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*The Real Enemies of Tax Relief for Business, Are Those Who Want It for Monopoly!*


# THE BULLETIN

OF THE MANUFACTURERS AND MERCHANTS FEDERAL TAX LEAGUE

VOL. III. CHICAGO, JANUARY 1924. No. 2.


# CONGRESSMAN KELLER IMPROVES ON MELLON TAX PLAN; PROPOSES SWEEPING REDUCTION FOR BUSINESS AND INDUSTRY

**Introduces four revenue bills cutting tax on "earned income" 50%; abolishing corporation income tax; and repealing excise taxes on automobiles, trucks, tires, jewelry, carpets, telephone, telegraphs, admissions, candy and other articles of consumption**

## DEMANDS THAT NEW REVENUE BE RAISED FROM LAND SPECULATION AND MONOPOLY INSTEAD OF BUSINESS AND INDUSTRY

**Provides for excise tax of 1% on privilege of holding lands and natural resources worth over $10,000, after deducting all improvements, standing timber, and soil fertility — Bill exempts 97% of all farmers — Reasonable increase in inheritance tax also provided**

## EPOCH-MAKING SPEECH MADE BY KELLER SETTING FORTH THE SOUNDNESS, PRACTICABILITY, CONSTITUTIONALITY, AND JUSTICE OF HIS TAX BILLS — URGES SOLDIERS' BONUS BE PAID OUT OF SURPLUS REVENUE

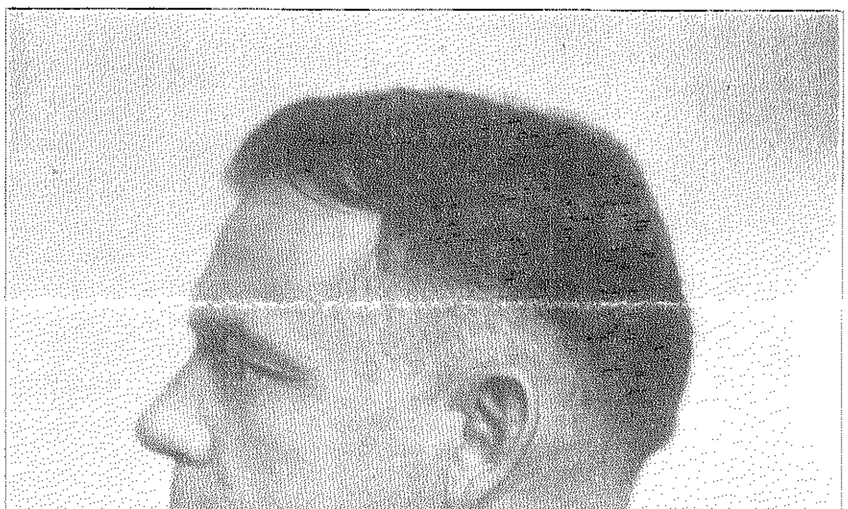
Keller program has endorsement of Manufacturers and Merchants Federal Tax League.—Also supported by numerous commercial, labor, trade and farm organizations

## IMPORTANT CHANGES MADE IN HOUSE RULES

Changes of far-reaching significance have been made in the rules governing the House of Representatives. To use the words of an insurgent republican, "Cannonism 1923 Model," has been abolished. As the rules now stand amendments to tariff and revenue bills may be made on the floor of the House, and bills not acted upon by a Committee within a definite period of time, may, upon the petition of 150 members, be brought out on the floor for consideration and vote.

## ENORMOUS RISE IN LAND VALUES—U. S. REPORT

The Department of Commerce has now begun publishing its decennial report on the estimated wealth of the United States. Thus far the figures of only three states—Delaware, Florida and Connecticut—have been made public, but these would indicate that land values have more than doubled during the past ten years and at the present are not far from a total of $200,000,000,000.



CONGRESSMAN OSCAR E. KELLER

Washington, D. C., January 18.—With Congress settling down to tax revision, and the general dissatisfaction with the Mellon Plan daily increasing, Congressman Oscar E. Keller of Minnesota introduced today, with minor changes, his four sweeping tax relief bills for business, industry and agriculture.

