"Take Taxes Off Industry!"

THE BULLETIN

OF THE MANUFACTURERS AND MERCHANTS FEDERAL TAX LEAGUE

VOL. III. CHICAGO, FEBRUARY 1925. No. 12.

TAX REVISION JOB FOR NEXT CONGRESS

Plans are being laid in Washington to make another cut in the income tax. This time, however, the reductions will be made chiefly in the higher surtaxes and will be intended mainly for incomes of more than $10,000.

Representative W. R. Green, chairman of the ways and means committee, who is certain to retain that post in the new house, has arranged to call to Washington late in September or the first of October, the members of his committee to begin work on a general tax reduction bill.

It is probable that Republicans on the committee will first work out the measure and then submit it to the Democrats in full committee and in sufficient time for presentation at the opening of congress in December. Chairman Green expects to go abroad in April to study British and continental systems of finance. It is hoped that he will pay particular attention to the system being inaugurated in Denmark of taxing business and industry less and land values more. For the Denmark effort is precisely in line with the measures introduced into Congress by Representative Oscar E. Keller—measures which will relieve business, industry and agriculture of more than $1,000,000,000 of their present excessive tax burden.

TAX OF 20 PER CENT DRIVING OUT DUTCH

Holland is having trouble keeping her wealthy and well-to-do citizens at home. The reason is, says a foreign correspondent for the Chicago Daily News, that there is a tax on the middle and higher classes amounting to about 20 per cent of their total annual incomes. Many former residents of Amsterdam have gone to Belgium, France and Italy where living is cheaper and taxation lower. According to the minister of finance 582 persons with a total fortune of 79,000,000 guilders ($31,750,000) left Holland in the fiscal year 1923-24.

TAXES ON MOTOR CARS REACH $432,000,000

Motor cars, which, more than any other agency, result in advancing the value of land adjacent to roads and streets, are now contributing to federal, state and local governments $432,000,000 of revenue a year, exclusive of other levies on motor cars as an item of personal property.

Of this $432,000,000 of revenue registration fees amount to $228,000,000 or 53%, the federal tax on cars to $111,000,000 or 26%, the federal tax on parts to $28,000,000 or 6%, and the tax on gasoline to $65,000,000 at 15%.

ABOLISH THE STATE INHERITANCE TAXES!

Either the federal government or the states must get out of the inheritance tax field. This was the almost unanimous opinion expressed before the conference recently held in Washington under the auspices of the National Tax Association.

President Coolidge in condemning the present inheritance tax rates as uneconomic, confiscatory and Socialistic, urged that the federal government abandon its own law and leave that source of revenue entirely to the states.

Directly opposed to this position was that taken by Chairman Green of the Ways and Means Committee, Congressman Oldfield and Prof. E. R. A. Seligman of Columbia University. In the opinion of these men the inheritance tax should be retained as a federal tax exclusively with allocation of the revenue derived between the federal and the state governments.

There can be no question but that our whole system of inheritance taxation is in need of a thorough overhauling, and that either the federal government or the states should abandon that method of raising revenue.

But it is equally clear that the best interests of the country will be served by having the states abandon it first, and not the federal government. Forty-six out of forty-eight states now levy inheritance taxes. In each of these forty-six states the rates widely vary, the most flagrant inequalities occur and when several states—as they frequently do—pounce upon an estate there is oftimes nothing left of it to carry on the business or industry. Much greater uniformity would be secured, and far less disastrous consequences prevail, were the federal government alone to remain in the inheritance tax field.

Even the federal government however should not always use the estates of the deceased as a source of revenue. While the taxation of inheritances as a method of raising revenue is to be preferred to most other forms of taxation yet the inheritance tax itself is far less desirable than a tax levied directly upon the value of lands and natural resources, exclusive of all man-made improvements. Ultimately, therefore, or as soon as the public revenue can be raised entirely from the unearned values of lands and natural opportunities—the inheritance tax should be abolished by the federal government as well as by the various states.

Tax Relief Bill in Denmark Makes Progress

Last month we called attention to the bill before the National Legislature in Denmark designed to throw off a large share of the local taxes on industry and to make up the lost revenue by a tax on the value of the land, exclusive of all improvements.

Readers of the BULLETIN will be glad to know that on January 7, after a three days' debate in the lower house, the bill was passed on to the Committee stage without a division. The hopes are now high that it will be carried into law before the Session is over.

ARTICLE VII

Prof. Richard T. Ely Exposed!

(This is the seventh of a series of articles by Mr. Jorgensen showing how a gigantic, nation-wide scheme, financed by special interests, engineered by Professor Ely of Wisconsin University, and masquerading under the guise of "research", has been set on foot to lead the people, not TOWARDS the right solution of our economic problems, but AWAY from it. The first of these nine articles was printed in the July number of this paper.)

