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THE BULLETIN

OF THE COMMITTEE OF MANUFACTURERS AND MERCHANTS ON FEDERAL TAXATION (Inc.)

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VOL. I.

CHICAGO, JULY 1922.

No. 10.

Rocks Ahead!

"We are headed for a \$1,000,000,000 federal deficit this year," says William H. Crawford in Leslie's Weekly of June 3, "with one or \$2,000,000,000 looming up for 1924."

Decline of Tax Receipts

Washington, D. C., June 24.—Government tax receipts fell off by more than \$1,000,000,000 during the eleven months of the current fiscal year, as compared with a year ago, according to the classified collections for May issued today by the internal revenue bureau.

For the eleven months ended with May revenues from taxes, according to the bureau's statement, aggregated \$2,732,000,000, as against \$3,806,000,000 for the corresponding months of 1921, while for the month of May the total was \$102,515,000, compared with \$217,560,000 during the same month a year ago.

Taxes collected under the national prohibition act during the eleven months aggregating \$1,875,000, disclosed an increase of \$150,000, while taxes on distilled spirits amounting to \$48,000,000, decreased by \$59,000,000.

A Country of Curious Taxes

It looks as though Canada would soon become a study in curious methods of taxation.

As the sales tax seems still to be suggested as a means for raising the money necessary to pay the soldier's bonus, if it gets through Congress a few observations on the new phases of this tax in Canada may be of interest. The need of securing more revenue having again become pressing, the Finance Minister in his recent budget speech, which contains the financial and taxation proposals for the year, announced a further increase of 50 per cent in this tax. This means that a minimum tax of 4½ per cent will be collected on sales of domestic articles, while 5 or 6 per cent will be collected on sales of imported goods. The word "minimum" is used advisedly, for in the case of an implement such as a self-binder into which many things enter, it is quite possible that the aggregate sales tax on these and the finished product increase the price by 10 per cent.

It is expected that during the present fiscal year between \$90,000,000 and \$100,000,000 will be collected through this tax, or between \$10 and \$11 per capita. It is admitted that this will fall quite heavily on persons in humble circumstances at a time when wages are falling; but the justification is that the country has to have the money in order to balance its budget, and the sales tax seems to be most likely to bring it in. True, the result on business will probably not be good, but it is felt that a change must be taken on something, for obligations must be met. The Progressives, or farmers' bloc in Parliament, have fought the increase in the sales tax very hard, but they are handicapped in going so through the fact that they have not suggested a substitute which, in the opinion of the Minister of Finance, will bring in the coin nearly as well.

Americans will doubtless be interested to know that Canada also has a tax on cheques which in a sense, may be described as a very small turn-over tax on every transaction in which a cheque passes. Levied two years ago, it

(Turn to page 3, column 1)

The Correct Principle of Taxation

BY C. J. BUELL

(Author of "The Minnesota Legislature")

There are still many good people who insist that folks should pay taxes in proportion to their ABILITY.

Do people pay for anything else according to their ABILITY? When you go to the store for a suit of clothes, a sack of flour, a bushel of potatoes, a dozen eggs or a pound of butter, is the price fixed according to your ABILITY?

Does the storekeeper ask you how much you are worth, before he fixes the price of the stuff you buy?

Did you ever pay for a seat in the movies according to your ABILITY?

Some lawyers, doctors and surgeons, it is true, sometimes fix their charges according to the WEALTH of their VICTIMS; but in all ordinary affairs of life we pay for what we get, without any regard at all to our ABILITY.

And I suspect we ought to pay for the BENEFITS of GOVERNMENT according to what we get—not according to our ABILITY.

As a matter of fact, under our present system of taxation, or rather lack of system, the common run of people pay taxes in proportion to their POVERTY—not their WEALTH—not their ABILITY—not according to the BENEFITS they receive. That is one great reason why they are poor.

Can you make a railroad or other public service corporation pay any taxes?

