"Take Taxes Off Industry!"

THE BULLETIN

OF THE MANUFACTURERS AND MERCHANTS FEDERAL TAX LEAGUE

VOL. IV. CHICAGO, MARCH 1925. No. 1.

NEW INCOME TAX CUT POSSIBLE, SAYS MELLON

Our Washington brethren do not seem entirely to agree. In the opinion of Representative Martin B. Madden, Chairmatn of the House Appropriations Committee, government expenditures have been cut to almost the lowest point under post-war conditions and increases rather than decreases are likely from now on.

In the opinion of Secretary Mellon, on the other hand, the revenue receipts are such as to warrant another cut in the income tax at the next session of Congress. On the basis of the March receipts the surplus for the fiscal year ending June 30 next will be as large as estimated ($68,000,000) and the conditions are such as to make it appear that nothing will interfere with the much larger surplus in prospect in the next fiscal year.

PUBLICATION OF TAX LISTS TO CONTINUE

Publication of the income-tax returns for the year 1924, on which first payments have just been completed, will be made, though the lists will not be available for a few months.

The Supreme court of the United States still has before it some cases which will settle whether newspaper publication or "private publication," if there is such a thing, was intended by congress and the lower courts have already said that publication means by any method—newspaper or pamphlet or anything else that conveys the information to the public.

Despite all the furore which first publication made last autumn, the advocates of repeal are gradually losing their fire and energy and beginning to acknowledge that it's a losing fight—that publicity has come to stay.

A JOKE ON AN EDITOR

The editor bought a building lot occupied by a little shack vaited by the assessor at $40. The lot lay from two to ten feet below the street level, and was littered with rabbit hutches, chicken coops, weeds, and the rubbish of civilization that accumulates in a "dump." He hauled in 200 truck-loads of dirt, graded it, and built a neat little bungalow that is valued by the assessor at $1,310.

The tax on the shack was $1.54. The tax on the bungalow is $50.56. The editor was not aware that he had harmed anybody by his action, or put the city to any trouble or expense. Indeed, the neighbors were quite flattering in their praise of his act in having converted an "eye-sore" into a pretty little home that added to the beauty of the neighborhood.

If a man parks his car in front of a fireplug, or exceeds the speed limit, the city fines him to prevent a repetition of the act. The natural inference is that the city does not want people to replace old shacks with neat bungalows. And this appears to be a serious thing in the eyes of the city government, for whereas it does not repeat the fine for parking in front of the fireplug unless the offense is repeated, the fifty dollar fine for building the bungalow will be levied each year.

Verily, the joke is on the editor.—Stoughton Cooley in "Tax Facts."

The Breakdown of the Death Taxes

Here, from a statement by Mr. Dewey, the Assistant Secretary of the Treasury, is how the multiple taxation of inheritances by state and federal governments works:

"The founder of a mid-western corporation with a capital of $5,000,000 and with personal debts of $500,000, died on the Pacific Coast. It cost his heirs $1,955,200 to settle the estate in 1920. In the course of the settlement the business was impaired and a bond issue of $2,250,000 was necessary to pay the taxes. As a result of the bond issue the heirs lost control of the business, and the son of the founder is now working at a comparatively small salary as general manager of the busines founded by his father."

Or take this case as given by Mr. F. C. Leubuscher, prominent New York City attorney:

Leubuscher, Kayser and Oliver
Counsellors at Law
220 Broadway
New York City

March 13, 1925.

Editor, The Bulletin,
1346 Altgeld St., Chicago.
Dear Sir:

I have just read the article "Abolish the State Inheritance Taxes" on the first page of your February issue, and heartily concur to the argument. I am the executor of a man who died a few months ago and left his entire residuary estate amounting to hundreds of thousands of dollars to trustees for the purpose of educating the people in the doctrine of those economists who believe that all the expenses of government can be met by a tax on land values, thus abolishing all taxes on labor and capital. The irony of the situation is that the estate consists largely of preferred stock in many railroad corporations and that in order to realize thereon, it became necessary to pay taxes to a score of states. With some securities, I was obliged to pay five and even six states. After the federal estate tax has been paid, the trustees will find that their fund has been diminished at least a third. A great indirect loss was also caused by the fact that the time consumed in filing schedules and receiving waivers from the various states prevented the executor from selling the securities when their values were the highest for many years.

Yours very truly,

(S.) F. C. Leubuscher.

When a mode of taxation brings on a situation like this it is high time that a new appraisal is made. The inheritance tax may be better than most other taxes but, like all makeshifts, it can be pushed too far. We have said before and we repeat it again, the time has come when the pendulum should swing the other way. As fast as possible the states should get out of the inheritance tax field and leave that source of revenue to the federal Government alone.

