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THE BULLETIN

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

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VOL. I. CHICAGO, MARCH 1922. No. 6.

TAXING CANADA RICH; TAXING THE U. S. POOR

By OTTO CULLMAN, President Cullman Wheel Co., Chicago.
(Chairman, Committee of Manufacturers and Merchants on Federal Taxation)

How the magic power of correct taxation is being used to make western Canada prosperous at the expense of the United States is beautifully illustrated in the case of the Hudson's Bay Company—that already huge and rapidly growing mercantile establishment on the north.

Ever since the free and easy days of King Charles II the Hudson's Bay Company, as every school boy knows, has owned millions of acres of vacant land in the fertile provinces of western Canada. This land, until recently, it has not allowed to be used—in other words it has refrained from selling the land to settlers except on the highest possible terms—terms that literally drove the settlers away. When the poor but hard working immigrants came to the Company and said:

"Let us use your land. Let us go in and build homes for ourselves, produce meat and grain, improve the roads, put up better school houses and churches, and be of benefit to the world. In return we will buy the products of the Canadian mills and factories, give your business men a bigger home market, and help to make the whole community more prosperous."

When the immigrants came to it and said this the Company would answer:

"No: we don't want to sell—yet. It costs us nothing, or practically nothing, to hold our land idle. We intend therefore to wait until all other parts of the country have been filled up and then you settlers will have to buy our idle land AT ANY PRICE."

As a result of this dog-in-the-manger policy the vast holdings of the Hudson's Bay Company and its monopoly bed fellows in the provinces of Saskatchewan, Alberta and Manitoba remained vacant until a few years ago, to the great detriment of the whole community. Because the country was not allowed to be settled up the roads and bridges for the inhabitants already there remained in a deplorable condition, the school houses and the churches were few and far between, the market for manufactured goods in towns and cities ridiculously small—in short, because of the "keep out" policy of the company Canadian business and the profits of Canadian business suffered in every direction.

But the day came when the hard-working and over-taxed farmers in these provinces lost their patience. They said:

"Why should we be punished because we are industrious and thrifty while the Hudson's Bay Company and other big land speculators are rewarded because they are idle? Why should we have to pay heavy taxes, not only on our land, but on our buildings, crops, farm machinery, stock, etc., while these monopolists, who are keeping the country from being settled up, need only pay a small tax on their land alone?

"Let's reverse the system. Let's remove the taxes from our buildings, farm machinery, vehicles, live-stock and other improvements and have the government collect taxes on the value of the land only. That will make our taxes more equal—we farmers will have our taxes lowered, while the land speculators will have their taxes raised, and they will either have to use their land as they ought to, or else sell it more cheaply to those who do want to use it. Furthermore that will let settlers come in, we will get better highways and more markets, our towns and cities will grow and the whole country will become richer and better off."

Now when the farmers of Canada make up their minds on a thing they mean business. Therefore when they instructed their legislators in Saskatchewan, Manitoba and Alberta to remove the tax from buildings, vehicles, implements, live-stock and other personal property, and raise the revenue from the value of land only—both improved and unimproved—the legislators obeyed. The laws were passed.

Like a tiger the powerful Hudson's Bay Company along with all other land speculators, turned on the farmers. They growled and roared. They fumed and they threatened. Just as the opponents of the Keller Land value tax bill (H. R. 6773) now before our own Congress are doing, they raised the cry of "class legislation," of "confiscation" and of "disregard for vested interests." They appealed with tears in their eyes in behalf of the "widow" and the "poor orphan" and showed how "such taxation would ruin the country." Finally as a last resort they carried the fight into the Saskatchewan courts. But the farmers and the courts stood firm. The laws exempting improvements and personal property from taxation and raising the big bulk of revenue from the value of land were kept on the statute books!

Realizing that they were losing the fight the officials of the Hudson's Bay Company called a conference.

"Gentlemen," said the speaker in effect, "it looks like our game is up. The taxes on our vacant lands in Saskatchewan alone have been raised several hundred thousand dollars a year, and we've got to pay it. Let's reduce the price of our land and sell out as quick as possible. Here's what I suggest: Put advertisements—full page ones—in the principal newspapers and farm journals in the United States. Tell the people down there that we have now decided to sell our idle lands cheap and that every purchaser who will buy will be granted easy terms. Don't forget to tell them too that there are no crushing taxes on farm improvements and personal property up here like there are in the United States and that the Provinces of Manitoba, Alberta and Saskatchewan don't believe in taxing their farmers to death."

At this there was a general nod of approval, the conference adjourned, and soon the big advertisements in the papers of the United States began to appear. The house-cleaning process of the Hudson's Bay Company and its associate speculators in western Canada was on. Writing in "Leslie's Illustrated Weekly" of Dec. 10, 1921, under the title of "Jack Frost's Giant Business Partner," Walter Noble Burns says:

"The Hudson's Bay Company is just now in the midst of a very historic house-cleaning. It is closing out to farm settlers the lands that are the sole remaining remnants of its once vast territorial domain.