NEVER. The more taxes you put upon them the higher rate they must charge, and their patrons pay it—they pay it and that is the end of it, unless they pay it as a part of the necessary expense of a productive business. In that case they pass it along to the consumer—the end man—who can't pass it any further.

Can you make a merchant, or manufacturer, or banker or any other middle-man pay any taxes?

Yes, what he pays on the land he occupies; but not what is levied on his buildings or stock in trade; these he passes on to the consumer. The higher the tax is fixed, the higher will interest be, and there is no power on earth that can change that economic law.

Of course you might catch worried men, as they did the Jews in the middle ages, and put them on the rack or in prison till they were willing to lend a low interest. But somehow we think we are more civilized than that now, so we tax them and the poor borrower pays the whole bill—taxes, interest, profits and all.

THE MEASURE OF THE BENEFITS OF GOVERNMENT

All the benefits of government are accurately measured—not by any man-made statutes—but by a law of nature as irresistible as the law of gravitation.

What is that measure?

The measure is this:

The benefits of all good government are accurately reflected in the VALUE OF LAND.

Why is a lot in one part of a city worth five—ten—fifty—hundred—a thousand times as much as the same sized lot in another part of the same city?

Everybody knows the answer.

Where the streets are improved—paved and curbed, with sidewalks, water, gas, sewer, street car service, etc., there lots will be high priced, provided only that these improvements have been put in where they were needed—where the people congregate and need them to use. Build a new school house and lots go up in price. Run a paved road through the country and the farms will sell for more money.

But good government is not the only thing that increases the price of land in the country or lots in the city. Every child born into the world adds to the value of land. Every self-supporting immigrant adds about \$1,000 to the land value of the city when he leaves his ship.

This, then, is the natural law: The value of land is created and sustained by the presence of the people; by their civilization, by their intelligence; by the services their government renders; by everything that makes a place more desirable for a home or a business location.

It therefore follows that people should pay for the support of our common needs—not according to their wealth or their poverty—not according to their PHYSICAL OR MENTAL ABILITY, but according TO THE VALUE OF THE LAND THEY POSSESS.

Most farmers and city home owners—most workers of all kinds, whether in country or city—are now paying three or four times as much taxes as they would under this theory. The big land grabbers—those who own our mines, forests, water power, wharf and dock sites, and downtown city lots—they pay less than they would.

So, also, do the owners of valuable unused farm lands, and those "who add field to field till there is no place" as the Biblical writer puts it—for the landless farmer or worker.

Announcement

Next month (August) being vacation month for most of our readers, the issue of THE BULLETIN for that month will be omitted.

Indiana Retailers Want Land Value Tax

Tired of the pressure of taxes from all sides, the Indiana Retail Grocers' Association, at its annual convention held in Muncie on May 23-24, adopted a strong resolution for transmission to President Harding urging the shifting of taxes from productive capital to land values.

The convention was addressed by Mr. Louis Wallis of Chicago.

Pittsburgh's Tax Law

"The Pittsburgh Graded Tax Law has undoubtedly tended to encourage building operations, and to discourage land speculation; and these results will be increasingly manifest within the next few years, the process having been a very gradual one. It must be remembered, of course, in discussing the building situation, that conditions have been highly abnormal during and since the war, and there have been factors such as higher wages, declining materials and rated to retard building. That have gone, however, with other A comparison shows that in the number of building permits per 1,000 in increasing population, from 1914 to 1920 in Pittsburgh, Pittsburgh excelled her closest five cities, New York, St. Louis, Philadelphia, Cleveland, Buffalo, Detroit, and Baltimore, from 25 to 238 per cent."—Thomas C. McMahon, Chief Assessor of Pittsburgh.

What Laws Can Do To Building

If you do not believe that law affects business and building consider this: Building permits issued in Greater New York in March totaled \$104,598,548 in estimated valuation. Permits in the same city in April totaled \$39,776,475 in estimated valuation—a distribution in returns so great that it outweighed comfortable advances made in April throughout the United States.