ARTICLE VIII

Prof. Richard T. Ely Exposed!

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

By EMIL O. JORGENSEN

[Note: Topics 10 and 11 have been omitted from this issue and will be published later.]

12—That High Land Values Are Not HARMFUL to Society, But BENEFICIAL

On a par with Prof. Ely's grotesque assertion that land speculation is an advantage to a community instead of a disadvantage, is his assertion that high land values are a good thing for society, and not a bad thing. This is how he states it ("Outlines of Land Economics," Vol. II, pp. 84, and 111):

"There is constant agitation against high land values—not speculative values but values that are sound and substantial and which people are willing to pay. . . . Sound land values mean real value, just as a high price for a horse means real value when horses are scarce and their value is high. . . . Those who think that high land values are unfortunate may be a little perplexed by the fact that increasing prosperity and the development of economic virtue in the population, other things being equal, inevitably add to the selling price of the land."

The idea that Prof. Ely wishes to convey in the above is plainly that an increase in land values in a community represents an increase in the wealth of that community, and is therefore to be hailed with joy instead of grief.

(Continued on page 2)

STATE INCOME TAXES GROWING UNPOPULAR

Florida and Michigan voted on November 4th last against establishing a State Income Tax. Oregon voted to discontinue the Income Tax which had been tried and found unsatisfactory. There are now only fifteen States left where there is a State Income Tax and this number will, no doubt, be decreased instead of enlarged. Pennsylvania is not among the fifteen and is not likely to be, says the monthly bulletin of the Pennsylvania Manufacturers' Association. Neither, adds the Manufacturers News of Chicago, is Illinois.

HOW BAD TAX LAWS FORCE TAX DODGING

The tax rates in the villages of Mentor and Beechwood, Ohio, being much lower than the tax rate in the city of Cleveland, 150 corporations, doing business in the large city, list their personal property for taxation in the small towns. Cleveland, therefore, loses tax money on $43,000,000 personal property. It is perdicted that if this practice continues, more than 1,000 Cleveland concerns will use this method of relief from the Cleveland tax rate of nearly 2½ per cent. No one except the real estate board of Cleveland is excited over it; but the realtors are powerful enough to have a bill in the legisalture to prevent this form of tax-dodging. If they are successful, it will probably drive some of the corporations over to Pittsburgh, where this crushing tax burden is not imposed. In the meantime, some of the business men in Cleveland who feel it necessary to resort to the artful dodger trick which disgusts the land speculators are being urged to start a movement for the abolition of the personal property tax.

OUR PLETHORA OF GOODS

"The phenomenon which we witness, the plethora of goods when so many millions want goods, arises from under-consumption, not from over-production. Men do not produce now, and never can produce, more goods than they are willing to consume. The appropriation of the people's wealth by the owners of tribute rights prevents the people from consuming the goods which they badly want; while these owners themselves are unable or unwilling to consume them. This under-consumption lies at the bottom of all our social troubles, its removal can alone bring us social peace, permanent prosperity, and that development in the moral qualities of men which we all hope for. But manifestly no such consummation can be looked for as long as tribute rights over labor are permitted to exist; still less can it be looked for as long as our Governments are busily engaged creating new tribute rights. Progress, real progress, can only come with the gradual abolition of those of them which arise from special legislation, and from the appropriation by the community, for the equal benefit of all, of those of them which are due to natural causes. When this process is completed, and not till then, will men be truly free."—From "How Wealth Accumulates and Men Decay," by Max Hirsch.

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PROF. RICHARD T. ELY EXPOSED!—Continued

But, as usual, just the contrary is true. Land values are not an item of credit in the economic ledger, but an item of debit. They do not represent an addition to the total wealth of a community; they represent merely a power on the part of some people to subtract from that wealth.

What is the difference between land values and wealth? The difference is this: Wealth is matter that has been produced from the earth by capital and labor and fitted to satisfy human wants. Machinery, for example, is wealth. Food is wealth. Clothing is wealth. Houses are wealth. Horses are wealth. So are all other goods produced by capital and labor, wealth.

But land values, on the other hand, are not wealth at all. You cannot see or hear land values. You cannot smell, touch or taste them. No matter therefore how much land increases in value, it cannot add one iota to the existing sum of wealth. No more food, no more clothing, no more homes, automobiles, radios, comforts or luxuries of any kind will be in the world after an increase in land values than there were before.