"When in 1870, the Company surrendered its sovereignty and territorial possessions in Canada, it was granted as an indemnity $1,500,000 and one-twentieth of all its old charter lands in the fertile belt lying south of the North Saskatchewan River and between the Rocky Mountains and Lake of the Woods. The land comprised 7,117,000 acres. More than half has been sold. Three million acres are left. Recently the Company was compelled, after a long fight in court, to pay $1,000,000 back taxes on its Saskatchewan lands alone. It also has large holdings in Manitoba and Alberta and the large sum of money Saskatchewan won by its litigation, furnishes at least, a precedent which, it is not illogical to suppose, the two other provinces may be tempted to follow. The Company's defeat on this tax question is the chief reason for its present house-cleaning."

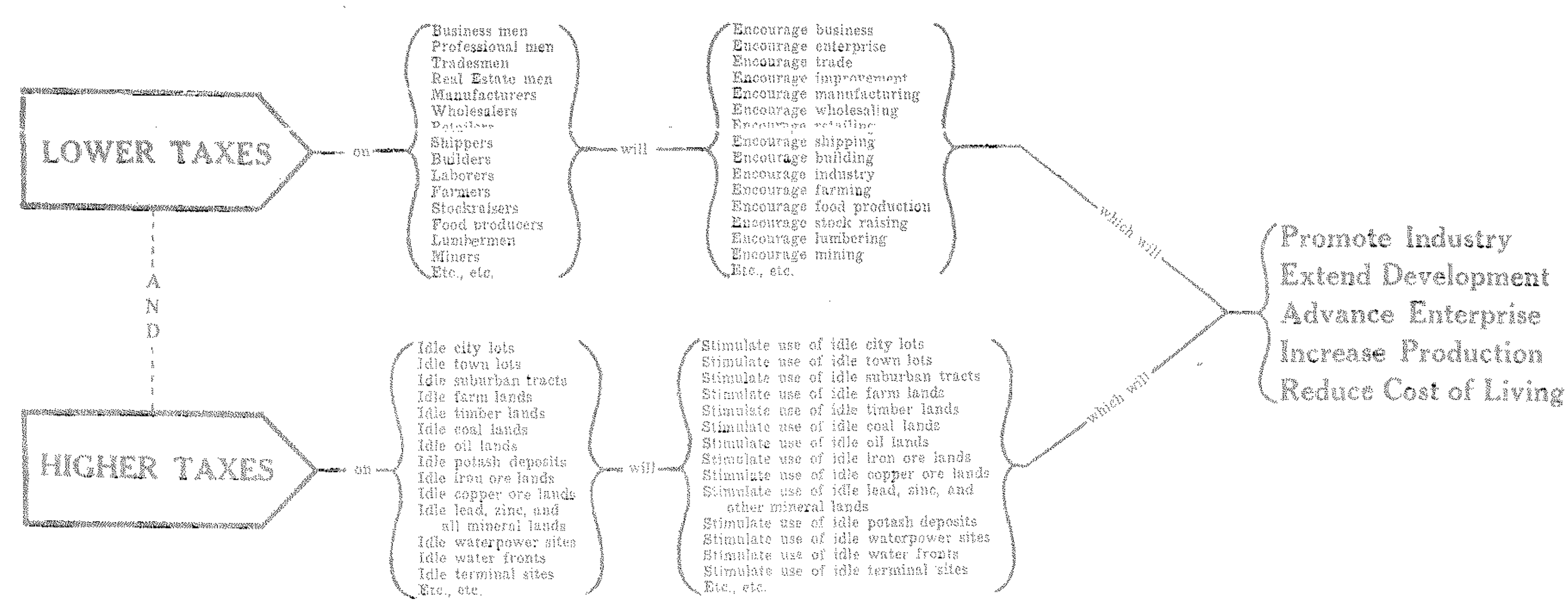
Seeing that they had been victorious in bringing the big monopoly interests of the northwest to their knees, the long suffering farmers were jubilant.

"Now," they exclaimed, "we'll get some neighbors. Now we'll get better roads and school houses and churches. Now our towns and cities will grow, business will expand and we'll soon have a decent community to live in.

"Come on, you American farmers," they cried. "Come up and live with us. Our land monopolists will now sell you good land on easy terms. And that isn't all. We won't tax you a bit on your improvements and personal property like they do in the United States. Come on! Come on!"

With such tempting inducements dangled before their eyes the American farmers have naturally yielded. During the past ten years they have been pouring across the Canadian boundary by the hundreds of thousands. According to the last Census Report the farm population in the United States declined, between 1910 and 1920, in twenty-four states. Just how much of this decline is directly due to the emigration to Canada we cannot tell, but it is a well known fact that in many districts on the American side, the emigration has been so heavy as not only seriously to cripple the business of numerous manufac-

THE ROAD TO REAL PROSPERITY



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Our Federal Revenue Program

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

H. R. 6767

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

H. R. 6769

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.

