St. Louis September 9, 1948. After delivering this address and before he could fill an engagement to speak to assembled graduates and friends of the Henry George School in honor of the 109th anniversary of the birth of Henry George, Mr. McNair died in the St. Louis Union Station.

Mr. McNair was a graduate of Gettysburg College (1900) and of the Law School of the University of Michigan (1903). He became Mayor of Pittsburgh, Pa., in November, 1933. He served as a member of the Pennsylvania Legislature in 1944. He helped secure passage of legislation exempting machinery from city and school taxes in 1911.

"For two years and 10 months his name was anathema to gamblers, racketeers and others of the easy-going gentry who found money tight because he insisted on running a clean and honest administration. Whatever vice existed flourished on a small scale in sporadic spots in the city, but not with his approval."

"Characteristically (at the time of his death), he was in St. Louis to attend a meeting of the Henry George School of Social Science. Henry George and his philosophy of Single Tax had motivated and guided Mr. McNair throughout his political life."

From the Pittsburgh Post-Gazette.

"McNair's death caused a cancellation of the observance of the anniversary of Henry George whose single tax proposals were enthusiastically advocated by McNair throughout his long political career."

From the St. Louis Post-Dispatch

The Pittsburgh Plan of Public Revenue

AN ADDRESS GIVEN AT THE 2ND COMMERCE AND FINANCE LUNCHEON OF THE
ST. LOUIS EXTENSION OF THE HENRY GEORGE SCHOOL OF SOCIAL SCIENCE

BY WILLIAM NISSLEY McNAIR

I should like to start out with something we can all agree on, whether we are business men or politicians, for we politicians have to observe certain laws if we want to get along, just as do businessmen. We seem to agree universally on this: The customer is always right. The merchant who wants to increase his trade doesn't have a man at the door to hit the customers on the head, nor does he have someone there to pick their pockets before they come in to do their shopping. A good merchant will do everything he can to increase the customer's purchasing power.

Your Customers Are Being Robbed!

Businessmen would do well to concern themselves with what they are doing, through the Federal government, to impoverish their customers. Do you realize that you are actually electing men to office to pick the pockets of your customers? They not only do that, but they slap a mortgage on the old homestead before the customer gets down to the store. In what condition does that leave him to do any buying at your place of business? After the Civil War the federal debt per family was \$400. After the first world war it was \$1100 per family. Now the federal debt averages \$7,000 for every family in the country. If that ever sinks into your customers' heads, you'll find them in a poor state of mind to do any business. These debts, remember, are a first lien on production.

I want to suggest today a method by which you can relieve your customers of some of this distress and get commerce and finance on a sound basis so that we can have steady good times.

Are You Collecting Your Bills?

The second fundamental law of business I want to mention is this: You have got to collect your bills. You have to collect them for yourself. You can't let some outsider go around among your customers picking up their money and sticking it in his pockets. I can tell you that Pittsburgh does not collect its bills. This fact I learned while serving as Mayor of Pittsburgh and as a member of the State Legislature of Pennsylvania. Much of the city's earnings is going into the pockets of a few families. I don't know much about the city of St. Louis, but if this city, or any other, were doing differently, I think I would have seen it in the newspaper headlines.

Now the sole function of the mechanism which we call municipal government is the furnishing of services such as police protection, fire protection, sewage, garbage and rubbish removal to certain trading locations. Then it forces the users of these services to pay the market rate of the value of these services as land rent to the holders of the sites. The municipality then goes after the taxpayers for the maintenance of the city equipment and the money to meet the payroll, instead of collecting the city's earnings, expressed in the values of these land sites, and using such earnings to keep up the city.

I read in a Chicago paper the notice of the sale of a building. The lot didn't enter into the transaction at all. The site had two leases, one for \$24,000 a year for the vacant lot when the building was built in 1893, another

for \$30,000 some twenty years later. What are these two charges amounting to \$54,000 a year that every customer must help pay before he walks out of the building? This is the market price fixed by the demand for the city services in these land sites, none of which was furnished by the owners of the sites who get the money.