But this is not all. Land values merely do not represent wealth; they give no additional power to produce that wealth. A virgin piece of farm land, for instance, that rises in price from $10 to $100 an acre will not yield a single additional grain of corn or wheat on that account. A city lot that jumps from $1,000 to $1,000,000 in value will will not be a bit bigger or deeper or stronger than it was before the jump occurred. Neither will a tract of coal land that trebles or quadruples in price contain any larger quantity or better quality of coal than it contained in the beginning.

What, then, are land values? If they do not represent wealth and give no additional power to produce that wealth, what do they represent? They represent nothing but the power of those who hold title to land to appropriate a larger and larger share of the wealth that is produced.

More wheat or corn, as we have seen, cannot be grown on land that rises in price from $10 to $100 an acre but such increase in price will enable the owner of the land to take, by way of rent, a bigger share of whatever wheat or corn is grown upon it. Likewise a city lot that advances in price from $1,000 to $1,000,000 will not allow any bigger or finer building to rest upon it, but such advance will allow the owner of the lot to collect a heavier rent-toll from the one who uses that lot. In the same way more coal cannot be taken from a coal deposit that trebles or quadruples in value but such trebling or quadrupling of value will enable the owner of the deposit to demand that much larger royalty from whoever mines the coal.

The notion therefore that a rise in the value of land represents a gain to the wealth-producing citizens of a community, is an error of the first magnitude. As David Gibson ("Commerce and Finance," New York, March 17, 1920,) truly says:

> Land values are not an item of industrial or community wealth.
> Land values as they stand are an item of industrial debt.
> Land values belong on the debit side of the ledger of the whole business system, employer and employed—labor and productive capital.
>
> * * * * *
>
> Let us analyze this item of land values.
> Let us see if a site or location value does not involve another principle of economy than that of labor created property values in the form of houses, machinery and the like.
> Let us see whether it is an item of debit or credit to labor and productive capital.
> We will use the city of Cleveland, Ohio, as an illustration, where I am a resident and am fairly familiar with the figures—any other community, large or small, would serve; for the land and tax laws are practically the same:

Land values	$800,000,000
Population (Chamber of Commerce estimate)	817,000
Non-land owning population	732,000
Number of land owners	85,000
Number of persons owning half the land values	500
Number of families owning one-third the land values	129
Annual increase in land values	$50,000,000
Annual interest (rents) on land values at 5%	$40,000,000

> This $800,000,000 land values is not an evidence of community wealth. It is a lability on the business system, production and exchange; for the land values are not owned by the whole population, and not necessarily by the productive units in the population.
> It is a debt; for the 732,000 non-land owning population must pay interest to the 85,000 land owners—this in the form of rental, not only on lands where goods are produced and sold but on lands for dwelling places.
> If this land value is but the normal rate of interest, say 5 per cent, it would amount to $40,000,000 annually.
> This interest fund, in the form of rent, on land values (not buildings) is in the nature of an "underfoot" charge upon industry.
> Land values are not an industrial or community item of asset, when it is observed by the foregoing table that one-half of the land values are owned by only 500 persons, or those owning the most valuable down-town sites.
> One-half the interest fund, $20,000,000, is paid by 816,500 persons to 500 persons.
> One-third of this total interest fund is paid to only 129 families, or those owning the double cream of the down-town site values."

Clearly, therefore, an increase in land values does not, as Prof. Ely suggests, represent an addition to the wealth of a community; it represents merely a power on the part of landowners to subtract from that wealth. It is not an evidence of industrial gain, but an evidence of industrial debt. In other words, the only thing that a high value of land is good for is to transfer a substantial share of the wealth from the hands of those who produce it, into the hands of those who do nothing to produce it.

Prof. Ely has previously told us (see topic 6 of these articles) that a progressive society which increases in wealth tends to "reduce the price of land." Now, however, we are informed by him that just the opposite is the case—that a progressive society which in-

(Continued on page 3)

NEWS NOTES

On April 7 Chicago votes on a traction plan to take over its transportation lines.

The combined value of crop and live stock production in the United States last year was $12,404,000,000, which was $56,000,000 more than in 1923.

Vice-President Dawes will carry to the country in public addresses the issue he made with the senate in his inaugural address for a revision of the rules to prevent filibustering! Hot dog!

According to Senator James A. Reed of Missouri there are 18,000 laws on the statute books of the states. It would take a life time to read them all. Yet with 18,000 laws governing our conduct we call ourselves a free people!

According to government reports the railroads are among the largest absentee landlords of the United States. Through land grants, principally, the railroads of the West have come into possession of enormous tracts of lands which they lease for agricultural purposes.

In seventeen Western states the largest land holding railroads report 17,000,000 acres of land leased by them for grazing and cultivation.