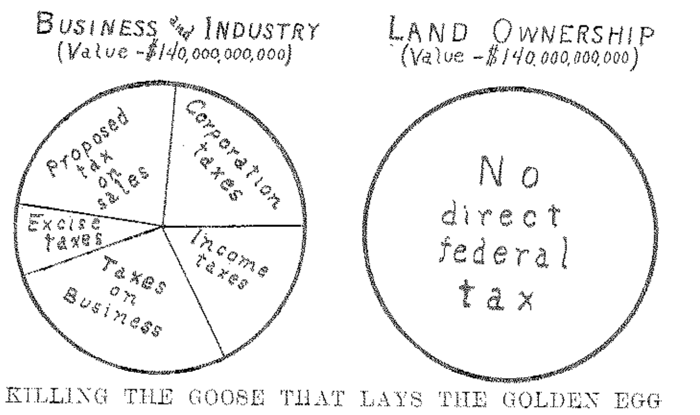
H. R. 6768

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. The taxes then graduate on an increasing scale until the point of $100,000,000 is reached after which the tax it about 75% on tre entire estate.

H. R. 6773

This bill provides for a tax of one per cent on land values in excess of $10,000, after exempting buildings and improvements and in the case of farms cost of clearing, draining, and value of fertility. This bill aims to tax monopoly holders of natural resources, valuable "sites" in cities and the holding of land out of use.

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.



KILLING THE GOOSE THAT LAYS THE GOLDEN EGG

A REAL LESSON IN TAXATION

"Taxation," says the lecturer John Z. White, "is the greatest power for good or evil known to peaceful society." No better illustration of this profound truth, we think, has ever been given, than in the article contributed in this number of the BULLETIN by Mr. Otto Cullman, President of the Cullman Wheel Company of Chicago, and Chairman of our organization. In writing this article Mr. Cullman has performed a real service to the long-suffering businessmen and farmers of the nation. It is an article that is worth reading twice. Not only does it convey a powerful lesson in fundamental economics and taxation, but is shows the impelling forces that is reconstructing society right before our very eyes.

REVISING PRICES UPWARD

"The proper foundation for any plan of taxation," LESLIE'S WEEKLY of February 18 quotes a cynical politician as saying, "is to make everybody believe that the other fellow is going to pay it. Some of our recent tax-dodgers seem hopeful of devising a scheme so shrewd as to make people believe that nobody is going to pay the reckoning. From such happy dreams the awakening is sure to be harsh. Take two plans now much to the fore, the sales tax and the American valuation basis of tariff. Without analyzing in detail their merits or demerits, consider them for the moment solely in reference to their effect upon slowly rallying business. The series of articles on business conditions just complted in LESLIE'S clearly indicate that the buyers' strike is declared off only where and as prices have come down to a level convincing to the public. The average shopper is still suspicious if not actually sore. Any general reversion of prices toward higher levels is likely to bring about a resumption of 'customers' sulks.' A sales tax cannot but increase prices all along the line. The American valuation plan, if put into effect, will give them another and higher boost. In view of the still shaky convalescence of trade, is it worth the risk?"

That's what we want to know, too, is it worth the risk?

"AIN'T" IT THE TRUTH?

"Those who are trying to investigate the periodicity of business depressions," says "COMMERCE AND FINANCE," of New York, would do well to consider that seasons of prosperity beget great land speculations and rent advances. These advances, continuing as long as the boom is on, ultimately swallow up a great part of the earnings of business and of the public, and the boom is ended by the impairment of the public buying ability. A season of slack business ensues, the blame for which is placed on labor, the merchandise profiteer, public extravagance, buyer's strikes—everywhere but the right place."

Ain't it the truth?

"A REVOLUTION IN THE MAKING"

This organization has never had any delusions regarding the far reaching consequences of the work it has undertaken. It has known, as well as could be known, that improper taxation lies at the base of our industrial troubles, and that only an adjustment of our taxing methods along correct lines could put business and industry on a stable and prosperous footing. Knowing this it is naturally a source of pleasure when we find others who also appreciate the importance of our work. This for example is what **The Freeman** in an editorial entitled "A Revolution in the Making" (issue of February 4) has to say:

"Some of our readers, aware of our revolutionary sentiments, yet seeing that we took little stock in the revolutions actually cropping out here and there in the world have been more or less puzzled, and have even twitted us good-naturedly as being fastidious and hard to suit in the matter of revolutions, asking us what style of revolution we would set if we had our way. We are now, fortunately, able to point to one that suits us exactly. It is an accomplished fact, a going concern, already well under way, organized and carried on by just the sort of people that we would have chosen for the job if we could have appointed them, and carried on in just the way that we ourselves would carry it on. . . . We refer to the organization known as the Committee of Manufacturers and Merchants on Federal Taxation, Incorporated. . . . Lest, however, our readers feel let down and sold, we hasten to remind them that taxation has ever been the mainspring of revolutions, and that an intelligent study of taxation will insure in this country the very gayest and most effective kind of revolution that ever took place in the history of the world, all by due process of law and without the shedding of a drop of blood. This is the kind of revolution that we want to see, and it cannot come too quickly to suit us.

