Tax Business LESS and Land Values MORE and You'll Have Fewer Scandals in Oil

THE BULLETIN

OF THE MANUFACTURERS AND MERCHANTS FEDERAL TAX LEAGUE

VOL. III. CHICAGO, MARCH-APRIL 1924. No. 4.

OIL SCANDAL DROWNS OUT THE TAX ISSUE

With the oil scandal growing to larger proportions and the number of investigations in Washington daily increasing, the tax question has, for the time being, faded into the background. But it won't stay there long. Like the proverbial cat the tax question has an uncanny habit not only of coming back, but of getting right up in front. And that, says the political prognosticator, William J. Bryan, is just where it will be in the coming election.

FINANCE COMMITTEE IN SENATE VOTES TAX CUT

The Senate Finance Committee has voted to cut taxes 25% beginning with the June payments. It is considered certain that the Senate will approve this.

Other actions so far taken by the Senate Finance Committee on the tax bill are:

Increased the tax on corporation earnings from 12½ to 14 per cent.

Repealed the tax of $1 per $1,000 on capital stock of corporations, the increase in the tax on earnings being in lieu of this tax.

Adopted an amendment providing for the taxation of income from state and municipal securities issued hereafter, the purpose being to carry the question of the constitutionality of such a tax into the courts.

Rejected the Smoot sales tax plan—6 to 4.

Rejected an amendment providing for a graduated tax on corporation earnings.

Rejected an amendment providing for full publicity of all proceedings when tax cases are carried to the board of tax appeals.

TAXES IN IOWA WORRY FARMERS MORE THAN OIL

"The Iowa farmer," writes Arthur Evans, a reporter for the Chicago Tribune, "is in bad shape financially and he has been for the last four years. The great trouble is the heavy burden of debt and taxes on the shoulder of agriculture. Farmers who expanded their holdings when land was at the peak are in dire distress. Many of them cannot let go of their obligations because the paper at the bank plus interest amounts to more than the actual value of the land.

"What Iowa is experiencing now is trouble that has been accumulating for the last four years. Many farmers have not only lost their equity in their original farms by buying more land at high prices in 1919, but are still confronted with obligations at the banks for land, stock, machinery, and other things that make them aghast, while taxes are trebled and quadrupled."

Sales Tax in Canada Proves To Be Big Disappointment

By R. N. McCORMICK,

Ass't Manager, Tariff Department, Canadian Manufacturers' Association.

(From "The Manufacturers News," Chicago, March 22, 1924)

"We have been experimenting for over three years with one form of sales tax. The Government has scrapped that form, and we now have another form which is called a sales tax, and yet it is not a measure which bears very much resemblance to most of the forms of sales tax we hear discussed. If the authorities decide that this one is not to their satisfaction, there are several other varieties of the genus sales tax that may be tried. But we sincerely hope and trust that the Government will find it possible to abandon this method of raising money.

* * *

"It has been found necessary by the Department to make many concessions, due to the fact that the strict application of the law is not feasible. The sales tax, as we have it now in Canada is not a sound system of taxation. If a manufacturer is selling his product on long term credit, he has, nevertheless, if his commodity is taxable, to pay the Government 6 per cent on his sales at the time of the sale, though he may not receive any return for his goods for six months, nine months or twelve months.

"There is also the manufacturer selling to a retailer on a taxable article, having to account for 6 per cent on $100. The manufacturer selling through the wholesaler, or the wholesale trade, will only have to account, if the discount if 20 per cent, for 6 per cent on $80. At once the manufacturer selling to the retailer is at a disadvantage.

"These taxes have increased the cost of living in Canada. Building costs, manufacturing costs, cost of equipping factories, etc., have been raised accordingly. It has discouraged expansion and checked immigration. Take the case of a farmer settling on land out on the prairie. He has to pay a tax of 6 per cent on all material he uses in the erection of his house, his barn, and his granary, on his implements and harness, his household equipment and furniture, his clothing, and on certain of his foods, before he receives any return from his crops.