By EMIL O. JORGENSEN

(Copyright, 1925, by Emil O. Jorgensen)

7—That the Rent of Land Has not RISEN During the Last Hundred Years But Remained STATIONARY

Having put forth his untenable theory that the effect of material progress generally is to decrease the value of land and not, as Henry George has shown, to increase that value, Prof. Ely proceeds to bolster it up with the nonsensical statement that the rent of land has not risen during the last hundred years, but remained stationary. His language follows ("Outlines of Land Economics," Vol. II, p. 74):

"Henry George and others hold that the rent of land absorbs the increase in wealth. The history of the world in the last hundred years, however, shows wealth increasing and the rent of land remaining fairly stationary. In the period from 1850 to 1910 the rent of land never amounted to as much as ten per cent of the annual wealth of the United States, while in England the rent of land has decreased."

Of course if all this were true there would be nothing of consequence to worry about. The great economic problems that now con-

(Continued on page 2)

LIGHT TAXES DRAWING WEALTH TO FLORIDA

Florida perhaps didn't know it but when she passed her constitutional amendment last November prohibiting forever the levying of state income and inheritance taxes within her own borders, she delivered a solar plexus blow to the levying of such unsound taxes in other states.

As the newspaper correspondent Junius B. Wood writes in the Chicago Daily News of February 20:

Jacksonville, Fla., Feb. 20.—Florida issues an invitation to the world to come to where sunshine is free and taxes are light. About 1,250,000 residents of other parts of the United States, equal to the state's own population, responded to the first part of the invitation in the last four winter months. How many have, or will, respond to the latter is hard to determine. Some say 100 millionaires, others expect more. It is easy to name a dozen who now call themselves citizens of Florida.

Probably no action of any state in recent years has aroused as much comment as the amendment to the Florida constitution pledging the state not to collect either income or inheritance taxes.

* * *

Banks advertise Florida as the tax free haven, and the state chamber of commerce issues a folder for the tax weary north telling how to enjoy this utopia. Under any state law, a declaration of intention to become a citizen is sufficient to establish citizenship. Many who are not advertising it have citizenship in Florida and in other states as well, intending to die as Florida citizens. . . . Many other men of wealth have come from the north since the amendment was adopted, bringing their holdings of securites with them, and formally declaring their intention of becoming citizens of Florida.

* * *

So far the amendment is satisfactory and profitable for Florida. Under it a man can form his intention of becoming a Florida citizen as the shadows begin to lengthen, and once he beats the grim reaper over the state line any other state will have to fight for the inheritance tax which it expected to collect.

For a considerable time to come no doubt the stream of wealth into Florida will continue to enlarge instead of diminish. This will be true as long as other states, pressed for revenue, endeavor to "soak" inheritances and incomes still harder than they do at present. But when the futility of such policy is once generally seen the turning point will be close at hand.

HOUSE KILLS BILL TO REGULATE RENT

The bill introduced into Congress several weeks ago designed to control rents in the District of Columbia and which was favored by President Coolidge was killed in the house when the rules committee declined to give it preferred status in the legislative jam now confronting that body.

The committee took the position that with the end of the session nearly in sight, the measure, even if passed by the House, would stir up a filibuster in the senate that would kill off other legislation.

THE BULLETIN

of the Manufacturers and Merchants Federal Tax League

Published Monthly, except August, In the Interest of Lower Taxes on Industry by the Manufacturers and Merchants Federal Tax League

Telephone Buckingham 7134
1346 Altgeld St., Chicago, Ill.

Editor, Emil O. Jorgensen.

Entered as second-class matter April 9, 1923, at the post office at Chicago, Illinois, under the Act of March 3, 1879.

Subscription price, $1.00 per year.

Vol. III. February, 1925. No. 12.

OFFICERS

OTTO CULLMAN, President,
(Pres. Cullman Wheel Co., Chicago)
JAMES H. McGILL, Secretary,
(Pres. McGill Mfg. Co., Valparaiso, Ind.)
FENTON LAWSON, Treasurer,
(Pres. F. H. Lawson Co., Cincinnati, O.)

EXECUTIVE COMMITTEE

OTTO CULLMAN, President
Cullman Wheel Company, Chicago
HARRY H. WILLOCK, Vice-Pres.
Waverly Oil Works, Pittsburgh, Pa.
WARREN S. BLAUVELT, Pres.
Indiana Coke & Gas Co., Terre Haute, Ind.
CHAS. H. INGERSOLL, Pres.
Ingersoll Dollar Pen Co., Newark, N. J.
THEO. F. THIEME, V. P.
Thieme Bros. Co., Fort Wayne, Ind.
J. A. WHITFIELD, Pres.
Old Dutch Market, Washington, D. C.
JOHN S. CODMAN,
Fabreeka Belting Co., Boston, Mass.

AUDITOR

CHARLES A. JOSLYN AUDIT COMPANY,
Capitol Bldg., Chicago

WASHINGTON REPRESENTATIVE

HUGH REID,
Investment Bldg., Washington, D. C.