With the introduction of his bills Mr. Keller submitted a carefully prepared speech, which, viewed from the standpoint of sound economics, good morals and good government, is without doubt one of the best and most important speeches ever before read into the Congressional Record.

### Mr. Keller's Bills

The first of Mr. Keller's bills provides for the repeal of numerous excise and nuisance taxes on the products of industry, including the corporation income tax, in all amounting approximately to $1,075,000,000.

The second of his bills provides for a 50% reduction on earned income—earned income meaning wages, salaries, professional fees, and the profits of business personally conducted—the tax saving from this source aggregating $230,000,000.

To make up the revenue thus lost by the lightening of the tax

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# Keller Tax Relief Program Vast Improvement Over Mellon Plan

## MELLON PLAN

**(Reduces Tax on Monopoly, as well as Industry — $323,000,000)**

Cuts tax on "earned income" (narrowly defined) 25%; cuts normal taxes 1% and 2%; cuts surtaxes on big incomes (chiefly unearned) from 50% to 25%; repeals telegraph, telephone and admissions taxes, but limits losses to capital to 12½%.

## KELLER PLAN

**(Reduces Tax on Business and Industry Only — $1,305,000,000)**

Cuts tax on "earned income" (broadly defined) 50%; abolishes corporation income tax; repeals all taxes on telegrams, telephones, admissions, carpets, trunks, firearms, shells, cameras, candy, photo films, jewelry, tires, motor-cycles, automobiles, trucks and other products of industry.

# THE BULLETIN

of the Manufacturers and Merchants Federal Tax League

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## The Keller Tax Relief Program

"The tax plan I herewith submit consists of four bills.

"My first bill repeals a large variety of excise and nuisance taxes, including all corporation income taxes—the total reduction from these sources amounting roundly to $1,075,000,000.

"My second bill makes a distinction between 'earned' and 'unearned' incomes, and cuts the present rate on earned incomes in two—making a total reduction of about $230,000,000. 'Earned income' I define as salaries, wages, professional fees, and the profits of businesses personally conducted.

"The revenue lost by the above reductions on business and industry I propose to make up in two ways:

"First, by an increase in the inheritance tax of about $110,000,000, and,

"Second, by the levying of an excise tax of one per cent on the privilege of holding lands and natural resources worth over $10,000, after deducting all capital and labor values, improvements, standing timber and fertility. This bill has been estimated by statisticians to yield $1,100,000,000 of revenue annually.

"My tax program will save the producers of the nation $1,305,000,000 in lower taxes each year, and the people from three to five times this much in reduced living costs."

—From Congressman Oscar E. Keller's Speech in the House of Representatives, January 18, 1924.

### THE WAY OF THE LEGISLATOR

When the Manufacturers and Merchants Federal Tax League alone and unaided started out in earnest two years ago to "split" the income tax, and to tax "earned income" at a lower rate than "unearned income" it did not expect to see its proposition catapulted into the political arena as soon as this. However, the job quite seems to have been done. And as usual the catapulting process began from a totally unexpected source.

The man to start the ball rolling was Mr. Mellon, Secretary of the Treasury, and a spokesman for the regular Republicans. In his recent message to the President he proposed that earned income (defined by him as wages, salaries and professional fees) be reduced by 25%. This naturally woke up the Progressives and they also came forward with a proposition to reduce the tax on earned income 25%.

With both the Republicans and the Progressives advocating a reduction of 25% on earned income, there was really nothing for the Democrats to do but to go them both one better. So the Democrats proceeded not only to broaden the definition of earned income, but to make the reduction 33⅓% instead of 25%. The Democratic proposal, as contained in Congressman John N. Garner's speech in the House of Representatives of January 7, 1924, reads as follows:

Extend the Mellon earned-income proposal, which excludes farmers and most merchants and tradesmen, so as to include reasonable compensation to farmers owning and personally operating their farms, and also personal compensation to merchants and other tradesmen who combine capital and personal services for the purpose of earning income, together with suitable tax safeguards. Provide that the tax rate on earned income shall be 33⅓ per cent below the normal and surtax rates prescribed for unearned income, instead of 25 per cent, as Mellon proposes.