"We believe that the tax, as a method of raising revenue, is economically unsound because it cannot be established without gross discrimination.

* * *

"Manufacturers are in a quandary as to the return of the tax to the Government; it is a very unsatisfactory situation. I think that any country which is considering other forms of taxation, should very, very carefully consider the effect of a sales tax before embarking on such a form of raising revenue. In the countries where it has been investigated, it has usually been decided that it is the last resort for raising revenue."

What Shall We Tax — Earned or Unearned Incomes?

(Address delivered at the banquet given by the Manufacturers and Merchants Federal Tax League at its Tax Relief Convention held in Chicago at the Congress Hotel on November 9 and 10, 1923)

By HARRY GUNNISON BROWN

Professor of Economics, University of Missouri.

I have been asked to talk to you a little while on the subject: "What shall we tax—earned or unearned incomes?" It is my opinion that we ought to rely more and more largely for meeting the reasonably necessary expenses of government, upon the sorts of income which I am going to class as unearned. This, of course, does not mean that I am committed to the view that earned incomes can for a long time be entirely relieved—if they ever can be so relieved—of all taxation. But it does mean that I approve of our taking, as soon as possible, steps in that direction. For this view, I shall present and elaborate to-night three reasons, viz.:

1. That by taxing unearned incomes at the present low rates we are forced into taxing earned incomes heavily and that we therefore penalize efficiency and punish thrift.
2. That this system into which we have so been led, of discriminating against industry, efficiency and thrift, is, in some degree, a communistic system of taxation.

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PROPOSES IDLE LAND TAX TO PAY BONUS

Washington, D. C.—By taxing the unused land throughout the United States and Alaska, Congressman Anthony J. Griffin (Dem.), New York, believes he has solved the way to meet the cost of the payment of the "bonus" for the ex-service men demanded in the "Adjusted Compensation Bill" passed by the House last month.

Griffin on March 19 introduced a bill (H. R. 8048) in Congress which, if it passes, will place a levy of one per cent on the privilege of holding any unused and unimproved lands.

Congressman Griffin said in an interview that he introduced his bill in view of the passage of the House of Representatives of the bill to pay adjusted compensation in the form of insurance which will involve an outlay for the first year of about $135,000,000 and about $100,000,000 a year thereafter, in order to forestall any excuse for the wrecking of the Tax Reduction Program now before the Senate.

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SENATOR HARRIS WHETS HIS SWORD

Now that the tax bill has reached the Senate efforts are being made by certain interests to cripple the Mellon provision requiring earned income to be taxed twenty-five per cent less than unearned income. Since this provision ought to be increased instead of decreased, the attempt to cripple it is destined to find some stout opponents—and one of them will be Senator Harris of Mississippi. In his speech in the Senate on February 13th, Senator Harris said:

"I have always contended that men who work for their living are entitled to more consideration in the matter of taxation than those who receive their incomes with no exertion other than clipping coupons; and as early as October, 1921, I introduced an amendment to the revenue bill reducing the normal tax on earned incomes from 4 per cent to 2 per cent for amounts not over $4,000, and from 8 per cent to 4 per cent for greater amounts, or just one-half the present tax rate. There is no doubt, Mr. President, that this amendment would have passed

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OUR MARCH ISSUE

Since our Convention in November THE BULLETIN has been coming to you at the end of the month instead of the first. In order to get back to its proper place it has been decided to incorporate the April issue with the March. There is no skip in the volume number however and each subscriber will receive his full subscription as advertised.

THE BULLETIN

of the Manufacturers and Merchants Federal Tax League

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GIVE THE SENATE CREDIT

One thing at least for which the Senate deserves some credit is its refusal to follow the silly tactics of the House in passing a tax revision measure before it knows what it is going to do about the bonus.

The House of course did know just what it was going to do about the bonus. It knew it was going to pass it. The Senate also knows that it is going to pass it. But by placing the tax bill ahead of the bonus measure the House thought evidently that it could please both the taxpayers and the soldiers, whereas if it passed the bonus bill first, it would run the risk of pleasing the soldiers only. And that would never, never do.