* * *

"If several thousands of BONA FIDE industrialists and merchants are considering these matters and considering them in relation to THEIR business, and the Committee's campaign for publicity is bringing in others who need a cure for the blues, as most business men do these days, we think we see where sooner or later, something is going to pop. For it is right thinking about social problems that compels a change; not agitation or platforms or programmes or holding elections or a shift in political systems. It is right thinking based on knowledge, that determines right action, and nothing else can do it. When this kind of start is made, therefore, upon the problems of industry and commerce, and made by this kind of men, we cannot help encouraging our readers to hope that things are looking up."

THE OLD PROMISE

(By Walt Mason)

New statesmen rise at every shift and seem as slick as wax; of fluent tongues they have the gift and they denounce the tax; if they're elected they will lift the burden from our backs. Oh, we are taxed, we helpless skates; our load is sad to see, and ever greater grow the weights that cripple you and me; but there are always candidates who'd gladly set us free. We listen to these breezy chaps, who flay the tax-list crimes, and give them all the public chaps and hope for better times; soon we may pay our tax, perhaps, and have some surplus dimes. And we forget how in the past we've heard the same old song, heard statesmen make their pledges vast to right our every wrong; and idle as a veering blast were all those pledges strong. And we elect those gaudy birds who make the eagle scream, who charm us with a flow of words like language in a dream; and in the end they feed us curds where we're expecting cream. "You'll have to pay a whole lot more," the tax collector cries, "I know you're feeling sad and sore, but still the taxes rise, and longing for the days of yore won't help you weary guys." So to his door, in kegs and crates, we take the iron men, the coin we've earned by bearing weights or plying saw or pen; then come some breezy candidates and we are stung again.

(Continued from page 1.)

turers, but to drive many local merchants and tradesmen into practical bankruptcy.

FARM TAXATION IN THE U. S.

The following table, prepared by a small Nebraska farmer with a statistical turn of mind, shows the amount of state taxes, in terms of corn, that his farm has paid for 10 years, the market price taken for a basis being that quoted by the Dept. of Agriculture for Dec. 1 of each year:

Year	State Taxes	Price Corn	Bushels Corn
1912	$ 8.11	$ .37	22
1913	12.16	.65	19
1914	12.16	.53	23
1915	10.60	.47	23
1916	14.14	.78	18
1917	19.67	1.20	16
1918	17.81	1.28	14
1919	30.55	1.23	25
1920	26.82	.41	65
1921	42.90	.30	143

It will be noted that it took more corn to pay taxes in 1921 than for all the five preceding years. Is it any wonder that so many of our farmers are leaving the United States and moving into the provinces of Western Canada?

FARM TAXATION IN CANADA

"No taxes are charged on the farmer's improvements in Alberta, Saskatchewan and Manitoba; his buildings, machinery, livestock and personal effects are all exempt from taxation. He pays taxes on his land only, and even that taxation is very light."—From the Canadian Pacific Railway's handbook of information regarding Alberta, Saskatchewan and Manitoba.

"Taxes on occupied lands in western Canada are very low, running from $30 per quarter-section up, according to the improvements that have been undertaken by the farmers in the district. Such improvements are road building, schools, telephone lines. There is no tax on personal property, household effects, farm machinery, farm buildings and improvements, nor on live stock. All taxes are based on the value of the land itself without regard to cultivation or improvements.

"The taxes on farm lands in Western Canada are much lighter than the usual farm tax in the United States. The Government has no disposition to increase taxation on farm lands to meet any part of the war expenditure. Taxes could, however, be very greatly increased and still be lower than they are in the United States."—From "Canada West," published by the Canadian government, Ottawa, Can.

The following table just supplied by the Department of Immigration and Colonization of Canada at Ottawa, tells a significant story:

IMMIGRATION FROM THE UNITED STATES TO CANADA

April 1, 1911 to March 31, 1921

(Information supplied by Dept. of Immigration and Colonization, Ottawa, Canada.)

Ala.	489	N. H.	18,713
Ariz.	631	N. J.	4 694
Ark.	1,002	N. M.	570
Cal.	9,613	N. Y.	65 227
Colo.	4,848	N. C.	711
Conn.	6,743	N. Dak.	47,372
Del.	247	O.	15,696
D. C.	445	Okla.	6,050
Fla.	897	Ore.	13,959
Ga.	493	Pa.	15,625
Ida.	12 258	R. I.	9,402
Ill.	28 403	S. C.	145
Ind.	8 097	S. Dak.	14,089
Ia.	18,739	Tenn.	911
Kans.	8,405	Tex.	2,234
Ky.	1,458	Utah	2,097
La.	372	Vt.	9,837
Me.	26,999	Va.	1,699
Md.	1,034	Wash.	67,812
Mass.	72 186	W. Va.	841
Mich.	73,562	Wis.	17,998
Minn.	80,784	Wyo.	2,478
Miss.	373	States not given	29,032
Mo.	6,358		
Mont.	24,586		
Neb.	10,011	Total	748,095
Nev.	523		