Good, isn't it? But there's room for considerable improvement yet. From the standpoint of sound economics and the welfare of business, industry and agriculture in general, the reduction of the tax on earned income can not be too large.

### MARCHING RIGHT ALONG

The growth of a true idea, like an infant, is beautiful to see. Reports from our Washington Representative and from others who have personally interviewed Senators and Representatives on the subject, indicate that the sentiment in Congress for the Keller land value tax bill is not only two hundred percent stronger to-day than a year ago, but is moving ahead at accelerating speed.

## Will Save Industry $1,305,000,000

"Altogether my bills will save business, industry and the producers at large $1,305,000,000 in lower taxes annually, as follows:

| Taxes Repealed | Amount Saved |
| --- | --- |
| Corporation income tax | 775,000,000 |
| Admission taxes (theatres, etc.) | 70,000,000 |
| Telegraph, telephone and leased wires | 33,000,000 |
| Jewelry, watches, clocks, etc. | 20,750,000 |
| Automobiles, motorcycles, auto trucks, tires and parts | 156,000,000 |
| Candy | 11,000,000 |
| Firearms, shells, etc. | 4,350,000 |
| Carpets, rugs, trunks, suitcases, handbags, etc. | 1,350,000 |
| Cameras and lenses | 800,000 |
| Photo films and plates | 800,000 |
| Art works | 750,000 |
| Liveries, hunting garments, etc. | 300,000 |
| Yachts and motor boats (sale) | 250,000 |
| Smokers' articles | 240,000 |
| Automatic vending machines, etc. | 150,000 |
| Hunting knives, dirks, daggers, etc. | 25,000 |
| | $1,074,265,000 |
| **Taxes Reduced** | |
| Reduction of 50% on "earned income" ("earned income" meaning wages, salaries, professional fees and profits from industry personally conducted") | $230,000,000 |
| Total tax reduction on industry | $1,304,265,000 |

—From Speech by Congressman Oscar E. Keller in the House of Representatives, January 18, 1924.

## KELLER IMPROVES ON MELLON TAX PLAN

(Continued from page 1)

load on producing enterprises, he submits a third and fourth bill. One of these is an inheritance tax bill—lowering the present exemptions and reasonably increasing the rates—and raising about $110,000,000 of new revenue.

The other—his fourth bill—is an excise tax of one per cent levied on the privilege of holding lands and natural resources valued over $10,000, after deducting all improvements, standing timber and fertility. This bill is estimated to yield $1,100,000,000 of revenue.

The argument which Mr. Keller has presented in support of his bills is an argument that commands attention, an argument replete with economic quotations, references, facts and figures, and an argument that his opponents are going to find exceedingly hard to answer.

### Has Two-fold Purpose

While tax reduction is one of the main objectives of Mr. Keller's program, there is a greater and higher purpose in his bills than that. Mr. Keller is for tax reduction—reduction to the bone. But he is also for tax adjustment—adjustment in such a way that the actual producer of wealth, whether manufacturer, merchant, laborer or farmer, will be relieved of his tax burdens to a much larger extent than now. This is made very clear in his opening paragraph:

"The business men of this country," he says, "are clamoring for tax relief. They demand that the present intolerable burden on industry be cut down. So do the farmers. So does labor. So, indeed, do all those engaged in producing the necessities and comforts of life.

"I am in entire sympathy with this demand. I think it is not only politically stupid, but economically criminal, to retain the present tax load on the actual producers of wealth, so long as the revenues needed to run our government, can be raised in a sounder and fairer way."

### Disagrees with Mellon

With the Mellon Plan however, Mr. Keller does not agree. For one thing, he says, the Mellon

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### NEWS NOTES

Owing to unforseen delays and an unprecedented amount of work in Washington and elsewhere that has kept "ye editor" from his desk the Report of our Annual Tax Relief Convention is not yet ready for distribution. As rapidly as possible, however, the work will be rushed to completion. Meanwhile those who desire copies of this report are urged to send in their dollar now.