The Senate however is not inclined to follow the House's lead and pass the tax measure before it has disposed of the bonus. It sees no advantage in digging holes only to fill them up again. Give the Senate credit.

DON'T KID YOURSELF, MR. CARPENTER

Once in a while a little publication comes to our desk called "The Houghton Line." It is published by E. F. Houghton & Company of Philadelphia and the President, Mr. Charles E. Carpenter edits it. We don't mind saying that we enjoy reading it. Sometimes, however, Mr. Carpenter slips. In his last issue, for instance, he says:

"A sales tax would penalize spending and reward thrift and economy, and that would be sound, and the collection of a sales tax would be simplicity itself.

"Tax on land values is, of course, the most sane and equitable method of taxation, but tax on land value is imposssible so long as there is a farmers' bloc, which wields the balance of power in our national government."

There are just two mistakes in these sentences. The first mistake is that a sales tax will not reward thrift and economy; it is not sound; and its collection would not be simplicity itself, as the testimony of the Canadian Manufacturers' Association printed on the first page of this BULLETIN sufficiently shows.

The second mistake is that the land value tax is not impossible "so long as there is a farmers' bloc which wields the balance of power in our national government." The fact is that a very large part of the farm bloc is distinctly friendly to the land value tax idea, while a good many of the remaining members are fast on the road to becoming so.

THE DEPARTMENT OF AGRICULTURE—AND FARM BANKRUPTCY

"In 1912," says a farm organization in Washington, "the Department of Agriculture spent $19,471,567. In 1923, exclusive of special road items, the Department spent $40,540,453—and hundreds of thousands of farmers are bankrupt. It would seem highly appropriate for the House Committee on Expenditures in the Department of Agriculture to investigate how the $40,000,000 a year is spent. The results are apparent."

Yes, it would be interesting to know. But we doubt if it would be profitable. The Department of Agriculture is unable to do anything to stave off farm bankruptcy, no matter how large appropriations it may be given. Anyone who has a grasp of fundamental economies, or who has read, let us say, Herbert Quick's book "The Real Trouble With the Farmers" knows how true this is.

Our Tax Relief Program

Introduced into the House of Representatives by Congressman Oscar E. Keller of Minnesota on January 18, 1924.

H. R. 5736

This bill repeals all existing sales and excise taxes on admissions, telegraphs, telephones, jewelry, candy, firearms, carpets, rugs, cameras, photo films, auto trucks, motor-cycles, automobiles, tires and parts. The bill also abolishes the corporation income tax. Total yearly saving to industry by this bill—$1,075,000,000.

H. R. 5735

This bill amends the income tax law so as to distinguish between "earned" and "unearned" income. The tax on "unearned" income together with the supertaxes is retained, but the tax on "earned" income is cut in half. All salaries, wages, professional fees, together with all profits derived from business personally conducted are classed as "earned" income. Total annual saving to producers by this bill—$230,000,000.

H. R. 5734

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 $150,000 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 50% of the excess of that amount or about 38% of the entire estate. Additional revenue raised by this bill, about $110,000,000 annually.

H. R. 5733

This bill provides for a federal tax of one per cent on the privilege of holding lands and other natural resources worth in the aggregate 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 are classed as improvement values. Soil fertility is also classed as improvement value and is figured at one-half the value of the land. The bill exempts over 97% of all actual farmers. It also exempts standing timber from taxation whether naturally grown or planted.

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 $1,100,000,000 annually.

The above tax relief program will save the producers of the nation $1,300,000,000 in lower taxes each year and the people from three to five times this much in reduced living costs.

"THE REAL TROUBLE WITH THE FARMERS"*

Most of our readers—very likely all—know of Herbert Quick. They know of him as an economist, an editor, a statesman and a novelist of rare ability. His books "On Board the Good Ship Earth," "The Brown Mouse," "Vandemark's Folly," "The Hawkeye" and others have doubtless been read by more people in America than the writings of any other man in recent years—and that is saying a good deal.