More than to anything else, this fluctuation can be laid to the fact that New York's tax exemption law was due to expire at the end of March, and it was doubtful if the Lockwood Committee could get an extension. Consequently, anyone who thought he might want to build within quite a wide range of time hastened to obtain his permit. This explains why March was so fat a month in New York City, and it is conclusive proof that the certain tax exemption law in question was mighty influential—American Contractor.

Local Expenses Rising

State, county, and municipal financing totaled \$546,448,752 for May, according to the BOND BUYER, more than 50 per cent in excess of the amount for the same month last year.

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"Overcrowding"

"Every trade or profession with which we are at all familiar," writes the editor of POWER WAGON, "suffers from the evils of overcrowding, and the business of making and selling motor vehicles is no exception."

It certainly DOES seem as if the worthy editor is right. We've got entirely too many manufacturers making automobiles, too many manufacturers making shirts and collars, too many manufacturers making fiddle-sticks—in short, we've got too many manufacturers of all kinds. If you doubt it look at the number of mills and plants running at half capacity and the large quantities of factory-made products that cannot be sold.

We've got too many merchants too. A man can hardly enter the wholesale or retail field now, the competition is so keen. More than that: We've got too many lawyers, doctors, school teachers, and professional people of every variety, as any university or college graduate who has tried to find a job and failed will quickly tell you.

And that isn't all. We've got too many farmers producing food (few farmers make more than a bare living nowadays, most of their stuff rotting on the ground); too many lumberjacks cutting lumber; too many miners digging coal. The last issue of the Manufacturers' News (Chicago) states that of the 90,000 coal miners in Illinois "sixty thousand of them should be taken off the job and put to doing something else." So it is everywhere. Overcrowding! Overcrowding!!! Overcrowding!!!!

The only field that we know of that is not over-crowded is the field of economics, and the only people of which there are not too many are those with a little common sense in their "cocoanut"! If there were a few more people of this latter variety—more persons with a little knowledge of fundamental economics in their heads, there would be a great deal less "over-crowding" in all the branches of activity above mentioned. For then it would be clear, as this paper is humbly trying to point out, that all this talk of "over-crowding" all this gossip about there being too many manufacturers, merchants, farmers, miners, doctors, school teachers and so on, is just bunk! It is a pure chimera of the imagination, the product of crooked and illogical thinking!

The truth is there are not too many producers or workers of any kind. The big trouble is simply that there are too few consumers—or more accurately, too few consumers with a sufficient amount of purchasing power. This lack of consumers, or rather this lack of purchasing power on the PART of the consumers, is therefore what leaves the producers with a surplus on their hands and makes it APPEAR as if there actually were too many producers.

The other day, for example, we took a ride out into the beautiful forest preserves surrounding Chicago. Finding that the six park tables where we loitered were being "held down" by a big crowd of Sunday school children, we took seats on the ground a little distance off. Pretty soon the Sunday school crowd appeared. At the same time there came marching up the advance guard of a congregation of Jews, while from the opposite side there drove in a truck-load of singing Italians. A dispute at once arose over the possession of the tables. This dispute quickly developed into a controversy, and the controversy into a free-for-all fight, in which the forest warden and his assistants were obliged to take a hand. The excitement over one of the Sunday School Divines, holding a bad rip in his trousers with one hand, and scraping a batch of mud off his collar with the other, lamented sorely in the "perversity of human nature." Overhearing his remarks, we ventured to suggest that it didn't seem to us to be so much a question of "human perversity" as it did of "human nature."

Our "Prosperity Taxation" Program

Introduced into the House of Representatives June 2, 1921, by Hon. Oscar E. Ker, Member of Minnesota.

Congressional Bill No. 6767

This bill repeals all existing sales and commodity taxes except those on tobacco, distilled spirits, oleomargarine, and pit forming drugs and products of child labor. The bill also repeals the present tax on the incomes of corporations.