Order a supply of these Bulletins and hand them to your friends. They'll thank you—and you may start something! The Bulletins are only three cents each.

### 40 ACRES WORTH 68 MILLIONS.

The descendants of Henry Brevoort must wish their ancestors had kept the piece of land Henry bought 200 years ago. It was a farm, 40 acres, on lower Manhattan Island, New York. Henry paid $1,500 for it. Now it's worth 68 million dollars. So the original value in 200 years has increased 45,000 times. Much American land now obtainable for a song, will increase correspondingly in the next 200 years—unless the people tax unearned increment as it deserves.—Capper's Weekly, Dec. 22, 1923.

# Land Tax Will Not "Hit" Farmer

But it may be asked, "Will not this land value tax 'hit' the farmer? Emphatically, No! The value of farm land is of little consequence as compared with the enormous value of other land; furthermore, the exemptions in my bill are such that no single farm worth less than $30,000 or $35,000 will be called on for one cent of additional taxes. My bill exempts:

(1) All improvement values—buildings, fences, machinery, crops, etc.
(2) All "preparation costs", such as clearing, plowing, drainage, etc.
(3) All soil fertility—placed at 50% of the total value of the land.
(4) Ten thousand dollars of land value to each land owner.

With these exemptions, says Professor Commons of Wisconsin University over 97% of all farmers in the nation will escape, and a careful analysis of the figures given in the Census of 1920 amply bears Prof. Commons out:

PER CENT OF FARMERS (INCLUDING TENANTS) EXEMPT UNDER LAND VALUE TAX
(1920 Census Report)

| State | Per cent | State | Per cent | State | Per cent | State | Per cent |
|---|---|---|---|---|---|---|---|
| Ala. | 99.7 | Iowa | 88.4 | Nebr. | 89.2 | R. I. | 98.6 |
| Ariz. | 94.2 | Kans. | 94.1 | Nev. | 91.3 | S. C. | 99.0 |
| Ark. | 99.3 | Ky. | 99.8 | N. H. | 99.4 | S. D. | 93.4 |
| Cal. | 91.1 | La. | 98.5 | N. J. | 99.5 | Tenn. | 99.2 |
| Colo. | 96.3 | Me. | 99.8 | N. M. | 93.4 | Tex. | 97.4 |
| Conn. | 99.1 | Md. | 99.1 | N. Y. | 99.4 | Utah | 94.9 |
| Del. | 99.5 | Mass. | 98.9 | N. C. | 99.2 | Vt. | 99.7 |
| Fla. | 98.0 | Mich. | 99.6 | N. D. | 96.2 | Va. | 98.1 |
| Ga. | 98.6 | Minn. | 98.1 | Ohio | 99.6 | Wash. | 94.2 |
| Ida. | 93.2 | Miss. | 99.7 | Okla. | 99.2 | W. Va. | 98.2 |
| Ill. | 95.3 | Mo. | 98.3 | Ore. | 95.6 | Wis. | 99.4 |
| Ind. | 97.6 | Mont. | 93.1 | Pa. | 99.6 | Wyo. | 91.4 |

Per cent of all farmers exempt under land value tax bill............97.2

—From Speech by Congressman Oscar E. Keller in the House of Representatives, January 18, 1924.

# Farmers Will Greatly Benefit

"It is clear therefore that the farmer, as a whole, has nothing to lose by my land value tax bill. Not only is the value of farm land a mere trifle as compared with the value of other lands and natural resources, but the exemptions in the agricultural field are necessarily such as to rule out all single farms worth less than $30,000 or $35,000 each. And even to that small per cent of farmers whose taxes will be increased by a few dollars thereby, the general gains will be immeasurably larger than the losses.

Consider for just a moment what the farmers of the nation will gain by the adoption of my four revenue bills.

First, they will gain immensely from the discouragement of monopoly of natural resources which the land value tax will largely bring about. Coal, iron and the raw materials entering into manufactured products of all kinds will be cheaper. The price of fuel, farm machinery, building materials and like commodities will come down.