Now comes the glad tidings that another book by Herbert Quick is off the press. It is entitled "The Real Trouble With the Farmers" and is published by Bobbs-Merrill Company, Indianapolis, $2.00. We can do no better than to quote the publisher's own statement about this new and valuable production:

"The farmer has difficulty in gaining a hearing for his case before the bar of public opinion, because the public has come to look on him as a never ceasing grumbler, never satisfied, even with the weather. And so now when he cries wolf, wolf! it falls on deaf ears, though the beast is at his very door.

"Mr. Quick in his graphic style, delightful to follow, has attempted to state the farmer's case, to show why he is in such a deplorable condition; to offer carefully thought-out remedies, and to arouse the country to action before irreparable calamities come upon us.

"Mr. Quick is a farmer, himself from a family of farmers. But he is also a man of wide and varied experiences, an economist, a sociologist; active in world affairs, a member of the first Federal Farm Loan Board. He speaks with authority. And as one of the ranking American novelists he has the literary ability to shape his material in an orderly, persuasive, attractive manner.

"Here, first, is a diagnosis—a statement simple, suggestive and stimulating. The laws which have been passed "for the farmer's relief" are reviewed and criticized. Taxation, tenantry, distribution are discussed; valorization, diversification, cooperation are analyzed.

"And then a remedy is proposed—not of the patent medicine variety—but radical and startling. In the imminent peril to our basic industry, peril that endangers our civilization, Mr. Quick sees hope in a solution that is radical and startling."

We don't know if you would call this book "radical" or not. To our minds—and we have just read it—it is the embodiment of conservatism—intelligent conservatism. But whether you call it "radical" or "conservative" this book by Herbert Quick is destined to exercise, in the trying days to come, a most powerful influence in leading the farmers of the nation out of the wilderness of error and despair into the broad day light of economic truth.*

* We have just ordered a supply of these books for the benefit of our readers. You can get a copy from us at the publisher's price of $2.00.

"U TELL 'IM, NEIGHBOR!"

The laboring man's a dog, well named,
The employer is a slaver;
The middleman 's a hog, far famed,
The landlord (?) U tell 'im, Neighbor.

A. F.

CARL J. BUELL

Died March 4, 1924

Read Carefully the Remarkable Article by Professor Brown in This Issue

Proposes Idle Land Tax To Pay Bonus

(Continued from page 1)

"My bill provides," Griffin emphasizes, "that every person or firm or every corporation, joint-stock company or association organized for profit, owning unused and unimproved land shall pay every year a special excise tax upon the privilege of such land, at a rate equivalent to one per cent of the assessed value.

"This tax is to be in addition to all existing taxes," he says, "whether federal, state or local. It is conservatively estimated that such a tax should yield a revenue of approximately $900,000,000 every year.

"The adoption of the Eighteenth Amendment has brought in its trail a loss of revenue amounting to about $350,000,000 every year," he points out, "and to recoup such loss, the government has been obliged to impose or to increase taxes upon other commodities. If a tax be imposed on the privilege of holding unused and unimproved land, not only would enough revenue be raised to pay the adjusted compensation to ex-service men of the World War, but there would still remain a sufficient surplus to enable the people to get rid of the whole raft of transportation, sales and other nuisance taxes that have plagued the country since the Armistice."

Senator Harris Whets His Sword

(Continued from page 1)

the Senate and become law but for the opposition of the Secretary of the Treasury, Mr. Mellon, who stated to the then chairman of the Finance Committee, the late Mr. Penrose, that the plan to make a distinction between earned and unearned incomes was not workable. Now, two years later, this same Secretary of the Treasury has adopted my plan bodily, except that his reduction on earned incomes is only 25 per cent, or just half of what I proposed, and he has limited earned incomes to those derived from wages, salaries, and professional services, thus excluding farmers, merchants and other tradesmen.