The city should collect its earnings even if it has to abolish all its taxes to do so. We've started to do that very thing in Pittsburgh. We are recapturing some of Pittsburgh's earnings brought about by our transportation system that dumps thousands of customers an hour in front of these business locations. We've started sending out some bills for furnishing services there by putting a heavy tax on the value of these sites. At the same time we have cut the tax rate on buildings fifty percent.

Meeting the Housing Shortage

We've had this system in effect now for some thirty years. It has done much to encourage building, although Pittsburgh, like every other city today, has a housing shortage due largely to the shortage of building materials. Of course, the only way to solve a housing shortage is to build more houses. The only person to solve this problem is the speculative builder or the private individual who has saved enough money to build a home.

As I go around St. Louis I find there are plenty of good locations for housing projects or for individual homes, but they are standing idle. What discourages people from building on these convenient spots so well supplied with all the facilities necessary for comfortable homes? Might it not be the fact that if anybody did build on these vacant lots, he would have to pay a heavy tax on the building until it was torn down or burnt up? As long as the site is held idle, the owner has low taxes. As soon as he starts building, he is discouraged by high building taxes. I therefore think it might be well for your city to study our plan with the idea that it would encourage more building if St. Louis would also reduce taxes on improvements.

In Pittsburgh we would like to take all the taxes off buildings. But until that time comes we feel we are offering some inducement to builders by giving them a lower tax rate on their improvements. This has another effect which we are noticing in our city. When you cut the tax rate on houses you will have to raise the tax rate on land values in order to get sufficient revenue to run the city. So today our tax on land values is \$28 a thousand and our rate on buildings is one-half, or \$14 a thousand. We notice that this rate of \$28 a thousand on the land values is bringing more locations on the market at a more reasonable price. This in turn makes it easier to carry on a building project because the initial outlay is lower.

Put yourself in the place of a speculator who has a large area of vacant land ripe for development. If his taxes are low he can hold on until he gets a high price. So the land remains idle. The builder is unable to go ahead with his project because he can't get a site on which to build. When the taxes on the land values are raised, as they were in Pittsburgh, the speculator is forced to let go. And the land comes on the market at reasonable prices so that the builder may go ahead with his enterprise.

How Pittsburgh Untaxed Industry.

We applied the same theory to industry in Pittsburgh many years ago by exempting all raw materials, finished products, and machinery from taxation. I am informed that you still tax this form of industry in St. Louis. I would suggest that you exempt machinery, raw materials and equipment in your

An Interesting Statement of An Old Problem

"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.

"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 can possibly 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."

The above is reproduced from a book, "The Self Supporting City," by Gilbert M. Tucker. (Robert Schalkenbach Foundation, 50 E. 69th Street, New York 21, N. Y., publishers. \$1.00). Mr. Tucker gives the following credit: "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 the title, acknowledgement is due." The solution of this "problem" can be achieved in large part by application of principles developed by Mr. McNair in his speech on "The Pittsburgh Plan of Public Revenue."

If the economic principles underlying The Pittsburgh Plan of Public Revenue and the above conversation between Mr. William H. Seward and Mr. Andrew H. Green, seem foggy and unclear this proves that you owe it to yourself and to your country to take the free course in basic economics offered by the Henry George School of Social Science. Classes are held in many cities. (Check your telephone book. There may be a school extension in your city). Free correspondence courses are also available. For information write the Henry George School of Social Science, 50 E. 69th St., New York 21, N. Y., or contact the School below.

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city, even though it raises the tax on land values. We have found in Pittsburgh that a high land value tax does not harm anyone except the land speculator who is holding back production. Even he will be benefited if he will put his land to proper use. Land that is put to use, either for housing or for industry, can well afford to pay a higher tax if buildings and equipment are tax exempt.

Housing and industry must have public conveniences. These are furnished by the government and the government should collect their cost from the land site benefited by them. To the extent the speculative lot holder is not taxed, he too can collect a charge for these services before the builder can get the site. This leaves a smaller amount that can be paid the worker in the shape of wages. If the city checks this land speculation by collecting more of the value its own services generate, which expresses itself in the value of the land site, as we do in Pittsburgh, then the workers can be untaxed on their wages and, as customers, have more to spend with the merchants and the industries that supply them.