"I have been in real estate about a quarter of a century," says S. H. Kleinmann of Cleveland, "but never was the value of ownership of land so impressed upon me as it was in Europe. Those who are in the best condition over there today, in the midst of chaos, are those who own real estate."

Which proves the truth of the old proverb that "to whosoever the soil at any time belongs, to him belong the fruits of it."

The Smithsonian Institution in Washington has now joined the ranks of those public agencies which are prostituting themselves for the benefit of certain groups having "axes to grind." A report has been published by the Smithsonian entitled "Niagara Falls: Its Power Possibilities and Preservation" with Samuel S. Wyer as author. This Report is really an unworthy attack on the Hydro-Electric Power Commission of Ontario. An answer has been made by Sir Adam Beck of the Ontario Commission in a way that leaves nothing more to be said.

The more different forms of taxes we have, the more costly is the collection of taxes.

It takes so much money to run the state. So much has to be raised by taxes. If all the taxes could be derived from one source of taxation, the cost of collection would be small, and the methods of collection would be simple. But somehow we lose sight of this obvious fact, and as state expenses increase we tend to multiply the kinds of taxes, thereby reducing the efficiency of taxation.

There is now a tax on automobiles as personal property. There is another tax collected in exchange for the license tag that must be worn by every automobile.

Now it is proposed to put a special tax on the gasoline that runs the automobile.

If more money is wanted from the automobile owner, why not increase the personal tax on his car, or increase the price of his tag? No, that simple idea never occurs to a man who is trying to create more state jobs. If a special tax can be put on gasoline, it will take an army of tax-gatherers to collect it. More of the population will enter the classification of public jobholders.

And when it is thought that some more money could be got out of the owner of the motor car, the gas tax will not be increased. Somebody will devise a tax of 1 cent a spoke on auto wheels, and 10,000 jobholders will be employed to count the spokes and collect the pennies, most of which will go to the support of the tax-gatherers—so scientific is our taxing.—The Cleveland Press.

PROF. RICHARD T. ELY EXPOSED!—Continued

creases in prosperity "inevitably adds to the selling price of the land."

Of these two self-contradictory positions it is quite evident that the latter is correct. But just how it is a "fortunate" thing for society to have a rising price of land Prof. Ely nowhere condescends to explain. Certain it is that his statement, as it stands, can only lead to a confusion of cause and effect. It is not the high price of land that brings on the prosperity of a people but the prosperity of a people that brings on the high price of land.

A rich residential district, for instance, may be infested with more robbers than a poor district, but it will not be the larger number of robbers that makes the first district richer. Similarly a fine field of corn may have more cut-worms in it than a field that is not so good, but it will not be the greater number of cut-worms that makes the first field better.

Just so with the rising price of land. A community in which the prosperity of the citizens is fast increasing will undoubtedly have higher land values than a community where prosperity is at a standstill. But it will not be the high and rising price of land that makes the prosperity of the first community greater. In truth, the rising price of land in any community bears the same relation to the prosperity of that community as an increase in the number of pirates bears to the welfare of an expanding commerce or as a multiplication of chinch-bugs in a growing field of wheat bears to the healthfulness of that field of wheat.

As Harry Gunnison Brown, Professor of Economics in the University of Missouri in his recent book "The Taxation of Unearned Incomes" (p. 152) truly says:

"High land prices may mean prosperity for some. But there can be no question that they tend to make the situation of the propertyless person, even though he be hardworking and thrifty, comparatively hopeless.

. . . . .

To tax land values more and other things less would be, therefore, a reform SOMEWHAT SIMILAR IN PRINCIPLE TO THE ABOLITION OF IMPRISONMENT FOR DEBT, TO THE DOING AWAY WITH DEBT SLAVERY, AND TO THE ESTABLISHMENT OF BANKRUPTCY LAWS. We would protect the individual—ourselves, our children, our grandchildren—from the danger of falling so hopelessly low in the economic scale as is now possible."

13—That Most Land Is Owned by POOR People and Not by RICH People

One of the main reasons why Prof. Ely is so opposed to the single tax on land values or any part of it, is, he says, because it would remove the burden from the rich man and put it on the poor man. For the rich man, he goes on to explain, does not own any land worth mentioning, while the poor man—the farmer and the small home-owner in particular—owns practically all of the land in the nation. To quote his exact words ("Outlines of Land Economics," Vol. III, p. 98):

"Few of the men of great wealth whose names are familiar to us have made their money in land. . . . Land is the poor man's investment and should be such."