Second, they will gain much indirectly from the reduction of the tax on earned incomes. Business everywhere will be easier to carry on: city purchasing power for farm products will increase, and the market for agriculture will widen.

Third, the farmer will largely and directly benefit from the repeal of a host of taxes on industry and its products that are always shifted to him in the higher prices of goods. The total taxes thus repealed amount to $1,075,000,000, which by the time they reach the ultimate consumer aggregate from three to five times this much.

Altogether not only the direct, but the indirect gain to the farmer from these various sources will be something enormous. Calculated in terms of money it should not be less than $250 to $500 per family of five."

—From Speech by Congressman Oscar E. Keller in the House of Representatives, January 18, 1924.

## KELLER IMPROVES ON MELLON TAX PLAN

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Plan favors monopoly instead of industry, gives big unearned incomes a greater advantage than the smaller earned ones, and does not remove enough of those taxes that merely tend to increase the cost of living to the large mass of the people. For another thing it is entirely inadequate to give business, industry and the productive processes of the nation the tax relief that they need and ought to have.

After criticising the Mellon Plan Mr. Keller then turns to his own tax program and undertakes to show that "it is not only sound, just and practical, but that it will provide sufficient revenue for all federal needs, enable the payment of a soldiers' bonus, and yet permit a reduction of the heavy tax burden on industry and agriculture to the extent of $1,305,000,000 a year—or more than four times as much as that proposed by Mr. Mellon.

The tax reduction on business and industry, he shows, will be accomplished in two ways: First by the abolition of the corporation income tax and the repeal of a large variety of nuisance taxes on automobiles, trucks, candy, jewelry, carpets, theaters, telegraph and telephone messages, etc., and second, by a 50% reduction in the tax on earned income. The total direct gain to business and industry by these tax reductions will be $1,305,000,000, and the total indirect gain to the people in lower living costs, will be from three to five times this amount.

### The Land Value Tax

Having adequately carried this point, Mr. Keller then turns to the question of how the lost revenue will be made up, without again resorting to the taxation of production and consumption in one form or another. A few moments are spent in the discussion of his inheritance tax which will yield $110,000,000 of new revenue, after which he proceeds to launch boldly into his main bill for the taxation of land values.

"Since my land value tax bill" he takes pains to say, "is in the opinion of economists by far the most important bill ever presented to congress for the raising of public revenue I ask your permission to deal with it in considerable detail. I want to show that it will raise not only an amount of revenue conservatively estimated at $1,100,000,000—more than enough to equal the revenue lost by the repeal of the industrial taxes—but that its application is practical, constructive, sound and just; that it is constitutional; that it will not fall upon the 'farmer' as its opponents will say, but upon large land speculators, absentee landlords, water-power grabbers, and the monopolists of valuable lots and natural resources—in short, that as a means of raising revenue without burdening the productive processes of the country it is the soundest and fairest measure that is within the province of human intelligence to devise."

This is a large order, but it is an order which seems to be abundantly filled before he is through. Mr. Keller begins his discussion of his land value tax by explaining exactly what it provides.

"Briefly, this land value tax bill of mine provides for a one per cent tax on the privilege of holding land and other natural resources whose aggregate value is in excess of $10,000, after deducting the following items:

(1) All capital and labor values, that is to say, all improvements and made-made structures, under, on, or over the surface of the ground,

(2) All standing timber, whether naturally grown or planted,

(3) All costs of clearing, draining and preparing the ground for the cultivation of crops, or other use, and

(4) All soil fertility which is placed at 50% of the value of the bare land when used for agricultural purposes.

It will thus be seen that this bill does not in any way touch those values that are due to the exertion of capital and labor—does not in any way levy upon the processes of production. It applies itself solely and exclusively to the taxation of the value of the bare land itself—whether in the form of town and city lots, agricultural ground, coal, oil and mineral deposits, water fronts, railroad rights-of-way, public franchises or waterpower sites."

After thus carefully defining his proposition he then shows its justice, supporting his contention by apt quotations from the masters of economic science.