Although we cannot claim great results from the step we have taken, we do say that it is a more logical and reasonable system of raising revenue for a metropolitan center. In a way it is an experiment. We put it into practice back in 1913. It is now no longer just in the realm of theory, but accepted practice in tax matters. It has shifted about \$3,000,000 of our tax burden from the pockets of many thousand small home owners and building operators on to a few old family estates and speculating individuals and corporations holding speculative sites.

Recently one of our old families has thrown all of its vacant lots on the market. These are now in the hands of builders who are waiting for the supply of building materials to come on the market to improve these locations. There is no doubt in my mind that this higher tax on land values was the thing that induced this family to allow its holdings to go on the market.

The Pittsburgh Plan in St. Louis

How can St. Louis adopt this system? First, I would suggest that you send a committee to Pittsburgh to study our plan of lower taxes on buildings and check its results, and also our method of applying the system. Next you should simplify your tax set-up and limit your tax base to land and buildings. You will probably find the assessed value of your land going down as has been the case in Pittsburgh, so that you cannot hesitate about raising the tax rate, since you must have the same amount of money to run your city.

In order to get public support for this change, you may have to do a lot of educational work to sell the voters the idea that it does make a difference what we tax. We found when we first started this movement that people said, "What difference does it make what you tax? You must get the same amount of revenue to run the government." We had to convince the voters that a tax on buildings would discourage new construction whereas a tax on land values would encourage the use of locations for improvements.

When I sat in the office of Mayor of Pittsburgh, it was my job to furnish various parts of the city with various services. Among these services was police protection, fire protection, removal of sewage and garbage, furnishing pure water, cleaning the streets and a thousand and one things that go to make up a civilized community. The same thing is true of St. Louis. Here, as in Pittsburgh, various parts of the city receive all these community conveniences, but some parts receive more than others, especially business sections.

Here your streets and traffic arteries converge, unloading every day thousands of customers on downtown corners that merchants bid up to fabulous figures. In order to get the advantage of these aids to business, you must secure exclusive possession of such a corner. Now our argument in Pittsburgh is this: Those who hold these corners and charge high prices for their use are really selling the services furnished by the city. They should pay to keep up equipment used by the city, help to maintain its plant, and help to meet the cost of the payroll of the firemen, the policemen, and other city servants.

If you recapture more of what the city spends building up land values, I do not think the holders of these locations will make any complaint. They will realize that it is right and just that the city should maintain these facilities and conditions that make their return on their property so valuable. On the other hand, when you increase the city revenue from these locations, you will be able to reduce the burden on the home owner and the producer. This will be of general benefit to the community.

Community Earnings Versus Taxation on Production.

After all, these community advantages that I've been talking about are due to the services furnished by the city. The federal government and the state government have very little to do with it. And yet their exactions are far greater than those demanded by our city authorities. The tremendous proportion of our production that goes to pay our income taxes is largely frittered away in maintaining useless bureaus that don't add a penny to the wages or site values of our cities. But Congress could fire two-thirds of the employees in Washington, and the value of land in St. Louis wouldn't be decreased a cent.

Our research bureaus are furnishing us daily with graphs which show the business cycle and show the rise of speculation in farm prices and business sites in the city. They tell us that when they reach a certain height we'll crack, just as we did every time before. We take our lessons from that and prevent speculation in these locations which are merely the capitalized value of community earnings (land rent) that are bought and sold by the siteholders. We could avoid this boom and bust if our community would say: "We're going to use this income to maintain our equipment and meet our payrolls. We are not going to let anyone misappropriate the people's natural income and force us to tax, directly or indirectly, the income of workers who make up the great bulk of consumer spenders."

So I say again, there are two principles we must observe: you can't treat your customers rough, and you must collect your bills yourself.

You often hear the plea that business men should get into politics. But what good can they do in government if they haven't the fundamental training in economics? They should also support an educational movement that will raise the economic understanding and awareness of the majority of the people. The Henry George School of Social Science treats these problems from a scientific standpoint. It approaches problems in a scientific manner, getting at facts which bar prejudice, mistakes of custom, and highly selfish wishes in the people's economic matters. After all, commerce and finance must not be handicapped. We must get rid of unnecessary and unnatural restrictions if our free democratic way of life is to endure. And to accomplish all this we must first have right thinking from which right action will follow.

— The End —