"It is not hard to find the reason for this change of front on the part of the Secretary of the Treasury when one glances over the names of those Senators, all Republicans, who opposed my amendment in October, 1921. Of the 36 that voted against my amendment, 11 are no longer members of this body, and there is little doubt that lack of sympathy for the farmer and laborer, and others of small means, is largely, if not wholly, responsible for the defeat of several of these.

"It is also significant that all of those Senators who voted in favor of my amendment are here to-day except two."

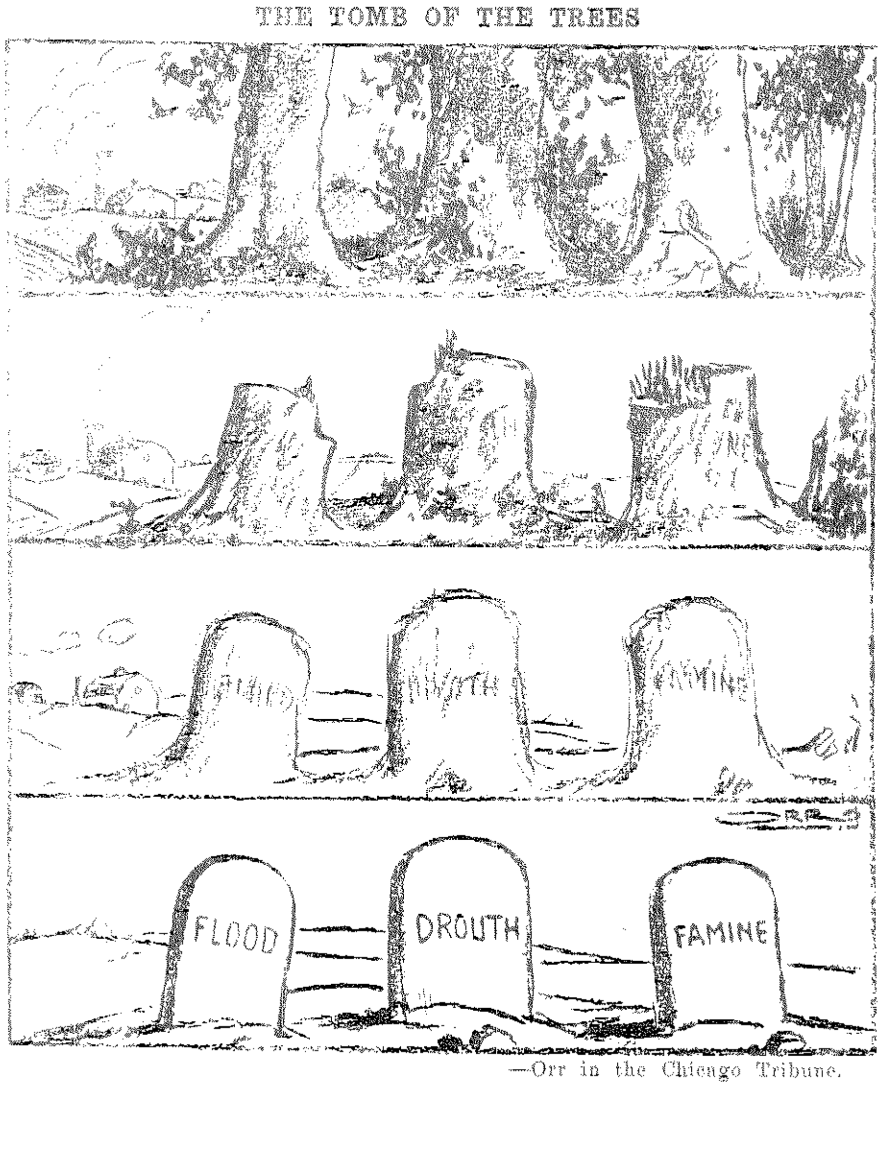
Take Taxes Off the Trees!

"Our system of taxing standing trees," say foresters, "is destroying our timber resources. It is hastening the **cutting down** of the trees already standing, and discouraging the **planting** of new ones. A generation more and our forests will be gone."