Or as he states it in his bitter attack on the Ralston-Nolan (now the Keller) land value tax bill in Congress:[1]

"With few exceptions the great millionaires prefer other forms of investment [than country and city land] and the only inference one can draw from their action is that they believe other things pay better than land. The unearned increments of railway stock, bank stock, of manufacturing and commercial enterprises continue to attract the Vanderbilts, the Goulds, the Sages, the Gateses, the Morgans, the Marshall Fields, the Rothschilds, the Havemeyers,—their name is legion."

There! You see how it is now, don't you? Why shouldn't men of enormous wealth favor the singletax? Why shouldn't they want to take the taxes off their big industries and put them on land? Owning no land to speak of they could thus make themselves almost entirely tax-free?

But Prof. Ely—bless his soul!—will have none of it. He, at least, will not stand idly by and let the wealthy men of this great country —"the Vanderbilts, the Goulds, the Marshall Fields, the Rockefellers, the Morgans" and the rest of the "great millionaires"—unload their taxes on the small homeowner and the hard-working farmer! That is why his privately financed "Institute for Research in Land Economics and Public Utilities" has been organized! That is why he is giving professional aid to the National Association of Real Estate Boards and other benevolent groups to defeat the unjust Keller bill now before Congress! That is why he has set out to write fifty books on land economics and related subjects, to invade the field of journalism, and to train teachers in high schools, colleges and universities so they can better protect the interests of the helpless masses! No, sir-ee! Let others advocate, if they must, the unholy proposal to remove the tax burden from "the Vanderbilts, the Goulds, the Marshall Fields, the Rockefellers, the Havemeyers, and the Morgans," and to put this burden on the poor owners of land, but Prof. Ely—NEVER!

This tender regard for the welfare of the masses is beautiful to see. It warms the cockles of the heart, and tends to revive one's faith in the innate goodness of man. But there is something about it all that does not ring quite true. The concern expressed for the poor man is so extraordinary that it looks suspicious. And, indeed, if we examine it closely we shall find our suspicions to be based on fact. The tender solicitude of Prof. Ely for the poor man, as against the "great millionaires" is simply bunkum—a smoke screen thrown out to hide his assistance to the very ones he pretends to oppose—the "Vanderbilts, the Goulds, the Gateses, the Marshall Fields, the Rockefellers, the Morgans" and the special privileged interests of the country.

As the famous Australian economist, Max Hirsch ("Democracy versus Socialism," p. 398) has truly said:

"Whoever examines such large fortunes—whether they are those of territorial magnates, as the Duke of Westminster and Bedford, the Earl of Durham, the Marquis of Bute, or the Astor family; or whether they are those of commercial and industrial magnates, as the Rothschilds, Rockefellers, Goulds, Vanderbilts, and others—can see at once that they mainly consist, not of real wealth, but of the value of land and monopoly rights."

This is not to say of course that no land at all is in the hands of the "poor man." There is. But the amount of land in the hands of the poor man is infinitely less than Prof. Ely wants us to believe. The 1920 Census shows that there are 6,448,366 farms in the United States. Of this number 38.1% are rented, 6.9% "not specified," while 22.7% are mortgaged. This leaves but 32.1% of all farms that are now owned free from encumbrance. Furthermore the 1920 Census shows that there are 24,351,676 homes in villages, towns and cities. Of this number of homes 54.4% are rented and 17.5% more are mortgaged. Thus out of all homes in villages, towns and cities only 28.1% are owned free of any debts. These figures indicate very conclusively—if they indicate anything at all—that one-half of the population in the United States does not own a single foot of land, while only about 30% of the people have any ground that they can call their own! This is a very long ways from Prof. Ely's sweeping assertion that "land is the poor man's investment and should be such!"

But this is only a small part of the story. It is not area that counts, but value. It is not the number of land owners that is important, but the amount of land value in each owner's hands. A small lot in the down town section of any city may—and usually does—equal in value scores of lots in the residential districts, as well as scores of farms in the territory round about. Take the site upon which the new Palmer House in Chicago is being built. This one site, valued at $20,000,000, exclusive of the building, would pay for two thousand farms valued at $10,000 each, or would buy five thousand residential lots at a price of $4,000 each. It is, in fact, worth more than all the land (including buildings) owned by 6,000 small farmers in Ohio, or more than all the land (including buildings) owned by 14,053 small farmers in Georgia. In New Mexico, to put it another way, 9,884 farmers own a total of 153,220 acres of land. Yet this whole vast area, including the thousands of buildings upon it, is not worth as much as the site alone upon which the new Palmer House in Chicago stands.