Congressional Bill No. 6768

This bill amends the income tax law so as to distinguish between "earned" and "unearned" income. The tax on "unearned" incomes together with the super-taxes is retained, but the tax on "earned" incomes is cut in two. All salaries, wages, etc., together with all profits derived from businesses personally conducted or in partnership are classed as "earned" incomes.

Congressional Bill No. 6768

This bill amends the inheritance tax. Beginning with estates of \$20,000 to \$35,000 there is a tax of one per cent; \$35,000 to \$50,000 two per cent; \$50,000 to \$100,000 four per cent; \$150,000 to \$250,000 six per cent, and so on until the point of \$100,000,000 is reached after which the tax is about 75% of the entire estate. This bill will raise approximately \$750,000,000 annually.

Congressional Bill No. 6773

This bill provides for a federal tax of one per cent on the privilege of holding lands and natural resources worth over \$10,000, after deducting the value of all buildings, personal property and improvements. In the case of farms cost of clearing, draining, plowing and cultivation, together with soil fertility are classed as improvement values. This bill will exempt over 98% of all actual farmers. It also exempts standing timber from taxation whether naturally or artificially grown.

This bill aims to relieve business, industry and agriculture by taxing monopoly holders of vacant natural resources, valuable "sites" in cities and the holding of land in general out of use. The revenue raised under this bill will be about one billion dollars annually.

This revenue program would relieve producing business of about \$2,000,000,000 annually, and the people of from three to five times this amount in inflated living costs.

versity," as it did the "shortage of tables." Had there been enough tables, we pointed out, there would have been no occasion for a fight, and everybody would have had a good time.

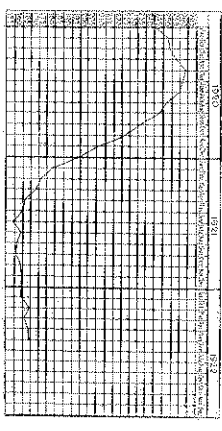
Just so it is with this matter of "over-crowding" in industry. Industry is not "over-crowded," and it never can be so long as human wants remain unsatisfied. The fault lies entirely with the inadequate purchasing power of consumers. Give the consumers their full measure of purchasing power in the manner advocated in this paper and the problem of over-crowding in industry, with its long train of evils, will easily take care of itself.

Stopping Half-way Down

The price level which started to decline so spectacularly in the spring of 1920 has apparently descended as far as it intends to go. For a year now as the accompanying chart shows it has been slightly on the incline.

A good many people believe that prices have at last touched the bottom. No greater error has ever been made.

MONTHLY FLUCTUATIONS IN DUN'S INDEX NUMBER OF WHOLESALE COMMODITY QUOTATIONS



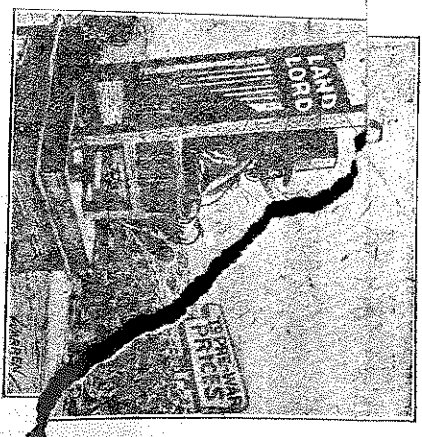
Prices are still a long way from the bottom as may be easily gathered from two general facts:

1. Production and consumption are still greatly out of balance. Supply and demand can't meet. On the one side are vast multitudes of consumers lacking the commonest necessities, comforts and luxuries of life, while on the other side are factories, mines, farms and other productive agencies running at only a fraction of their full capacity. This alone indicates that prices are still much higher than they ought to be.

2. While capital and labor have been deflated, land has not been deflated. The profits of productive industry—in other words the earnings of capital and labor—have now been driven down to as low a point as they can possibly go, while rent is as high, and in many cases much higher than it was one or two years back. This also goes to show that average prices are still far above the point necessary to general prosperity.