The foresters are right. But with our timber gone our troubles will only begin. For hills and mountains and plateaus without trees cannot hold back the rainfall. They cannot prevent the rapid melting of winter snows. And when winter snows melt rapidly instead of gradually, there are floods in the springtime and droughs in the summer. The soil erodes and the fertility of farm lands is washed out of the valleys into the sea. Rivers and streams get choked with silt and sand and sediment. The flow of water becomes too high in some seasons, and too low at others. Navigation is crippled; waterpower is ruined; irrigation is made impossible. Poverty and famine follow.

Don't destroy our forests. Let taxation rest upon the value of the land but take and keep it off the trees.

THE TOMB OF THE TREES



—Orr in the Chicago Tribune.

WHAT SHALL WE TAX — EARNED OR UNEARNED INCOMES?

(Continued from page 1)

3. That this quasi-communistic system of taxation which is popular with many because it seems to tax especially the rich, operates, in so far as it keeps us from taxing unearned incomes, to make the opportunities of the thrifty and ambitious poor, comparatively hopeless.

But what are earned incomes and what unearned? Before we can expect to make good our contention that the former should be less taxed and the latter more, we must make clear what we mean by the terms. My notion of an earned income is an income for which a person renders a service to those from whom he derives his income, so that his income is not realized at the expense of society-in-general or any part of society. And my notion of an unearned income is an income received by a person who does not give an equivalent service to those from whom he derives his income.

THE KINDS OF INCOMES

Let me present a few illustrations. I should class the income of the burglar as unearned. I should class the income of a highway robber as unearned. Although such persons exercise some industry and, frequently, a great deal of foresight, their industry and foresight do the rest of us no good, but are used to get something for nothing. Similarly, I should class the excess prices received for his goods by a monopolist as unearned, because they are gained at the expense of consumers. Unearned incomes like these, indeed, I would not desire to have taxed. It is better that they should not be received in the first place. But they will serve to illustrate the idea of an unearned income, and there are, as we shall see, other unearned incomes which can advantageously be taxed.

On the other hand, the income which is secured in exchange for a real service rendered is earned. Such an income is the income of the farmer whose efficient labor adds to the world's supply of corn and wheat; or the income of the merchant whose intelligence in the selecting of goods pleases patrons and causes them to flock to his store; or the income of the manufacturer whose wise use of materials, installation of up-to-date machinery and effective co-ordination of his labor force enable him to expand his business and make correspondingly large returns.

There is a very wide-spread notion that the interest on capital is not earned as truly as the wages of labor. This notion is wrong. Much more wealth can be produced with capital than without it. And capital comes into existence only by saving. So, the person who works and, saving part of his proceeds, puts it into capital, **adds more to the annual output of industry** than the person who works but does not save. To give him a larger income—in the form of interest on capital—is **not** to rob any one else. It is merely to give him wealth which, except for him, would never have been brought into existence.

LAND RENT IS UNEARNED

But the case is not the same with regard to land and sites. They are not brought into existence by the owner. The rental yield which he derives from them is, in general, neither the product of any owner's labor nor of any owner's saving. Land is valuable because of natural advantages of location, etc., and because of community growth. The latter influence is recognized wherever the phrase "unearned increment" is current. We all know that the annual rent which an owner could charge for a piece of bare land in Chicago's loop district—to a prospective builder desiring a long lease—is not a consequence of the owner's saving of the land or making the land; but is the consequence of the growth of Chicago and surrounding territory.