It is therefore, not the land's area that counts but the land's value. Now the proportion of people owning valuable lands in the United States is exceedingly small. In Chicago less than fifty families own the land in the heart of the city. In New York twenty per cent of the land value is in the hands of thirteen families. So it is everywhere, not merely in urban centers, but in coal, oil, timber, waterpower and mining regions. The larger—by far the larger—proportion of the land values in the nation is concentrated in the hands of a very small part of the people. The following table shows, as nearly as can be estimated from all reliable information, how the aggregate land values in the United States are distributed among the total population:

POPULATION AND LAND VALUES

10 per cent of the people own	90 per cent of the total land values.
40 per cent of the people own	10 per cent of the total land values.
50 per cent of the people own	0 per cent of the total land values.
100	100

We see therefore that exactly the opposite of what Prof. Ely says is true—the overwhelming bulk of the land values in the nation is not in the hands of the many poor but in the hands of a comparatively few rich, with the "Vanderbilts, the Goulds, the Gateses, the Marshall Fields, the Rockefellers and the Morgans" standing at the top.

Let there be no misunderstanding. Prof. Ely insists that few of the men of great wealth "whose names are familiar to us" have made their money in land. Even if the statement were entirely true—which it is not—it would not alter in any way the fact that fully 90% of our $160,000,000,000 of land values is in the hands of less than 10% of the people. For the names of very few wealthy persons are "familiar" to the public at large. The ordinary man could not mention one in a thousand. Of the 22,950 persons in the United States (see Report of the Secretary of the Treasury, 1923, p. 11) who have incomes from $50,000 on up to approximately $16,000,000 a year the average man could not give the names of two hundred and he would be lucky if he could give the names of one hundred.

Now there is a particular reason for this. This reason is that for every real producer of wealth falling in the income class receiving $50,000 a year or more, there are a dozen who are chiefly non-producers. Since wealth producers have constantly to advertise their wares in order to market them their names soon tend to become much better known throughout the world than do the names of non-producers who have no goods to advertise, nothing to sell, and whose occupation consists mainly in extracting rents, royalties and monopoly profits out of other people.

An analysis of the personal income tax receipts in 1924 conclusively shows this to be true.

Tens of millions of people, for instance, know who Cecil B. DeMille, the big motion picture producer, is. But how many people, even in his own city of Los Angeles, know who the land monopolist, G. A. Hancock is—Hancock whose personal income in 1924 was approximately seventy times as large as DeMille's?

There is hardly a boy or girl in America who has not heard of Charlie Chaplin, "Bill" Hart and Jack Coogan—the high priced movie stars. But how many boys or girls—or grown folks—have ever heard of Gertrude V. Whitney, William H. Harkness or Edith Harkness? Yet the combined income of Chaplin, Hart and Coogan was less thon one-eleventh of the combined income of Whitney, Harkness and Harkness.

Again, how many persons are familiar with the names of Florence Burden, C. E. Mitchell, G. A. Ellis, Jr., G. A. Cochran, George Blumenthal, H. H. Rogers, Electra H. Webb, Mrs. Penfield or E. E. Rice?

(Continued on page 4)

[1]See "An Analysis of the Ralston-Nolan Bill," written by Prof. B. H. Hibbard of the Institute Staff and distributed by the National Association of Real Estate Boards, Chicago, June, 1921.

PROF. RICHARD T. FLY EXPOSED! — Continued

Yet Charlie Chaplin's income in 1924, on the basis of the Treasury reports, was less than one-thirteenth of Florence Burden's, one-sixteenth of Mitchell's, one-seventeenth of Ellis's, one-seventeenth of Cochran's, one-twentieth of Blumenthal's, one-twelfth of Roger's, one-eleventh of Webb's, one-eleventh of Mrs. Penfield's and one-eighteenth of Rice's.

The name of William Randolph Hearst, the newspaper king, is familiar from coast to coast. How many citizens however are familiar with the names of James H. Metcalf, Arabella D. Huntington, A. W. Erickson, Max D. Steuer or William C. Porter. Yet Hearst's personal income in 1924 was less than one-seventh of Metcalf's, one-tenth of Huntington's, one-eighth of Erickson's, one-sixth of Steuer's and one-seventh of Porter's.

Looking further we discover that Hearst's income in the same year was approximately one-sixth of Eleanor M. Patterson's, one-seventh of D. W. Morrow's, one-sixth of R. S. Clark's, one-sixth of John F. Gorman's, one-fifth of E. T. Bedford's, one-fifth of H. P. Bingham's, one-eleventh of Doris Duke's, one-eighth of Laura Kirkwood's, one-sixteenth of G. F. Baker's, one-seventeenth of G. F. Baker, Jr.'s, and one-twenty-fourth of A. W. Mellon's.