STATE VICE PRESIDENTS

Arizona
E. L. O'MALLEY, V. P.
O'Malley Lumber Co., Tucson
Arkansas
J. H. PARKIN, Pres.
Printing & Stationery Co., Little Rock
California
D. WOODHEAD, Pres.
Woodhead Lumber Co., Los Angeles
Connecticut
V. W. BATES, V. P.
L. C. Bates Co., New Haven
Dist. of Columbia
J. A. WHITFIELD, Pres.
Old Dutch Market, Washington
Florida
J. B. LAWTON, Orlando
Georgia
W. N. CRAIG, Pres.
Craig's Bakery, Inc., Columbus
Illinois
EDWARD E. McMORRAN, Pres.
Edw. E. McMorran & Co., Chicago
Indiana
JAMES A. BELL, Pres.
James A. Bell Co., Elkhart
Iowa
LUCIEN T. WILCOX
Moore & Wilcox, Cedar Rapids
Kansas
HENRY WARE ALLEN,
Mutual Benefit Life Ins. Co., Wichita
Maine
P. S. GRAHAM, Woodfords
Maryland
FRANCIS I. MOONEY,
Attorney-at-Law, Baltimore
Massachusetts
JOHN S. CODMAN, Treas.
Fabreeka Belting Co., Boston
Michigan
CHAS. R. ADAIR, Sec'y-Treas.
Guarantee Title & Mtg. Co., Flint
Minnesota
W. GRIGGS, Pres.
Original Ry-Krisp Co., Minneapolis
Missouri
JAMES C. FULLER, Pres.
The Vimedia Co., Kansas City
Nebraska
WILLIAM F. BAXTER, Sec'y
Thos. Kilpatrick & Co., Omaha
Nevada
C. L. ROWE, Pres.
Rowe Auto Glass Wks., Reno
New Hampshire
GEORGE H. DUNCAN, Treas.
Annett Box Co., East Jaffrey
New Jersey
J. H. ALLEN, Pres.
Everlasting Valve Co., Jersey City
New York
CHAS. T. ROOT, Pres.
United Publishers Corp., New York
North Dakota
C. O. FOLLETT
Fargo Mercantile Company, Fargo
Ohio
FRANK H. HOWE, Pres.
Columbus Wire & Iron Works, Columbus
Oklahoma
R. G. CUNNINGHAM, Pres.
R. G. Cunningham Oil Co., Miami
Oregon
V. W. GLASCOCK, Real Estate, Portland
Pennsylvania
HARRY H. WILLOCK, V. P.
Waverly Oil Works, Pittsburgh
S. Carolina
V. J. HILL
Edisto Veneer Co., Orangeburg
Tennessee
BOLTON SMITH, Pres.
Smith & Perkins, Memphis
Texas
F. G. SWANSON, Wichita Falls
Utah
H. A. SCHWEIKHART, V. P.
Salt Lake Hdw. Co., Salt Lake City
Wyoming
H. R. DANIELS, Pres.
Daniels & Rogers, Douglas

REAPING WHERE OTHERS SOW

"Early in my career," writes one of Chicago's biggest land speculators, Mr. G. Frank Croissant, "I had the good fortune or good sense to discover that the judgment of Henry Ford in the matter of locations was practically infallible and I simply followed his judgment. Out of $20,000,000 of property I have sold in my sixteen years' career, 90 per cent of my sales were made on land adjoining Ford plants. In other words, I have followed Henry Ford and by so doing have made a fortune for myself, as well as fortunes for my clients, who followed my advice."

That's a frank statement from Frank himself. Certainly nothing more is needed to show how those who produce nothing are enriched by those who produce something.

But some of these days the process is going to be reversed. The tax which is now levied on the Ford plants and passed on in higher prices to those who buy the Ford automobiles is going to be placed on the value of the bare land only. This will result in two desirable things: (1) cheaper Fords and (2) the elimination of future unearned fortunes such as those accumulated by Frank and his clients.

But this is not all. The cheaper Fords will make it possible for more people to buy Fords, which will mean more sales, more business, fuller employment and greater prosperity in general.

Speed the day!

A MAGAZINE WITH A SOUL

A friend of Charles Lamb, it is said, once called his attention to a spot on his (Lamb's) coat. "That's no dirty spot," replied Lamb, "that's a clean spot."

The same allusion that Lamb made to his soiled coat might well be made to the current literature of the day—most of it is so saturated with the sordid spirit of mammonism that it gives one a pain to read it. Occasionally however there appears a newspaper or a magazine that stands out in the field of literature like the spot on Lamb's coat—clean and undefiled.