Needless to say, the first element of cost attached to any business, profession or trade is land cost—rent. This is the first bill that is presented, and the first bill that must be paid. If, therefore, this rent is excessively high—watered, in other words—as our present

REVIEWING THE PARADE



—From the Chicago Tribune.

ent rent is prices must also remain excessively high. Hence, until land values or the economic rent of ground, as the professors call it, have been deflated, it is useless to expect prices to fall to a level that will enable the demand for goods to set in on the scale that business and industry wants.

A COUNTRY OF CURIOUS TAXES

(Continued from page 1)

amounted to two cents on every cheque, no matter what the amount of the latter might be. The first proposal of the Finance Minister this year was to increase the tax to two cents for every \$50 or fraction thereof; but so strong a protest was made that the charge has now been reduced to a maximum of \$2; that is to say, two cents for every \$50, or fraction up to \$5,000, but no more. It is not known how much this will bring in, but a considerable sum is expected. Last year a tax of two cents on every transfer of \$100 of stocks was imposed, and this year an increase to five cents was announced; however, it has now been fixed at three cents, transfers of bonds, as well as those of stocks, now being included. New taxes have been placed on smoking materials, soft drinks and confectionery, while an excise tax of 5 per cent on cars valued at \$1,200 and of 10% on all above that value has also been imposed.

The indications are that the sales tax in this country will be almost as live an issue as the tariff, which is always 'some issue.' The Progressives are now denouncing one quite as strongly as the other, and organized labor will undoubtedly assail this tax much more strongly than it will the tariff. The big fight will come over any attempt to make the sales tax a permanent source of revenue.—W. C. Gates in 'Commerce and Finance.'

Little Squints at Big Facts

There were 19,652 business failures in 1921. The present year will see this number greatly increased.

The world do move! Business men and statesmen—William Gibbs McAdoo for one—are beginning to discern a big difference between incomes—are beginning to see that one kind is 'earned,' and another kind is 'unearned.' May their tribe increase!

The money needed by the United States Veterans Bureau for the year 1922 in behalf of the disabled ex-service men alone, is \$510,000,000—more than the entire expenditure of the whole United States in 1897.

There is only one overhead expense that can be got rid of, not merely without injuring business, but with an enormous advantage to it, and this overhead is the taxes we now levy on personal property, improvements, and the processes of production.

Detroit now has the largest municipally owned street railway system in the world. Altogether it has 363 miles of track and 1,457 cars. The price paid was \$19,850,000.

The value of landed property in the United States is equal to the value of all industrial property. Yet for every dollar of revenue collected by the federal government from landed property over six dollars of revenue are collected from industrial property!

owing to increased taxation and other burdens in England, the Duke of Richmond has offered for sale his estates in Aberdeenshire, including the town of Huntley and six parishes, comprising 60,000 acres, with 400 farms and small holdings.

There are just two things with which foreign nations can pay us what they owe. One is gold and the other is goods. But there is very little gold left in foreign countries. Therefore we will have to take our pay in goods or we don't get paid—that's all.

Federal income tax statistics show that in 1919 5,526 persons received incomes of \$100,000 and over; 42,554 received incomes of \$50,000 and over; 218,808 received incomes of \$10,000 and over; while 5,113,952 received incomes between \$1,000 and \$10,000. Of this last group 3,949,613 received incomes between \$1,000 and \$5,000.

The land monopolist—the rent hog—is the business man's most dangerous enemy. Every year he absorbs a greater and greater share of the consumer's purchasing power, thus leaving a lesser and lesser share with which to buy the business man's goods. How long will business men stand for it?

An Unanswerable Argument

Glehnist, Bliss & Co.,
120 Broadway

New York, June 6, 1922.

Editor, THE BULLETIN:

The most vexatious question that confronts the public mind of today is undoubtedly that of taxation.