### Cannot Be Shifted

He then takes up its soundness—in other words, he demonstrates the inability of the land tax to be shifted, like taxes upon industry always are, to the tenant or consumer, again fortifying his statement by extracts from the economic works of Thorold Rogers, Bascom, Walker, Mill, Ricardo, Smith, Fillebrown, Shearman and Seligman.

### Will Not "Hit" Farmer

Knowing that the question of the farmer is sure to be raised he deals with this subject with considerable care. First he points out that with the various exemptions no single farm worth less than $30,000 or $35,000 will be called on for a cent of additional tax under this bill, and presents statistics based upon the Census Report of 1920 showing that over 97 per cent of all farmers in the country will escape the levy altogether.

But Mr. Keller does more than this. He not only shows that farmers as a whole have nothing to lose by the land value tax in particular and the whole tax pro-

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# Excise Tax On Land "Constitutional"

"But it may be objected that this tax is "unconstitutional." It may be said that Congress has no legal authority to levy a direct tax upon the value of land and natural resources, except as it be apportioned among the various States according to population. But this objection is overcome by the fact that the tax I am proposing is not a direct tax upon the value of lands and natural resources, but an excise tax upon the "privilege" of owning and enjoying the use of such lands and natural resources. In other words, the tax I am proposing is not a tax upon natural resources which the Supreme Court holds are real estate, but a tax upon the "privilege" of owning them, which is a franchise, and which is, therefore, subject to taxation by Congress, like any other franchise. Viewed in this light, it is the general opinion of prominent attorneys that the bill is perfectly constitutional. As Mr. Jackson H. Ralston, a distinguished member of the District of Columbia bar and an authority on constitutional law, has stated it (The Public, Sept. 14, 1917, p. 889):

The holding of land by one individual to the exclusion of all others is entirely due to conventional arrangements. Without the convention, it does not exist. This has been recognized more than once by law writers. Blackstone maintains it in the first chapter of the second book of his Commentaries, wherein he says:

"There is no foundation in nature or in natural law why a set of words upon parchment should convey the dominion of land; why the son should have a right to exclude his fellow creatures from a determinate spot of ground because his father had done so before him; or why the occupier of a particular field or of a jewel, when lying on his deathbed and no longer able to maintain possession, should be entitled to tell the rest of the world which of them should enjoy it after him."

The right to hold land, therefore, being purely conventional, is to be treated as a privilege; and while the land itself may not be taxed, the privilege—the franchise to hold and use—is fairly subject to taxation. It differs in no wise from the franchise of a corporation, its property being taxed separately from the right to hold and control its property.

This reasoning appears to me to be perfectly sound and in the opinion of legal authorities will be so held by the courts.

"So far as corporations are concerned," Mr. Ralston further informs me, "the constitutionality of the tax cannot be doubted. I say this on the strength of the case of Flint vs. Stone Tracy Co., 220 U. S., page 107, 55 Lawyers' Edition, Page 389. In this case the Court recognized the right to tax corporations in the shape of an excise, which might be based on any part, or all of their property."

—From Speech by Congressman Oscar E. Keller in the House of Representatives, January 18, 1924.

## KELLER IMPROVES ON MELLON TAX PLAN

(Continued from page 3)

gram in general, but they have a tremendous amount to gain—a gain which he sums up will aggregate annually not less than $250 to $500 per family.

### Where Revenue Will Come From

The fact that less than three per cent of the farmers will come within its scope does not mean however that the land value tax will fail to raise the stated amount of revenue. "Some revenue, of course," he goes on to say "will come from the agricultural regions, but it will not come out of the pockets of those who actually till the soil; it will come out of the pockets of large land speculators, "bonanza" farmers and absentee landlords, many of whom own farms numbering into the scores and even hundreds. The vast bulk of the revenue however will come from sources other than farm lands in the hands of big speculators and absentee landlords—it will come from town and city lots, from coal, iron, oil, stone and all mineral deposits, from railroad rights-of-way, utility franchises, terminal sites, waterpowers, etc.,—all of which are not only highly concentrated in matter of ownership, but which have a value infinitely greater than any farm land."