Such a magazine is THE LIBERTARIAN published monthly in Greenville, S. C. Here's a magazine, now entering its fourth year, that is very different from the common run on the newsstands. Aside from being tastefully printed, beautifully illustrated and edited with rare ability, the LIBERTARIAN believes in freedom and in democratic ideals and its got the guts to say so. Throughout every issue there breathes a spirit of liberty that, compared with most of the stuff we get nowadays, is as refreshing as a breeze from the mountain tops. Its one issue of November last giving a concise exposition of the life, works and principles of the immortal Thomas Jefferson is worth more than the two dollars it asks for a whole year's subscription. So with its January number. Its January number has among many other valuable articles, "The Struggle of the People Against Privilege," by Tom L. Johnson, with a full page photograph of that illustrious man; the "Pittsburgh Plan of Taxation," by Thomas C. McMahon, Chief Assessor of Pittsburgh; and a lengthy editorial on "The Efficacy of the Singletax," with liberal extracts from the Report of the National Tax Relief Convention of the Manufacturers and Merchants Federal Tax League.

We wish there were more like the LIBERTARIAN. It is a magazine that ought to be, not only in every library and reading room, but in the hands of every true lover of economic freedom and industrial democracy in the land.

PROF. RICHARD T. ELY EXPOSED! — Continued

front the nation, and for which men in all walks of life are vainly trying to find a solution, would not exist. There would be no such things as chronic business depressions, inequality of opportunity, involuntry unemployment, excessive concentration of wealth or destructive wars between capital and labor. Everything in the economic organism—minor troubles excepted—would run as smoothly as could be expected.

Unfortunately however what Prof. Ely states is not true. Rent—the value of land—has not, as he says, remained stationary during the last hundred years; on the contrary, it has been steadily rising. What is more, it is still rising—and rising as rapidly as the wealth-producing power of the people will allow.

Take the United States. Go back one hundred years—or, better yet, go back two hundred years when the earliest settlements on the American continent were being made. At that time, it is clear, the percentage of ground rent in the total product was nil. Land was free. From the blue Atlantic to the deep Pacific and from the Great Lakes to the Gulf of Mexico the vast natural resources, farming regions and town sites of the country were to be had for the mere taking. There was no value attached to land. Ground rent stood at "0" and capital and labor as a consequence received the full value, or 100% of what they produced.

Since this time, as everybody knows, the rent of land has not remained at zero, but has enormously increased. Just how much it has increased we are not able definitely to tell but we may be certain that the amount of the total wealth produced by capital and labor which is absorbed by the rent of land is a good deal more than the eight or ten per cent that Prof. Ely allows.

We know at least that the rent of farm land, which two hundred years ago stood at zero, now absorbs from 20% to 60% of the farmer's annual income. We know further that the rent of residential sites in towns and cities which, in the days of Benjamin Franklin, was next to nothing, now takes from 12% to 40% of the earnings of the people

(Continued on page 3)

NEWS NOTES

The city manager plan of government will be inaugurated in Kansas City next year under a new city charter adopted by the voters of that municipality. The charter carried nearly five to one.

Senator Lynn J. Frazier of North Dakota in the speech in the Senate on January 2 read into the Congressional Record two of the most important chapters contained in Herbert Quick's late book "The Real Trouble With the Farmers." Write Senator Frazier for a copy of this valuable speech and pass it on.

"The First Great Reform" by Henry George is the title of a beautiful little pamphlet published by G. T. Tideman, 2119 Waveland Ave., Chicago. The pamphlet consists of a reprint from three chapters of George's famous "Social Problems," published in 1883. The cover page is artistically printed in orange and blue; the reading matter among the best that George wrote. Mr. Tideman deserves great credit for bringing out this excellent pamphlet. Single copies may be secured either from this League or from Mr. Tideman at 10 cents each.

Is bird life in America becoming extinct? Authorities say it is. If so it is but another evil chargeable to speculation in land. Thousands of acres of marsh and swamp land—the natural breeding grounds for birds—are being drained every year under the plea that it is needed for agriculture. As a matter of fact the land is not needed for agriculture—indeed most of the land so drained is unfitted for agriculture. There may be profit in it for the land dealers, but it is spelling ruin to the bird life of the nation.

BOOK REVIEW

"THE ECONOMICS OF TAXATION" by Harry Gunnison Brown, Professor of Economics in the University of Missouri. Published by Henry Holt and Company, New York.

Here's a book to read and reflect upon. In charming, simple English the author takes up one by one the various and peculiar schemes invented by the political brethren for separating the American citizen from his wealth. Not that the author is in any sense critical of the various taxes examined; he treats them with a cold and respectful attention which is always characteristic of the true scientist.

A few headings to give the drift may be cited: "Monetary Inflation a Species of Taxation," "Government Borrowing and Its Ultimate Incidence," "Taxes on Commodities Competitively Produced," "Taxes on Capital and Income from Capital," and now just one more, please, "The Incidence of Taxes on Land."

Throughout the book one charming fact stands out—the long technical words are in the titles, not in the text. It is remarkably easy to read. Here, however, is no evangel. Whatever enthusiasm the author may have are not displayed, but a clear, cold light is cast upon a subject, much neglected by those who bear the burden of taxation and to whose interest it is to understand it.