On April 28, 1920, **The Freeman**, published in New York said:

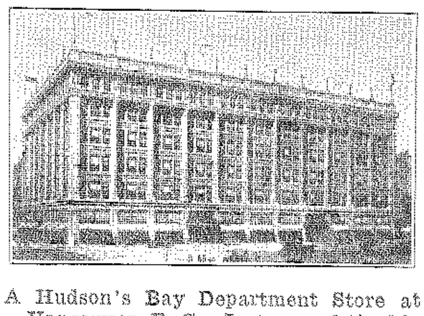
"There comes tidings that more settlers are moving this spring from the United States into the Canadian province of Saskatchewan than at any time since the war. As many as forty-six car loads of settlers' effects have passed through the port of entry at Emerson in one day. Canadian railway officials, speaking from information in their possession, say that the present tide of immigration is nothing to what may be expected later in the summer. The northwestern provinces exempt from taxation all improvements and personal property, while our fiscal system taxes them. We tax industry and enterprise, in other words, and Canada does not. That is the whole story."

Thus have the farmers of our neighbor on the north, through their sagacity and foresight, and in spite of a bitterly cold climate, laid the foundation for the upbuilding of a territory that is rapidly becoming one of the richest farming districts on the American continent.

But our story is not yet ended. Seeing the people of the United States flocking in increasing numbers across the border, the officials of the Hudson's Bay Company called another conference.

"Gentlemen," said the speaker in effect, "we're losing a big opportunity. The cheap lands we are offering together with the exemption of personal property and improvements in these provinces from taxation, is drawing settlers to us in a constantly growing volume. These settlers must have all the things needed on a farm and in the home. They must have building materials—lumber, nails, brick, cement, iron piping; they must have rope, wire, harness, implements and farm machinery of every kind; they must have furniture, carpets, kitchen utensils and all manner of household goods—the orders for which are already crowding the merchants and manufacturers throughout the Dominion. Let's go into the mercantile business. Let's turn our fur-trading posts into retail houses and big department stores and help supply the needs of the incoming settlers."

The speaker sat down amidst a round of applause, the proposition was agreed to, and the conference adjourned. How well the Hudson's Bay Company has carried out its plan is no better told than by Walter Noble Burns in "Leslie's Illustrated Weekly" of December 10, 1921, already referred to:



A Hudson's Bay Department Store at Vancouver, B. C. Just one of the big string of stores stretching across Western Canada. (Leslie's Illustrated Weekly, Dec. 10, 1921.)

"It developed its old fur-post stores in the cities that had sprung up about them into modern department stores. That was its answer to swarming civilization that had swept away its empire. And across the counters of these stores, civilization is paying for the Hudson's Bay Company's vanished empire today.

"It has department stores in Winnipeg, Calgary, Edmonton, Vancouver, Lethbridge, Macleod, Kamloops, Nelson, Vernon, Yorkton and Victoria. As the proprietor of a chain of department stores extending across Western Canada, the Hudson's Bay Company is now one of the greatest retail merchants in the Dominion."

Such then is the way in which a proper system of taxation is being used to build up and enrich the provinces of western Canada at the expense of American agriculture and American business.

How long shall we stand for it?

Tennessee Opens Fight for Sane Taxation

Now comes Tennessee, and like the Provinces of Western Canada, proposes to clear the way for greater prosperity by adjusting its antiquated tax laws. On Nov. 27, 1922 the people of Tennessee will have the privilege of voting on an amendment to the state constitution which will give the General Assembly unrestricted power over the subject matter of taxation of personal property, thereby enabling the principal part of the tax burden to be collected from the value of the land itself.

The leading spirits behind this progressive move are L. Graham Crozier (620 W. Cumberland Ave., Knoxville, Tennessee)—an indefatigable worker for the cause of better government and publisher of their official Bulletin, the first number of which has just appeared, and Mr. John Rogers, the able tax attorney for the City of Knoxville.

Tennessee, like other states, has been hard hit in a business way. It may be this fact that is prompting the citizens there to rid themselves of the obstacles to industrial recovery; in any event, if the amendment to be voted on in November is adopted it is certain that Tennessee is going to be our very first state to get back on its feet. It has a wonderful supply of natural resources; it has labor and capital in abundance; the chief thing that stands in the way of real and permanent prosperity is its unscientific tax system which kills initiative and hampers development. That city tax attorney Mr. Rogers knows this perfectly well is clearly indicated in the various articles and interviews which are now appearing throughout the newspapers of the state, of which the following from the Knoxville Journal and Tribune of January 10 is but a sample:

ROGERS FAVORS TAX REFORMS

Declares Personal Property Should Be Free.—Argues That Changes Would Invite Capital and Labor to State.

"Abolish taxes on personal property and improvements and we will be overrun with both capital and labor seeking opportunity."