After making this statement he follows it by an interesting and most valuable presentation of facts and figures on the value of city lots, cut-over lands, waterpowers, franchises, coal lands, mineral resources, etc., together with the estimated revenue that each source will yield. City and town lots, it is estimated, will yield $300,000,000 of revenue; cut-over and timber lands (exclusive of the timber itself) will yield $15,000,000 of revenue; waterpowers, fishing grounds, harbors and waterfronts, $30,000,000; franchises, pipe lines, stock yards, railroad rights-of-way, terminals, and government land grants, $160,000,000; coal lands (anthracite and bituminous) $95,000,000; farm lands (absentee landlords, "bonanza" farmers, and big speculators chiefly) $75,000,000; and oil, iron, copper, lead, zinc, and all gas, stone and mineral lands, $430,000,000—or a total yield of revenue from the land value tax of not less than $1,100,000,000.

### Land Value Tax Is Constitutional

Believing that the question of "constitutionality" of his land value tax is sure to arise, Mr. Keller devotes some particular attention to this. He shows that the tax he proposes is not a direct tax on land, but an excise tax on the privilege of the use and enjoyment of lands, which privilege is essentially a franchise, and taxable by the federal government like any other franchise.

In the case of corporations, associations, and joint-stock companies, who own the major part of the taxable natural resources of the country, the bill, as drawn, has already been sustained by the U. S. Supreme Court in the case of Flint vs. Stone Tracy Co., 220 U. S., page 107, 55 Lawyers' Edition, page 389. "In this case," Mr. Keller quotes an authority on constitutional law, Jackson H. Ralston, as saying, "the court recognized the right to tax corporations in the shape of an excise which might be based on any part, or all of their property."

### Ability-to-Pay

Anticipating also, that his opponents will charge him with advocating a tax that does not conform to the ability-to-pay doctrine, Mr. Keller turns for a moment his glance upon that. He shows that the ability-to-pay doctrine is defective on two particular counts, (1) that it does not distinguish, as it justly ought to do, between incomes that are earned and incomes that are unearned; and (2), that it penalizes the man who improves and develops his land, while rewarding the man who lets his land lie idle. These defects, he explains the land value tax does not have, and consequently, it is a great improvement over the present ability-to-pay—or income—principle of taxation.

### Practical

Mr. Keller also shows that the land value tax is easy to collect and simple to administer, and that its cost to the government will be vastly less than the taxes he proposes to repeal.

He also points out that the land value tax is practical, giving numerous instances throughout the world where it has been tried in greater or less degree. A particularly illuminating and valuable testimonial is taken from a recent address by Chief Assessor McMahon of Pittsburgh, which city is now and has been for ten years, reducing the tax on improvements at the rate of ten percent every three years, and raising the additional revenue from the value of land only.

### Conclusion

In summing up his remarks regarding his tax program Mr. Keller says:

"As I stated in the beginning Mr. Speaker, the business men of this country are clamoring for tax relief. They, in common with the farmers, the laboring classes and the professional groups, demand that their intolerable tax burden be substantially cut down. It is a just and wise demand, a demand that ought to be satisfied, but it is a demand that cannot be satified by any such unsound and inadequate proposals as made by Mr. Mellon.

"It is my belief that the tax program which I have submitted, and which has the distinct approval of numerous business, professional, labor, farm and commercial groups, offers the only true road to relief. I have shown conclusively that this program is sound, that it is practical, that it is constitutional, that it is just, and that tried by every dictum of political economy, by every maxim of good morals, and by every principle of good government, it stands every test."

## Land Value Tax Better Than Income Tax

"But again it may be objected that my land value tax does not conform to the "ability-to-pay" principle of taxation. My answer is that it is a great improvement over this principle. The present ability-to-pay principle of taxation has two very serious defects:

(1) It makes no distinction between incomes that are earned and incomes that are unearned, and

(2) It penalizes the man who properly uses his hand and rewards the man who deliberately keeps from using it. In other words, the ability-to-pay principle—or income tax—discourages industry and production and incourages idleness and speculation.