One by one the different varieties of taxes upon productive business are shown to produce various effects, which the reader is free to conclude are bad—or worse. On the taxation of land values (page 219) he is nevertheless orthodox.

"If, then, we look at the matter of general land value taxation from any point of view whatever, we seem to arrive at the same conclusion, viz., that a tax on land value or land rent is paid by the owner of land and by no one else, that the owner cannot, because of such a tax, raise either his rent or the prices of his goods, but that, indeed, productive land held out of use by speculators is forced into the market so that, if land rent changes at all, the direction of the change is likely to be downward."

The publishers deserve a word of commendation for the neat large type and spacing.

Henry L. T. Tideman.

Six-year-old Billie found a pocketbook and made haste to give it to its owner.

"You're an honest lad," the latter told him, magnaminously. "Here, I'll give you a dime."

"Aw, you don't hafta," replied Billie, turning away. "I kept a quarter out."

PROF. RICHARD T. ELY EXPOSED!—Continued

who live on them—some of the tenants in New York, for instance, pay as much as 55% of their earnings in the shape of dwelling site rent. We know also that the rent of ground under mills, warehouses, shops, office buildings and stores which, but a few generations back, was hardly worth mentioning, now has risen to a point that yields a princely income for those who own but a few square feet of this ground—the rent for the land alone under the Marshall Field Store in Chicago is $900,000 a year!

So with iron, oil, coal deposits, etc. The customary royalty paid by oil operators to the owners of oil lands is from 12½% to 20% of the price of the oil at the well. Coal operators in the anthracite fields of Pennsylvania pay for the privilege of mining coal up to 26% of the price the coal sells for at the mouth of the mine—the royalties thus collected in 1921 by the Stephen Girard land holdings amounting to $1.27 per ton, or a total for the year to this one estate alone of $3,788,000. And so too, with the rents and royalties of railway terminals, rights-of-ways, copper and lead deposits, stone quarries, waterpower sites and natural resources of all kinds—these have advanced in two hundred years from zero to a point that leaves to capital and labor but the slenderest margin of profit.

In short, we know that the rent of land which, in the seventeenth century absorbed nothing from the wealth produced by capital and labor, now absorbs twenty, thirty, forty and sometimes sixty per cent of that wealth, instead of less than ten per cent as claimed by Prof. Ely.

Moreover, we know that this rent of land is not remaining "stationary," as he says, either as to quantity or as to percentage of the total product, but is steadily increasing with every increase of wealth-producing power. From nothing at the beginning of our country the total capitalized rent—or selling value—of land has ascended to the stupendous sum of $160,000,000,000. And the end is not yet!

What is true of the United States is also true in greater or less degree, of every other civilized nation. It is true of England—a country in which Prof. Ely says, the rent of land since 1850, has declined! It is true of the Scandinavian countries, of Belgium, of France, of Germany, of Spain, of Italy. It is true of Mexico, the South American countries, Australia, New Zealand, Japan and other Asiatic nations —India and China not excepted.

Said the first President of the Chinese Republic, Dr. Sun Yat Sen (New York Independent, June 13, 1912):

> "If you compare the value of land in Shanghai today with what is was one hundred years ago, it has increased ten thousand fold. Now industry in China is about to be developed. Commerce will advance, and in fifty years' time we shall see many Shanghais in China. Let us take time by the forelock and make sure the unearned increment of land shall belong to the people and not to private individuals who happen to be the owners of the soil."

8—That Unearned Increment Is Not to Be Found in Land RENT, But to Be Found in WAGES and INTEREST

What, it may be asked, can Prof. Ely's object be in putting forth such absurd propositions as that population does not necessarily increase land values; that material progress has the effect, not of raising land values, but of reducing them; and that the rent of land has not risen during the last hundred years, but remained stationary?

Evidently it is to enable him better to show that there is no economic "surplus" or unearned increment in the rent of land, but that such unearned increment lies chiefly in the returns to labor and capital—i. e., in wages and interest. For when this proposition is once established it is a simple matter for him to argue, as his supporters desire, that the tax burden should be lightened on the value of land and increased on the earnings of human industry.

Be this as it may however Prof. Ely does contend that the unearned increment lies mostly, if not altogether, in the returns to capital and labor, and that very little, if any unearned increment at all, lies in the rent of land. Here is how he states it: ("Outlines of Land Economics," Vol. II, pp. 34, 55):

> "From the individual point of view, at any given moment in civilized society, there is no surplus in land income. . . . Whenever there is, from the individual point of view, an unearned increment from land ownership, it is due to unforseeable combinations of circumstances and should be called rent of conjecture or conjectural surplus rather than unearned increment of land."