This is the plea made by John Rogers, tax expert and city tax attorney, in discussing a more equitable assessment of property, in his opinion. He believes that such a plan will, in the end, get more revenue from reduced taxes per capita.

On this subject Mr. Rogers has the following to say:

"The State of Tennessee is a big business organization with an insufficient income.

"We must have efficient management at a lower cost or an increased revenue.

"We can increase our revenue by making each citizen and each industry pay more, or we can increase our population, the number of enterprises and the volume of their output.

"We can levy a heavier tax on the acres now being cultivated or we can put the idle acres to work.

"We can increase the taxes on the buildings now standing, or we can cause houses to rise on the vacant lots which abound in every city.

"If a young man of this or another state wants to engage in farming and can borrow to buy land and equip a farm, we will tax the land at its worth, but we shouldn't tax the mortgage, note, the live stock and the farming tools. His enterprise will increase the value of his own land and also enhance the value of all the lands around him, and if we tax all the lands at their worth we will receive increased revenue from the entire neighborhood on account of his enterprise.

"If the owner of a vacant lot borrows the money and erects a nice office building, the values of all building sites in the neighborhood are increased. Is it right to tax his mortgage notes?

"If we levied no tax on buildings, but taxed only the lots upon which buildings stand, the demand for suitable lots for building sites would increase the market value of all such lots to such an extent that tax on lots only would suffice.

"If people with capital will develop our water power and other natural resources, should we tax the machinery they use?

"Let's be business-like and cut the price to get the volume of business so that on a small margin of profit (a low tax rate) we will have enough income for our state. We may have to borrow for a while, but we will soon have a populous, thriving state.

"Abolish taxes on personal property and improvements and we will be overrun with both capital and labor seeking opportunity."

Tennessee is certainly to be congratulated, not only on the opportunity presented to it, but on having such level-headed and public-spirited leaders as Messrs. Crozier and Rogers.

The Right Principle

In Chicago just now there is developing an agitation in favor of a subway. How shall it be financed? By levying still heavier taxes on the already over-loaded business interests of the city? "No," says Michael J. Faherty, President of the Board of Local Improvements, "let the subway be paid by those whose properties will be increased as a direct result of it—the landowners." Mr. Faherty is thus quoted in the Chicago Tribune:

"A subway in any district will result in the landlords boosting rents," Mr. Faherty asserted. "My plan is to make the landlord pay part of his increased income toward subway construction.

"The tenant will have to pay the increased rents whether subways are built by special assessment or in other ways."

Supposing that subway stations were located at Clark and Chicago avenue and at Clark and Division street, Mr. Faherty asserted the income from 50 foot corner lots at these points would be increased by $150 a month by reason of the subway.

"I would be willing to stand such an assessment if I owned these corners," he asserted. "But such assessments over a twenty year period would build the subway six times over. It would be necessary only to take one-sixth of this increased income from the property owner to pay for the subway."

Under the Faherty plan the fifty foot lot at Division and Clark street would pay $25 a month toward the subway; a fifty foot lot at La Salle and Division street would pay $8.33 a month for twenty years; the same lot at Wells and Division street, a block farther from the station, would pay $6.66, etc.

"I would assess property within eight blocks," Mr. Faherty said. "I figure that people would walk eight blocks to get real rapid transit."

A fifty foot lot, seven to eight blocks from the subway station, would pay $1 a month toward the improvement, Mr. Faherty figuring that the income from the lot would be increased $6 a month by reason of the subway.

It is unfortunate that the City of Chicago does not have a larger number of public officials with the same breath of view as Michael J. Faherty.

HOW LAND VALUES HURT BUSINESS

By EMIL O. JORGENSEN

Most people can't understand how ground rent or land values hurt them. Indeed, they think that an increase in land values benefits them in some way—that it represents a real addition to the wealth of the community, like an increase in typewriters, watches, factories, locomotives or things like that. No matter, however, what the people **BELIEVE** the fact remains that under our present system of taxation land values are our most injurious enemy—eating into the purchasing power of consumers, destroying our markets, crippling business and throwing with dangerous regularity more and more men out of employment.

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In order to see this clearly however, two fundamental propositions must be borne in mind:

(1) That the purpose of labor-saving machinery and invention is to **LOWER** the cost of production—to **REDUCE** the price of goods.

(2) That, notwithstanding their **PURPOSE**, labor-saving machinery and invention do **NOT** reduce the average price of goods. They do not succeed in making the products of capital and labor cheaper in any way.

* * *

So far as the first proposition is concerned there is no dispute. Everybody recognizes it; everybody admits it. Even the smallest high school boy realizes that labor-saving invention is intended to lower the price of products, and that the more inventions, the more discoveries, the more mechanical power, the more science and the more improvements in the arts of production, the cheaper food, clothing, shelter and luxuries ought to get.

So far as the second proposition is concerned there is no dispute either. Though everybody knows that the **PURPOSE** of greater productive power is to cheapen products; though economic professors and historians have for generations taught us that they **DO** cheapen them; the big, bald fact is that they do nothing of the kind! Labor-saving machinery, science, invention and discovery **DO NOT** reduce the average price of goods in any manner.