These grevious defects the land value tax does not have: First, the land value tax does not levy upon earned income at all, but applies itself solely to that part of the income which is unearned; and second, it taxes vacant and unused lands the same as lands that are used, thus putting the penalty upon speculation and idleness instead of on industry and production.

### The Case Illustrated

Let me give you a little illustration of this—an illustration which will show you vividly the essential weakness of the income tax as against the absolute soundness and strength of the land value tax. In an article criticising the income tax written by David Lawrence in the Saturday Evening Post of January 5, 1924, our Secretary of the Treasury, Mr. Mellon, is quoted as saying:

"I heard of a case lately in which a man has a 220-acre tract of coal land adjoining a going mine. The owners of the neighboring mine are working up to it and wanted to lease it. He could lease the land at twelve cents a ton. This man's income tax rate was such that he would have to pay more than half of it to the Government. As a consequence he didn't make the deal. He reasoned that coal would always be wanted and that it would be more valuable in the future. Meanwhile the business isn't done and the Government gets no revenue."

There you have one of the weaknesses of the income tax in a nut-shell. There was absolutely no inducement for the man owning the vacant coal land to let the coal producers have it; instead, the inducement was altogether the other way. If he allowed the land to be used for digging coal, the income tax would hit him; if he held the land out of use, he would have no taxes at all to pay. Consequently the deal wasn't made, no business was done, industry was checked, labor got no employment, the public got no coal, and the government got no revenue.

Look how differently it would have been under the land value tax. Under the land value tax the actual coal producers would have been taxed less, and the man owning the vacant coal land would have been taxed more. Since it would have been unprofitable for the owner long to pay taxes on coal land held out of use, he would soon have been glad to let the coal producers have it. Consequently, instead of no business being done business would have expanded, industry would have increased, labor would have secured more employment, the public would have been given more coal; and the government would have secured more revenue.

### Land Value Tax Separates Good from the Bad

I submit therefore that my land value tax bill is a great improvement over the current income or ability-to-pay principle of taxation. It automatically throws out all that is harmful in this theory, but clings tenaciously to that part of it which is good. First, it eliminates from all consideration the values that are rightfully earned by human industry, and then applies itself, in proportion to the owners paying ability, exclusively to those values that are unearned by the individual, but which justly belong to the government itself. Second, it taxes the unearned values of lands and natural resources that are held out of service by monopolists and speculators, equally with the value of lands usefully employed by capital and labor for the production of wealth."

—From Speech by Congressman Oscar E. Keller in the House of Representatives, January 18, 1924.

## Where the Land Value Tax Will Fall

"I estimate that my land value tax bill will raise at least $1,100,000,000 of revenue distributed as follows:

| Source | Amount |
|---|---|
| City, town and suburban lots | $300,000,000 |
| Cut-over and timber lands (exclusive of timber) | 15,000,000 |
| Waterpowers, fishing grounds, harbors and waterfronts | 30,000,000 |
| Franchises, pipe lines, stockyards, railroad rights-of-way, terminals, and government land grants | 160,000,000 |
| Coal lands (anthracite and bituminous) | 95,000,000 |
| Farm lands (absentee landlords, "bonanza farmers," and big speculators chiefly) | 70,000,000 |
| Oil, iron, copper, lead, zinc, and all gas, stone, peat and mineral lands | 430,000,000 |
| Total revenue under land value tax | $1,100,000,000 |

—From Speech by Congressman Oscar E. Keller in the House of Representatives, January 18, 1924.

## Justice of the Land Value Tax

"The essential justice of the land value tax cannot be disputed. For the value of the land is not a value arising from any individual's own effort; it is a value that arises purely from the increase of population and from the growth and development of the whole community. It is thus a value that society—the government—itself creates, and in all justice and morality therefore belongs to the government.

This has been recognized by every economist of repute from the Physiocrats of a century and a half ago on down to the economists of the present time. As John Stuart Mill says in his "Principles of Political Economy," Book V, Chap. II, Sec. 5:

"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."

—From Speech by Congressman Oscar E. Keller in the House of Representatives, January 18, 1924.