And again ("Outlines of Land Economics," Vol. II, pp. 17, 18):

> "Scattered all over the field of production and distribution we find the surplus —the excess over and above the return that is required to secure the application of the requisites of production. Another type of surplus is the personal surplus —the return made for extraordinary capacity. This is very large—perhaps the largest at the present time. . . . Interest is in part a surplus."

Or yet again ("Outlines of Land Economics," Vol. II p. 56):

> "Unearned increments appear in all parts of the industrial field and they are due to two great causes; namely, monopoly and conjecture. In the case of land ownership the first is eliminated, whereas in many other parts of the economic field both operate."

If black were white or if men walked upon their hands instead of their feet all this might be true. But such is not the case.

There cannot, unless human language and reason be thrown to the winds, be any unearned increment in either wages or interest, as these terms are known in political economy, for the simple reason that wages means the reward that is given to labor for services performed; while interest means the return that is given for labor that has been "congealed" or "stored up" in concrete form.

That there is no unearned increment in wages of labor certainly needs no argument. Consider what labor represents. Labor represents human exertion—mental as well as physical—that is expended in producing from the earth the things that go to satisfy human wants. Now what are the things that go to satisfy human wants? Roughly speaking, they are food, clothing, shelter, comforts and luxuries of all kinds. But none of these things can be obtained from the earth without labor. Therefore the returns—or wages—that labor receives for producing them cannot be unearned, but earned.

Likewise with interest on capital. Interest on capital is properly wages of labor that have been deferred. This is true because capital is properly stored-up labor. Capital itself is something that can come into existence only through the exertion of labor; more than that, it is something that can be prevented from going out of existence (through wear and tear, deterioration and decay) only by the continuous attention of labor.

Consider. Labor alone can produce wealth from the earth without the aid of capital. Fish, for example, can be caught with the hands instead of the hook, and goods carried on the bare backs of men instead of being transported by rail. But while labor can produce wealth from the earth without the assistance of capital, labor can produce wealth much easier and far more rapidly if it has capital to assist it. And that is just what capital is for. Capital, no matter what its form or shape or size may be—a fish hook or a flour mill, a farm pump or a factory building—is simply a tool that labor has made to aid it in the further production of wealth.

But after labor has once produced capital this does not end the matter. Capital naturally deteriorates and depreciates in value—iron rusts, wood rots, glass breaks, machinery wears, paint peels, paper tears, metals corrode and bricks crumble, so that labor also has to give capital constant attention and repair to keep it in good working order. Unless labor does this capital soon becomes useless and eventually goes back to the place from whence it came—the elements of the earth.

Capital, consequently, is properly labor that has been accumulated and stored up in concrete form, and the interest on it is properly wages that have been deferred or postponed. Like wages, therefore interest on capital is necessarily earned, and not unearned.

Not so however with rent—the value of land. Rent is not earned by individuals, as Prof. Ely avers, but is unearned. This is obvious for two simple reasons:

First, rent cannot be earned by individuals because land is not man-made but nature-made. It is not a product of capital and labor, but is a free gift of the Creator.

Second, rent cannot be earned by individuals because land values can only arise through the growth of population and the progress of society as a whole. No one man can make land values any more than he can make the land itself. Land values spring from the demand for land and to cause this demand a community of people is necessary. If the community is small or unprogressive land values will be very low; if it is large or progressive, land values will be very high.

In other words, land values do not depend upon the thrift or industry of him who happens to hold title to a piece of land, but upon the extent to which population centers around the land and the degree to which the community is developed. A man may be industrious or he may be lazy; he may be wise and learned or he may be a fool; he may live directly on his land or he may live ten thousand miles away from it; he may be a high deacon in a church or a notorious bandit in a penitentiary—it makes no difference which. If the community builds around his land he will grow rich. For, every increase of population, every labor-saving machine and discovery, every addition to scientific knowledge, every improvement in the arts of production and every betterment in the modes of transportation and exchange, simply increases the demand for his land and consequently advances its value.

As John Stuart Mill ("Principles of Political Economy," Book V, Chap. II, Sec. 5), observes:

> "The ordinary progress of society which increases in wealth is at all times tending to augment the incomes of landlords; to give them a greater amount of the wealth of the community independently of any trouble or outlay incurred by themselves. They grow richer as it were, in their sleep, without working, risking or economizing."

Exactly the reverse therefore of what Prof. Ely says is true: wages of labor and interest on capital are not unearned, but earned; rent—the value of land—is not earned, but unearned.

9—That the Solution of Our Land Problem Lies, Not in TAXATION, But in CLASSIFICATION

People want their food, their clothing, their houses and their luxuries just as cheaply as they can get them.

Because the people want these things as cheaply as they can get them, men put forth all their efforts to supply them cheaply—they specialize their labor, they invent fine tools and powerful labor-saving machines, they seek better modes of manufacturing, hunt quicker means of communication, devise faster methods of transportation—in a word, because the people want their food, clothing, shelter, comforts and luxuries at as low a price as possible, men strive, by improving their methods of production, to supply them at as low a price as possible.