WHERE SOCIALISTS BLUNDER

This distinction between land and capital is not comprehended by the average man. It is evaded by the ultra-conservative. And it is **persistently overlooked by most socialists.** Extremes sometimes seem to meet, and in this regard **the conservatives resemble the socialists.** To orthodox socialists, all income from property is anathema. Only the wages of work are recognized as legitimate. Rent of land, the excess returns of monopoly, and **the interest on capital brought into existence by the owner's hard work and thrift**—all are classed together by socialists as unjustifiable incomes. The socialists are not necessarily communists. They do not, that is, insist that all incomes should be equal. But they do object to any-one receiving income from property and, therefore, they want government to own all large properties and pay citizens according to their labor. The socialistic notion that the interest on capital which owes its very existence to the owner's work and thrift is robbery, has spread widely. It is found insidiously working its way into the minds of persons who do not at all consider themselves socialists. Unless checked it may have significant consequences in legislation. And the one open, frank and effective way to check it—to make the advantages of **individualism** clear—is to insist upon the distinction between earned income from property and unearned. This is a distinction between income from property which is used to serve the public and is brougth into existence by the owner's work and saving, and income from property of such a kind that it has no relation to anyone's work or saving. As I have said, most socialists habitually ignore this distinction. And therefore they fail to see that the interest on capital has exactly the same kind of justification from the viewpoint of public policy as the wages of labor and the profits of efficient management of industry. In each case the recipient of the income gets something because he has

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WHAT SHALL WE TAX—EARNED OR UNEARNED INCOMES?

(Continued from page 3)

produced something by his saving or thrift, by his labor or by his effective direction of the labor of others.

PRESENT TAX POLICY WRONG

We all know that the functions of government are important. And they cost money. Taxes **must** be levied. Government **must** take a part of our total income in order that we may be protected in the enjoyment of the rest. Therefore, since the funds must be collected, the **less** government takes of **unearned** incomes the **more** it must take from **earned** incomes. In our hesitation about increasing the taxes on unearned incomes, we allow our government to tax earned incomes at a very high rate. In so doing, we punish the active business man for his activity. We penalize the thrifty man for his thrift. We discriminate against the efficient man on account of his very efficiency. We fine people for doing exactly the things which we ought especially desire them to do. We say, in effect, to the man who is trying to improve the efficiency of his business: "It may benefit all of us to have you do this but if you do it successfully you will be taxed at a much higher rate on what you earn." We say, in effect, to the man who is improving his land, increasing his buildings and enlarging his equipment: "This may be good for all of us but if by your work and thrift you do it, we will make you pay much higher taxes than your lazy neighbor who enjoys an equally good site but makes no improvements."

TAXES THAT DO NOT DISCOURAGE

There are two kinds of taxes that do not work in this way. They are (a) taxes on inheritance, if properly adjusted, and (b) taxes on land. An inheritance tax levies on what comes to the individual through no effort or thrift of his own. Therefore it does not discourage his effort and thrift. The saving of a parent for the benefit of his children may, indeed, sometimes be discouraged if he believes that inheritance taxation will seriously reduce the amount the children are allowed to receive. But saving is not often done for the benefit of remote collaterals, and a very heavy tax on inheritances so received will not be likely to discourage thrift very much if at all. For this reason many authorities believe that inheritance taxation ought to be progressive with increasing distance of relationship, as well as with increasing amount of inheritance.

THE LAND VALUE TAX

The other kind of tax that in no way discourages efficiency, business activity or thrift is a tax on bare-land value, on the so-called economic rent of land. The rent or value of a piece of land, as distinct from the value of every improvement made in or on it by an owner, is mostly a matter of location. This value will remain practically unchanged—I refer to the value of the land exclusive of the improvements—whether the owner does much or little, is thrifty or thriftless, makes improvements or does not make them, puts up a high and valuable building, a cheap shack or no building at all. The tax which the owner would pay would be in proportion to his advantage of situation—a community-made or a nature-made advantage. In this sense the tax is on an unearned income. Not being made greater because the owner's thrift or ambition was greater, it would not discourage such thrift or ambition. By relieving the people, in part, of other taxes, it would insure to ambition, efficiency and thrift more nearly their natural reward.

In the midst of the various proposals for sales taxes, super-income taxes on earned incomes, profits taxes, etc., it is refreshing to find an organization of business men the members of which appreciate distinctions of this sort and are pressing upon Congress a program which would, at least in part, carry them into effect.

THE BEST POSSIBLE TAX

Again, a tax on land values, unlike much in our present taxes, is not communistic. It **does not** try to reduce the efficient to the level of the inefficient. It **does not** try to reduce the thrifty to the level of the unthrifty.