* * *

Go back just one hundred years. Within this time we have passed from the crudest form of productive power to the very highest. Almost one and one-half million labor-saving devices have been made. These marvelous labor-saving devices, hitched to the mechanical forces of steam, gas and electricity now enable one man to produce in a day what ten, one hundred and in many instances one thousand men could not have produced before. Yet as was conclusively shown in a recent issue of this Bulletin (December, 1921) the average price of food, clothing, shelter and the comforts and luxuries of life is just as high today as it was before these one and one-half million inventions and labor-saving devices were made.

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What does all this mean? It simply means that consumption can't keep up with production! It means that we are unable to demand the many things we like to eat, drink, wear and enjoy as fast as we are able to supply them. It means the curtailment of the people's buying power, the crippling of markets, the slowing down of industry, and the increasing idleness of both capital and labor.

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Remember this: there is no limit to a man's wants. Quantity once satisfied, he seeks quality. Not only more food, does he ask, but **BETTER** food, not only more clothes, but **FINER** clothes, not only more luxuries but a **HIGHER GRADE** of luxuries. "What do you workingmen want," asked a rich judge once of a delegation of dissatisfied employees who had called on him, "what do you workingmen want, that you haven't got?" "Judge," retorted the leader, "what have you got that you don't want?"

So, if machinery and invention reduced the price-level, as they ought to do, the result would simply be that the people would demand more and better goods, and demanding more and better goods, all the wheels of industry would be kept in constant motion. But inasmuch as machinery and invention do not lower the price-level, demand

The "Nigger" in the Woodpile

Within the last hundred years almost 1,500,000 labor-saving devices have been invented. Thousands of other big improvements in the arts of production have also been made. These wonderful labor-saving devices and improvements should naturally have cheapened the products of industry—should naturally have lowered the average price of all food, clothing, shelter and luxuries.

But they have **not** cheapened the products of industry; they have **not** lowered the price-level in any way. They have only resulted in raising ground rent—in increasing the value of land. As John Stuart Mill ("Principles of Political Economy," Book 5, Chapt. 2, Sect. 5) long ago pointed out:

"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."

Or as Prof. Thorold Rogers ("Six Centuries of Work and Wages") has said:

"Every permanent improvement of the soil, every railway and road, every betterment in the general conditions of society, every facility given to production, every stimulus supplied to consumption, raises rent."

The following illustrations gathered from various sources prove the truth of the above statement—that land values tend to absorb all the advantages and benefits of increased productive power:

AUTOMOBILES—THEIR EFFECT UPON LAND VALUES

"A few years ago farm lands which were located near the railroads were worth about $75 an acre, where the land twenty miles back could hardly be sold for $10 an acre. With the introduction of the automobile, however, the land was brought within a few minutes' run of the railroad. Its value increased tremendously because of this fact. The farmer who owns an automobile and lives twenty miles from a shipping point is today as close to the markets of the world as is the man whose land is within three or four miles of the railroad. The automobile will make the run to the shipping point in less time than horses take to cover the shorter distance."—Mr. Newman Erb, President of the Minneapolis & St. Louis Railroad in a public statement recently issued.

STREET CARS, LOW INTEREST RATES, ETC.—THEIR EFFECT UPON LAND VALUES

"An experience of some thirty-five years as a real estate operator has given me an opportunity to observe the effect of cheap transportation, easy payments, and low rates of interest on the sale of land to the man of limited means.

"My observation has been that one and all have resulted in increasing the price of the land so much that it really made it harder instead of easier for the purchaser to pay out. Wherever transportation has been provided, the payments or the rate of interest reduced, the advantage so gained has been capitalized into the price of the land. . . . Lower the interest rate, improve the facilities for borrowing, and speculation will increase. The number of farms and farm owners will continue to decrease."—A. A. Whipple of Kansas City, Mo., in a letter dated Dec. 4, 1915, to The Saturday Evening Post. Printed in The Public of Dec. 24, 1915.

DAMS—THEIR EFFECT UPON LAND VALUES

"The Roosevelt Dam has reclaimed 170,000 acres. When we began the building of that dam the total assessed valuation of the valley was $9,000,000. Now the total assessed valuation of the valley is $72,000,000."—F. H. Newell, Director of the United States Reclamation Service in an address at Kansas City, Mo., Nov. 6, 1914.

CO-OPERATIVE CREAMERIES—THEIR EFFECT UPON LAND VALUES

"A few years ago there were no co-operative creameries in Todd County, central Minnesota. Nearly every farmer kept a few cows and sold cream to the centralizer, the creamery trust representative, but there was little profit. Improved land was worth from $10 to $50 an acre and soil fertility was decreasing. Small grain was the principal product and there was little manure to go back on the land. With all the natural resources of a dairy country Todd County had failed to gain ground in all the years of its settlement. The wide-awake Scandinavian farmers got together and asked the reason why. The result was co-operative creameries, and during the few years of their successful operation land has more than doubled in value.—Editor, The Missouri Ruralist, Nov. 5, 1914.