But if food, clothing, houses, comforts and luxuries are to be cheap, is it not absolutely necessary that land be cheap too? Plainly so. For the materials that make up food, clothing, houses, luxuries and the like are produced from land; they are shaped and fitted for human needs on land; and they are transported to the consumer over land. If the price of the land therefore be high, how can the price of the things produced and distributed on land be low? And if the land of the nation constantly rises in price, how can the goods that the people want, fall in price?[1]

Clearly, therefore, the price of the land lies at the very heart of

[1] This should not be taken to mean that increasing land values can increase the price of goods. Rising land values cannot do this. The manner in which

(Continued on page 4)

PROF. RICHARD T. ELY EXPOSED! — Continued

the land problem. It is indeed what has created the land problem. As land prices in the United States have risen higher and higher, it has become more and more difficult for the masses of men to acquire land. Tenancy consequently has not only steadily increased, but all communities have become too crowded in some places and too scattered in other places. Hundreds of thousands of farmers have, by reason of the high price demanded, been turned away from land lying close to markets and driven up into the hills or out into the wilderness—wheat, for example, is now grown a thousand miles north of the Canadian boundary line; miners have, by virtue of the excessive charges demanded, been forced away from rich deposits of coal or minerals, onto the poorer deposits; while home builders, manufacturers, merchants and other workers in the field of industry have been compelled, in countless instances, to pass up lots that were splendidly located and to establish themselves on lots that were cheaper but which are not well located at all. The consequence is that the production and distribution of wealth is now being carried on everywhere under the most wasteful circumstances and in a most expensive manner, with the further result that the final cost to the consumer of food, clothing, shelter and luxuries is far above what it naturally ought to be.

A sweeping reduction in the price of land is therefore the only true solution of the land problem. It is the only means whereby the necessities and luxuries of life can be supplied to the people at a lower cost.

But how can land be cheapened? Only by the practical method that Henry George proposed—by removing gradually the tax burden from the products of human industry and raising the public revenue from the unearned rent of ground. This will not merely eliminate completely a heavy tax charge that is now shifted to tenants and consumers, but by taking the rent of ground for public purposes the speculative value of land will be wiped out. Land monopoly will be destroyed. Landlordism will be checked and homeownership encouraged. Farmers will find it easier to buy agricultural land lying closer to good roads and markets; miners find it easier to get deposits lying nearer to populous districts; and shippers, retail merchants, wholesalers and manufacturers of every variety find it easier to acquire locations lying closer to the centers of business, industry and trade. Thus the unnecessary cost and enormous wastage involved in the present production and distribution of wealth will be mainly avoided, with the result that food, clothing, comforts and luxuries of all kinds can be obtained by the people at a much lower price now.

But a reduction in the price of land is not the kind of a solution of the land problem that Prof. Ely wants. He wants a "solution" that will leave the price of land not merely as high as it is, but a good deal higher. Not only this but he wants a "solution" that will take from one hundred to two hundred years of preliminary investigation; that will involve the publication of countless books, maps and documents; and that will require the supervision of hundreds if not thousands of university professors and graduate students. In other words, Prof. Ely wants, not the simple and effective taxation of land, but the nebulous "classification" and "planning" of land.

A more elaborate and comical program to solve the land question has doubtless never been proposed by anyone who claimed to be a scientist. Prof. Ely would card-index and blue-print every foot of ground in the United States, whether covered by water or not, indicate all the peculiarities and characteristics of each foot, and give a complete history of it—past and present! To quote his own words ("The Taxation of Land," National Tax Association, 1922, p. 52):

> **"I venture to recommend a cadastral and economic survey of the land as one necessary step in the solution of our land problems in general and of our problem of land taxation in particular. You are all doubtless familiar with the cadastre of France. This is a careful survey of the land, giving the characteristics of each piece, in order that the annual rental of the land may be properly estimated. In France it took forty-three years to make this survey, and naturally when it was finished the earlier parts were not entirely satisfactory, inasmuch as changes had occurred. Corrections are made from time to time and in spite of all its imperfections it is extremely useful. What I think we need is something more than a cadastral survey. We want a general economic and social survey of the land of the country. The problem is to make a survey which shall be continuous and yet every year yield valuable results, a crop as it were. Naturally, this would have some relation to our geological survey, but it should be distinct from it although co-operating with it."**

How would Prof. Ely go about making this vast geographical, geological, economic, political and sociological land survey? First he would (see "Outlines of Land Economics," Vol. I, pp. 45-49) classify all land in the United States under a dozen or more great grand divisions—classification with "respect to water supply," classification with respect to "use or non-use," with respect to "kind of use," with respect to "density and organization of its population," "kind of service the land renders," "actual and desired forms of ownership," "excellence," "natural vegetation," "topography," "soil," "temperature," etc.