All kinds of schemes are proposed, none of which, however, meet with general approval. Nor will our methods of taxation ever be satisfactory until they are reduced to a science. Within the past hundred years, wonderful scientific progress has been made in all fields of human endeavor except that of taxation; and that branch is just where it was a thousand years ago.

The first step in the right direction is, it seems to me, to rid ourselves of the superstition that men should be taxed on their ability to pay. How long would any mercantile or manufacturing business survive if carried on along such utterly preposterous lines? If, when you go into a grocery store and are told that the price of a package of grape-nuts depends upon the price of the shoes on your feet; or the price of a barrel of sugar, upon the rent you pay, you would correctly infer that the proprietor was a proper subject for medical attention. Yet that is exactly the way our taxes are levied.

Government is necessary if people are to live together in peace and harmony. It has functions to perform that require money to establish and maintain, and that sum should be levied upon individuals in proportion to the benefits they receive from the services rendered by government. We have plenty of evidence that this line of thought is taking root and must eventually become the principle upon which all taxes are levied for federal, state and municipal uses.

The value of the services rendered by government is accurately reflected by the land values in any community. In cities where government renders the greatest service, i. e. fire and police protection, parks, schools, libraries, paved and graded streets, sewers, lighting, etc., land values are the highest. The smaller the community the smaller the land values until we get to the country where the value of unimproved land is nominal as are also the services rendered by government.

Inasmuch therefore as land values increase with the growth and activities of all the people in any community, and as the necessity for public improvements increases in the same proportion, it logically follows that land values should pay for public improvements.

This will be our future mode of taxation when the people get over the stupid notion of taxing wealth with all the accompanying evils inseparable therefrom. The taxation of land values, instead of impeding the production and exchange of wealth, will stimulate them to an extraordinary degree, leaving a greater share of the total product to capital and labor and less to the beneficiaries of unearned incomes.

E. B. SWINNEY.

Wages and Taxes

No one has more interest at stake in the tax question than labor. Unwise taxes curtail income and increase output. The legitimate interests of labor are bound inseparably with legitimate business. Both labor and business are victims of monopoly.

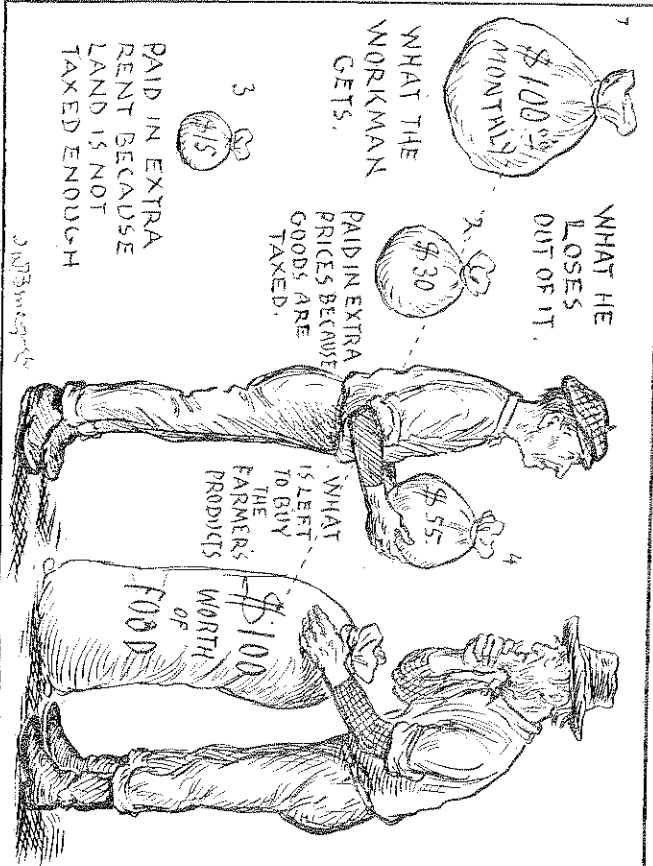
Business, as business, does not, and never can, oppress labor, any more than one laborer oppresses another laborer. What oppresses labor is the same thing that oppresses business. That thing is land speculation.