PUBLIC ROADS—THEIR EFFECT UPON LAND VALUES

"Manatee County, Florida, built 64 miles of macadam and shell road. From 1911 to 1912 land on the road increased in value $20 an acre, and land a mile away increased $10.

"Spotsylvania, Va., improved 41 miles of road, and land which formerly had sold for $25 an acre changed hands within three years at $45.

"In Dinwiddie County, Virginia, where 125 miles of road were built, land between five and ten miles from Petersburg advanced on an average from $24.25 to $30 an acre in about fifteen instances, while land ten miles away increased an average of $16.32 an acre.

"In Franklin County, New York, where 124 miles of good roads were built, eight pieces of land, selected at random, showed an increase of 27.8 per cent."—Report of the Federal Public Roads Bureau, Jan. 23, 1915.

ELEVATED LINES—THEIR EFFECT UPON LAND VALUES

"How the building of the elevated lines in Chicago have increased the value of the land in the adjacent territory may be seen from the following:

"In 1899, the year before the Northwestern opened for traffic, vacant property along Broadway, near Wilson, could be had for about $60 a front foot. In the same vicinity today it is valued at about $2,000 a front foot. As late as fifteen years ago vacant property in the neighborhood of Wilson and Kenmore sold at $175 a foot, while some has recently been leased there on the basis of $3,400 a foot.

"Around 63rd and Halsted vacant land was worth about $40 a front foot in 1893, the year the South Side L was built. The Englewood branch of the L was not built until 1907, but it is since that date that the greatest increase in land values is noted. Vacant land in that locality is held today at about $1,750 a foot."—From a lecture on "Transportation and its Relation to Real Estate," by Walter R. Helton, manager of the real estate department of the Chicago Elevated Lines.

therefore has fallen behind the ability to supply. Production now exceeds consumption. On the one side we behold the strange spectacle of people suffering from the lack of sufficient food, clothing and shelter and luxuries and on the other side the equally strange spectacle of closed factories, idle mills, and mines, and freight cars and a huge army of men pounding at the gates for employment.

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Now, what is it that keeps the price-level from going down? What is it that off-sets the effect of increased productive power and prevents average prices from falling? There is only one thing in our economic structure big enough and powerful enough to do it and that is the rise of ground rent, the increase in the value of land. This is it that has upset the foundation of our industrial mechanism and stood society on its apex, as it were, instead of on its base.

Take mining, agriculture, manufacturing, lumbering—in a word take any branch of industry that you like. Every lavor-saving machine, every invention, every chemical discovery, and every improvement in the arts of production, has had no effect in lowering the average price of the necessities and comforts of life; it has only had the effect of raising rent, of increasing the value of land. It has done nothing to make the cost of food, clothing, shelter and luxuries any **LESS** to the people, than it was before; it has only resulted in enriching still more those who own the surface of the earth. While the number of labor-saving devices has risen within the past century from less than 300 to almost 1,500,000 the value of land (exclusive of improvements) has risen from a few million dollars to the colossal total of $140 000,000,000. Thus the rising value of land, as the illustrations given elsewhere on this page will show, has absorbed or cancelled at is were all the effects of those great and numerous advantages that should in the natural order of things have gone to all the people in lower and lower prices of goods.

* * *

Now, we cannot of course, **ABOLISH** rent. This is impossible. We can however considerably reduce rent. How? Simply by repealing the present taxes on business, industry and agriculture and raising the needed revenue from the value of land, exclusive of improvements.

Here then is how we can greatly lower the price of all goods, increase demand, put the entire industrial machine in motion, and call every unemployed man and woman back to work.

Consider. All taxes that are now levied upon human industry—whether sales taxes, corporation taxes luxury taxes, business taxes, improvement taxes or personal property taxes—are inevitably included in the price of the goods sold and passed on to the consumer. The consumer in the final analysis always pays them. The repealing of these various taxes therefore would largely reduce the retail price of all commodities. According to conservative estimates made, this reduction in the price of all goods would amount each year to from $300 to $400 per family.

But this is not all. Not only would prices of all goods be lowered by the amount of the taxes abolished, but ground rent itself would be reduced. This is clear because by placing the revenue burden upon the value of land (exclusive of improvements) the holders of vacant lots and lands would either have to use such lots and lands or sell them more cheaply to those who would use them. Thus the competition among land speculators for tenants or buyers would have the inevitable result, not of increasing the rent of land as some mistakenly believe, but of lowering it. Here would be another saving to each family in the nation of from $100 to $200 a year—or a total saving in lower prices of from $400 to $600 per annum.

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Does it require the seventh son of a prophet to see what the result would be? With consumers in every part of the nation crowding the retail stores demanding more and better food, more and better clothing—in a word more and better goods of every conceivable kind commerce and industry would soon enter upon an era of activity and prosperity greater and more lasting than they had ever before known.