Nevertheless such a tax is, from the point of view of the poor man who is thrifty and hard-working and who wants a chance to get started in life, the best possible kind of tax. Such a tax makes land cheaper. It discourages speculation in land. There is a very important difference between land and capital. If houses are taxed this will not permanently much lower their value. For houses wear out and new ones have to be built and **no one will intentionally build them to sell for less than they cost.** In the long run, capital can not be made cheaper than the cost of making or constructing the capital. But of land it may be said, without important qualification, that **it has no cost of construction.** Its value depends only on what the income owners expect it to bring them. If the income is less, the salable value is less. So, if the rent of land is taxed, land values are lower. In so far as speculative holding of land is discouraged, the taxing of land tends even more definitely towards lower selling values. These lower selling values of land make the purchase of land for farms and homes easier. The higher tax on land values makes a lower selling price. And other taxes can be correspondingly reduced. If earned incomes thus are less taxed, it is easier to accumulate out of earnings, the money to buy a piece of land for a farm, a home, a business. Such a change in tax policy, like the establishment of a system of free public schools, is in the direction of giving a real chance to all who show, by their willingness to work and save, that they desire such a chance.

ANOTHER POINT OF VIEW

But there is another way of looking at this question which, to many of us, may seem even more significant. We all know that success is frequently a precarious thing. Sometimes the business conditions of a few months sweep away the accumulations of a life-time. So, too, sickness, or miscalculations for which we are not entirely to blame, may leave us, after years of effort, financially where we started. Our children, then—or, if not our children, perhaps our grandchildren—have to begin a struggle which we fondly hoped they would be spared. If land is comparatively untaxed, then it is made hard for them to get started. Their earned incomes have to be heavily taxed and they can save but slowly. The value of land is high and they can not soon buy it. They are obliged to remain tenants or laborers for years—perhaps so long as they live.

To tax land values more and other things less is, therefore, a reform similar to the abolition of imprisonment for debt, to the doing away with debt slavery, and to the establishment of bankruptcy laws. We protect the individual—ourselves, our children, our grandchildren—from the danger of falling so hopelessly low in the economic scale. **High land prices** may mean prosperity for a **few**—but they mean hopelessness for the **many.**

Taxation which reduced land prices would, of course, be disadvantageous to the mere land speculator, who, because of it, would have to sell his land at a lower price. But the active business man who wished to sell one site in order to buy another would have as much occasion for rejoicing as for regret. And the hard-working, thrifty person who, starting without property, was trying to acquire some, would greatly benefit. Even the owner of unimproved land who had intended to be a speculator only, would have held out before him the promise that all improvements which he might make in the future would be less taxed, so that, if he were thrifty, his total taxes might eventually be lower because of the changed taxation policy.

CONCLUSION

To recapitulate, then: If we would tax unearned wealth and incomes—inheritances and economic rent—more, we should be able to tax earned incomes less. We should therefore not have to penalize ambition, efficiency and thrift to the extent we now do. If we were willing to tax unearned incomes more heavily we might avoid having a taxation system applied to earned incomes lean so heavily in the direction of communism, of trying to bring down the thrifty and efficient to the level of the unthrifty, the inefficient and the idle. And yet, at the same time, such a system would appear to be better for the ambitious and thrifty poor man that the system we have. For it would cheapen land and so make it easier for such a man to get started as an owner of property. And like the abolition of debt slavery and the establishment of bankruptcy laws it would protect all of us and the children of all of us, from the danger of sinking so low in the economic scale as is now possible.

The final conclusion of our inquiry may seem a paradox to those who would help the common man by apportioning taxes on a progressive basis to efficiency and incomes. The seeming paradox lies in the assertion that not to penalize those who earn much may be advantageous to those who earn little. Yet this assertion, if it points to a heavier taxing of incomes not earned at all, appears to be justified. A system of taxing mainly unearned incomes is at the same time good for business, leaves free play for individualism as opposed to socialism, is anti-communistic, and gives the common man a better chance than now for the profitable exercise of all his powers.

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