The man who merely holds land that is not used, or that is used by others, takes a heavy toll of labor that would

work upon it, or of business that would produce wealth upon it. In other words, land speculation preys upon both labor and business; and when they become desperate they quarrel with each other, instead of joining forces against their common enemy, monopoly.

Let labor and business unite on a plan to tax vacant land the same as improved land of like situation—at the same time exempting business and improvements—and there will be no valuable land held idle for speculation. Labor and business will then divide between them the total wealth produced, without having to share it with the speculator.—From 'Tax Facts,' May 1922.

The Unprofitable Business of Farming



Double Taxation

Mr. Arthur Brisbane is able to cite four men to class with Mr. Rockefeller as possessors of the largest known fortunes. He cites Thomas F. Ryan, Geo. F. Baker, and Secretary of Treasury, Mr. Mellon.

If Mr. Mellon possesses bonds, we are sure he reports every one to the assessor, and pays taxes on them; for recently he favored a constitutional amendment prohibiting issues of tax free bonds, of which he estimates \$10,660,000,000 outstanding. If he holds any of these, he could be excused if he does not pay taxes on them, as no one else does; but if he holds taxable bonds, it is inconceivable that he conceals them from the assessor.

He is correct in assuming that taxation of bonds would increase interest rates, but this he favors, because it 'would do much to check extravagance of States and municipalities.'

As no one pretends that existing bonds pay more than the going rate of interest, it is safe to infer that they are not actually taxed, although taxable. Hence the present demand to tax bonds, is all pretense; it wins applause for 'getting after' the rich bondholder, then letting him go.

Los Angeles recently voted to issue \$17,400,000 school bonds. The rate will be about 5%. Nothing is said about taxing these bonds after they are on the market, else the rate would be not less than 7%. When we were asked to buy Liberty bonds, no one hinted that some time a high official would advocate taxing them; that would have spoiled the sale.

Mr. Mellon has overlooked an abundant source of taxes that is exactly in line with his wishes: Property owners possess two things, land and buildings, and titles to them. They pay taxes on the property, why not another rate on their titles? Bonds and mortgages are conditional titles, and are not actual wealth any more than are the titles in fee simple. Titles, and mortgages (bonds are mortgages) are mere evidence of the claim to possess something already taxed, hence taxation of mortgages is DOUBLE TAXATION.—C. F. Hunt. Los Angeles, Calif.

Another Farm Paper Speaks

All property is not alike—all wealth does not come from the same source and, therefore, all should not be taxed alike.

The fairest and most desirable of taxes is a tax on the site value of land. (The site value of land, let me explain, is the value of the bare land as determined by its nature and its location. It is the value of an absolutely unimproved lot in a city, of a tract of land in its natural condition in a farming district. 'Land value' is the term the economists use for this site value, but we are so in the habit of thinking of 'land' as synonymous with 'real estate,' that the term is confused by many and has led to much misapprehension of what is really meant by a 'tax on land values'.) This tax is fair and desirable because the site value of land is produced not by the owner of the land, but by the community. All other value is, to greater or less degree, the result of individual labor or activity; 'land values' come from the increase of population and the growth of the community. They are created by the community and so belong to it. What we call 'personal property' as well as the improvements put on land—buildings, fences, soil improvement, etc.—are the result of the labor of some man or some group of men and justly belong to those men.

In a later issue I shall have more to say about this taxing of land values, and shall try to make plain why I think we of this country must come to discriminate between land values and other values in the levying of taxes, and especially why I think farmers should be interested in full and frank recognition of the community's work in increasing land values.—E. E. Miller, Editor Southern Agriculturist, Nashville, Tenn., June 15.