Then, under these various grand divisions he would further subclassify each piece of land and determine whether it be "irrigable," or "non-irrigable," "timber," "pasture" or "dry-farming" land; whether rain falls on it and how much the "rainfall" amounts to; whether it be "dead" land or "living" land; if there be any "natural gifts" under the surface, such as coal, oil, or minerals; if the surface consists of "natural forest," "natural pasture," "swamp land," (salt marshes and other marshes yielding hay, wild grains and fruit, he explains, such as wild rice and cranberries) "placer deposits," "game preserves," or "fertilizer producing land" (e. g., guano); if it be "cultivated land," such as "meadows," "plowed field," "garden," or "artificial forest"; whether the land is adapted, or could be adapted, for "building sites"; whether it has "highways of general use" (e. g., ordinary public roads) or "highways of limited and generally unified use" (e. g., steam railways and trolley lines); if it be "shore land" or have "riparian rights"; if it be "under water" and if the water be a "running stream," "brook," or "river" with a "weak or strong current"; also if it be subject to "tidal" or "non-tidal" waters!

Going on Prof. Ely would determine whether the land is used for "mercantile" purposes—either "wholesale" or "retail"; whether it lies in a "manufacturing section," or in a "dwelling zone"; whether it consists of "recreation land," ministers "indirectly" to man through material products or "directly" serves man's need as "wild recreation land," "artificial parks," or "home lands"; if the land be held in "common or community ownership," in "private ownership" or "under public ownership"; whether it be of the "first quality," "second quality" or the twenty-ninth quality (in a country like the United States, he goes on to explain, there "should be well over thirty quality classes!)

Furthermore, Prof. Ely would establish what the "length of the growing season" on the land is, and the "temperature during the growing season"; whether the land be "level," "rolling," "hilly," "broken," "mountainous," "clay," "loam," or "sandy"; if it contains "all the elements needed for plant food," lacks "one or more elements," or "lacks a number of needed elements," and so on down to the adaptability of the land for "aeroplane" and "radio" purposes.

Such a task would undoubtedly have all the qualities of the kind of a "solution" of the land problem that Prof. Ely desires—it would not only detract very successfully the people's attention from the taxation of land values, but it would take generations if not geological ages to complete, would require the skillful direction of thousands of highly trained university men, and would afford wonderful opportunities for the building up of some great professional reputations—M. A.'s, Ph. D.'s, LL. D.'s, J. O. B.'s, etc.

But when finished—if it ever would be finished—what value would such a "classification" of land have? Save for some geographical and geological significance it would have no economic value at all. No land policies could be framed from it that cannot be framed now. It would do about as much good to the victims of our existing economic system as the classification of food would do to a starving man; as the classification of houses would do to those who had no houses; or as the classification of negroes into tall, thin, ugly, strong, old, young, married, obedient, sassy, baldheaded, illiterate, pigeon-toed, temperamental, lazy, etc., would have done to bring about a solution of the slavery question before the civil war!

With every inch of ground in the United States carefully dissected, analyzed, mapped and card-indexed, the price of the land would still be as high as before. The same economic difficulties that producers now find to secure the land they need, would still prevail. Land monopoly would be as strongly entrenched and speculation as rife as ever. Tenants—whether in country or city—would find it no easier to get homes of their own; farmers and mine operators find it no easier to get closer to transportation and markets; and manufacturers, shippers, wholesalers and retailers find it no easier to get nearer to the core of trade and industry. The enormous wastage of time and expense resulting from land speculation and the high price of ground would still be with us, and the final cost to the people of their food, clothing, shelter, comforts and luxuries be not a whit lower than before.

In the simple shifting of taxes from human industry to land values, as Henry George proposed, and not in any microscopic "classification" or "planning," of land as Prof. Ely suggests, lies the only real solution of our land problem.

(To be continued.)

rising land values are responsible for the high price of goods is simply by preventing the average price of goods from falling to its normal level.

In the natural order of things invention, discovery and improvements in the arts should raise "real wages," or, to put it in a better way, should greatly lower the price of all commodities to the consumer. But just to the extent that invention, discovery and improvements are brought forth, just to that extent rent—the value of land—rises and holds up to its former altitude the price-level of all commodities.

For a fuller discussion of this subject see the author's article "The Real Trouble With Business," published in the Report of the National Tax Relief Convention of the Manufacturers and Merchants Federal Tax League, (1923) pp. 127-138.

Bertrand Russell Says—

"Men who genuinely believe in reason, and at the same time possess a vigorous intellect, have a power over opinion which is incalculable, because it is more lasting than any other power. It is to them and to their influence that we must look if a better civilization is to emerge from the present chaos, not to a mixture of passion and propaganda leading to a dreary round of violence and disenchantment. To save the world requires faith and courage; faith in reason, and courage to proclaim what reason shows to be true. It is not a hopeless task to save the world, but it will never be achieved by those who allow themselves to think it hopeless."