The world famous prize fighter Jack Dempsey is known wherever newspapers are read, while S. O. Metcalf, R. B. Mellon and Emma B. Auchincl ause, from all that can be learned, have never been heard of outside of their own community. Yet the income received by Dempsey in the year of his most triumphant success was less than one-fourth of the income received by either Metcalf, Mellon or Auchinclause in the same year.

The name of Henry Ford is familiar in every corner of the globe. How many nations, however, are even slightly familiar with the name of Payne Whitney whose income is almost equal to that of Ford's, or even with the name of John D. Rockefeller, Jr., whose income is more than three times as large as Ford's?

Doubtless more people have seen the popular black-face comedian Al Jolson than have even read of Michael Friedham, C. H. Mackay, A. R. Prentice, or B. F. Holmes. But Jolson's income in 1924, as gathered from the figures of the Treasury Department, was less than one-eighth of Friedham's, one-twelfth of Mackay's, one-eleventh of Prentice's and one-thirteenth of Holmes's.

William Wrigley, Jr., the colossus in the chewing gum field, is known wherever the human jaw moves. How many people however have ever heard of Paul D. Cravath, Eldridge Johnson or Anna M. Harkness? Yet the income received by Wrigley in 1924 was but slightly above the income received by either Cravath or Johnson and was some $700,000 below the income received by Anna M. Harkness in the same year.

Thus we might go on giving instance after instance. But it is unnecessary. Enough has been said to show that of the 20,000 or more millionaires in the United States the overwhelming majority are little known except to the people in their own community. They are not producers of wealth, but chiefly non-producers. Their incomes consist in the main, not of money received for goods sold or services rendered, but of money collected from the people in rents, royalties, and dividends from landed property in one form or another.

As the noted preacher and late editor of "The Outlook" Dr. Lyman Abbott ("The Industrial Problem," pp. 140, 141) has said:

> "The chief sources of the enormous individual wealth in this country are these three: Land, natural forces, state franchises. The multi-millionaires have accumulated their multi-millions, not chiefly as a product of their own industry; they have accumulated them by getting possession and control of the land and its contents, the natural forces of the world, and the franchises which the state has created."

Or as John R. Commons, himself a Professor of Economics in the University of Wisconsin, has well, though perhaps a little too strongly stated ("The Distribution of Wealth," p. 253):

> "If the size of fortunes is taken into account, it will be found that perhaps 95% of the total values represented by these millionaire fortunes is due to those investments classed as land values and natural monopolies, and to competitive industries aided by such monopolies."

Clearly, therefore, the bitter hostility shown by Prof. Ely to the land value tax on the ground that it would relieve the "great millionaires"—the Vanderbilts, the Goulds, the Gateses, the Marshall Fields, the Rockefellers and the Morgans—and visit practically the whole tax burden on the "poor man," is mere flapdoodle—applesauce that is dished out to the masses to keep their heads turned while their pockets are being picked!

Let us look closer and see if this is not absolutely true.

On January 18, 1924, Representative Oscar E. Keller of Minnesota re-introduced into Congress his bill (H. R. 5733) to levy a federal tax of one per cent on the privilege of holding land valued over $10,000, after deducting all improvements, standing timber and soil fertility. This bill, it is estimated, would raise approximately $1,000,000,000 of federal revenue, and would permit the same amount of taxes on human industry to be repealed. It is the same bill that Prof. Ely, through Prof. Hibbard, has violently denounced as being drawn chiefly to enable the "great millionaires" of the country—"the Vanderbilts, the Goulds, the Gateses, the Sages, the Marshall Fields, the Havemeyers, the Morgans" and so on—to throw off their taxes onto the farmers and other poor owners of land. On the same day that Congressman Keller introduced his bill it was referred to the Committee on Ways and Means.

Now on the Committee on Ways and Means there is one Congressman whose income is close to $1,000,000 a year, who paid a personal income tax in 1924 reported as $257,450, who is on the board of directors of several large railroads and manufacturing corporations, and who, above all members on the Ways and Means Committee is recognized as the outstanding representative of the "great millionaires" of the country—"the Vanderbilts, the Goulds, the Gateses, the Marshall Fields and the Morgans." This congressman is Ogden L. Mills of New York.

Of course, being on the Ways and Means Committee Congressman Mills would naturally be expected, not merely to try to prevent any increase in the taxes on the wealthy interests he speaks for, but to endeavor to bring about as large a decrease in these taxes as he possibly can. Within reasonable bounds this would be perfectly proper. But so persistent and so gluttonous has Mr. Mills shown himself in seeking tax reduction and means of tax evasion for the big interests he represents—"the Vanderbilts, the Goulds, the Gateses, the Marshall Fields and the Morgans"—that Congressman Green of Iowa, the Chairman of the Ways and Means Committee, and a member of Mr. Mills own party, denounced him on the floor of the House (see Congressional Record, Feb. 26, 1924, p. 3241) in the following fashion:

> Mr. GREEN of Iowa. The gentleman from New York [Mr. Mills] with all his brilliancy, and he has brilliancy, has been found in this House on every occasion, when we sought to introduce anything that would prevent evasion of a tax and its payment on a basis of fairness, equality and justice, opposing those amendments or at least voting against them. [Applause.] . . . Why, the gentleman from New York, in the committee and elsewhere, has been usurping the powers of the chairman of the committee or those that ought to belong to the chairman of the committee [Applause]. When I state that, I state only something that has been known to everybody. In fact, he has gone further. He has been the whole committee.

Now what was the attitude of Congressman Mills—the tireless champion of "the Vanderbilts, the Goulds, the Gateses, the Marshall Fields, the Morgans" and the "great millionaires" of the country—towards the Keller bill which Prof. Ely declares would relieve these wealthy men of the heavier part of their tax burden? Did he eagerly get behind the bill as soon as it was introduced and seek to jam it through? No, Mr. Mills did nothing of the kind. **On the contrary he used all the art and influence at his command to bury the bill beyond all hope of recovery!**

What is equally interesting the man on whom Congressman Mills most relied to help him kill the bill is that self-anointed "defender of the poor man"—Prof. Richard T. Ely of Wisconsin University!

Here are the facts. On January 18, 1924, as we have already stated, Congressman Keller re-introduced his bill to reduce the tax burden on industry by about $1,000,000,000 and to raise that much more revenue from the value of land. Within a month sentiment in the halls of congress had grown rapidly in its favor. The measure was discussed approvingly by numerous members, both in the House and in the Senate, with spokesmen of the farmers such as Senators C. C. Dill, Lynn J. Frazier, Woodbridge N. Ferris, Magnus Johnson, George W. Norris and E. F. Ladd, being strongest in its praise!

But no sooner did sentiment in favor of the bill begin to grow then something else happened. The legislative representatives of the "Vanderbilts, the Goulds, the Marshall Fields, the Gateses, the Morgans" and the "great millionaires" of the country—in whose interest, Prof. Ely warns us, the Keller bill is drawn—pricked up their ears!

"What!" they whispered in uneasy tones, "Sentiment for the Keller bill increasing!—the Keller bill that will lift $1,000,000,000 in taxes from industry and place it on land. This will never do. The Keller measure, at all costs, must be headed off. We must, if necessary, show the legislators here the desirability of doing just the opposite of what Mr. Keller's bill proposes. We must secure evidence from "impartial" and "unprejudiced" sources showing conclusively, not merely that land is now heavily **overtaxed**, but that business, industry and the big corporations are grossly **undertaxed**. Sentiment for the Keller bill must develop no further!"

The "impartial" and "unprejudiced" information was promptly secured. It was in the nature of a comprehensive communication from Richard T. Ely to the National Association of Real Estate Boards—Richard T. Ely, the Director of the "Institute for Research in Land Economics and Public Utilities," and Professor of Economics in the State University of Wisconsin. In this communication Prof. Ely stressed most emphatically the overtaxation of land—particularly farm land—and the gross undertaxation of business, industry and improvements. Not only this but he urged "an entire overhauling of our ideas on taxation" to the end that taxes—federal, state and local—be largely reduced on land and correspondingly increased on industrial enterprises and big business corporations.

Needless to say Prof Ely's communication was most illogical and unscientific, loaded with half-truths and omissions of important facts. But it read logical, sounded convincing, looked scientific and contained just the sort of arguments that the "great millionaires" wanted. So on February 23, 1924—slightly over one month after the Keller bill had been introduced—Prof. Ely's "impartial" report was read into the Congressional Record (see pages 3092, 3093) for the benefit of the legislators by Congressman Ogden L. Mills—the watchful representative of "the Vanderbilts, the Gateses, the Goulds, the Marshall Fields, the Rockefellers and the Morgans" of the country!

The deadly shot took immediate effect. Confusion set in. The rising sentiment in favor of the Keller bill—a bill that would do more to lighten the crushing tax burden on industry and agriculture and to improve the condition of the mass of the people than any similar measure ever before introduced into Congress—began to slow up, then ceased growing altogether! The bill died in the Ways and Means Committee.

Thus the Keller land value tax bill, which Prof. Ely warns us would remove the burden from the "great millionaires" and put it on the "poor" was, for the second time, killed in its infancy—killed, not by the representatives of the "poor" but by the representatives of the "great millionaires," aided by Prof. Richard T. Ely of Wisconsin University!

(To be continued.)