Demand of Your Congressman That Earned Incomes be Taxed Less Than the Unearned!

THE BULLETIN

OF THE MANUFACTURERS AND MERCHANTS FEDERAL TAX LEAGUE

(Formerly "The Committee of Manufacturers and Merchants on Federal Taxation", Inc.)

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HARMFUL TAX BILLS TO BE INTRODUCED

While tax bills that will not only raise revenue but that will benefit business and industry will be introduced into Congress next December there will be other bills introduced that will have just a reverse effect. Among the latter are those proposed by Congressman Frear of Wisconsin. His tax program calls for—

A constitutional amendment to permit taxation of stock dividends, and other tax-free holdings.

Increase of inheritance tax and a gift tax to prevent evasions.

High retroactive tax on undistributed corporate profits.

Restoration of excess profits tax.

Publicity of Treasury tax records.

Outside of an increase in the inheritance tax and perhaps publicity of tax records there is mighty little to commend this program. It's only claim to distinction is that it will "soak the rich"—a very unsound and dangerous foundation for any fiscal and economic system to stand on. Tax programs designed to "soak the rich" invariably turn out to be a scourage on the poor.

WILL "SOAK 'EM" WITH A VENGEANCE!

Manufacturing and mercantile corporations now pay 73 per cent of the total state and local taxes paid by corporations in New York State, according to J. Frank Zoller, Chairman of the Tax Council and of the Tax Bureau of Associated Industries, Inc., of New York.

These same manufacturing and mercantile corporations also pay at least 90% of the federal taxes collected from the state of New York.

But this glaring injustice doesn't seem to be enough in the eyes of our political brethren. A bill is now pending in the New York legislature that will increase the franchise tax on corporations from four and one-half to five per cent, while in our national congress, this coming session, tax bills will be introduced whose purpose is to "soak 'em" with a vengeance.

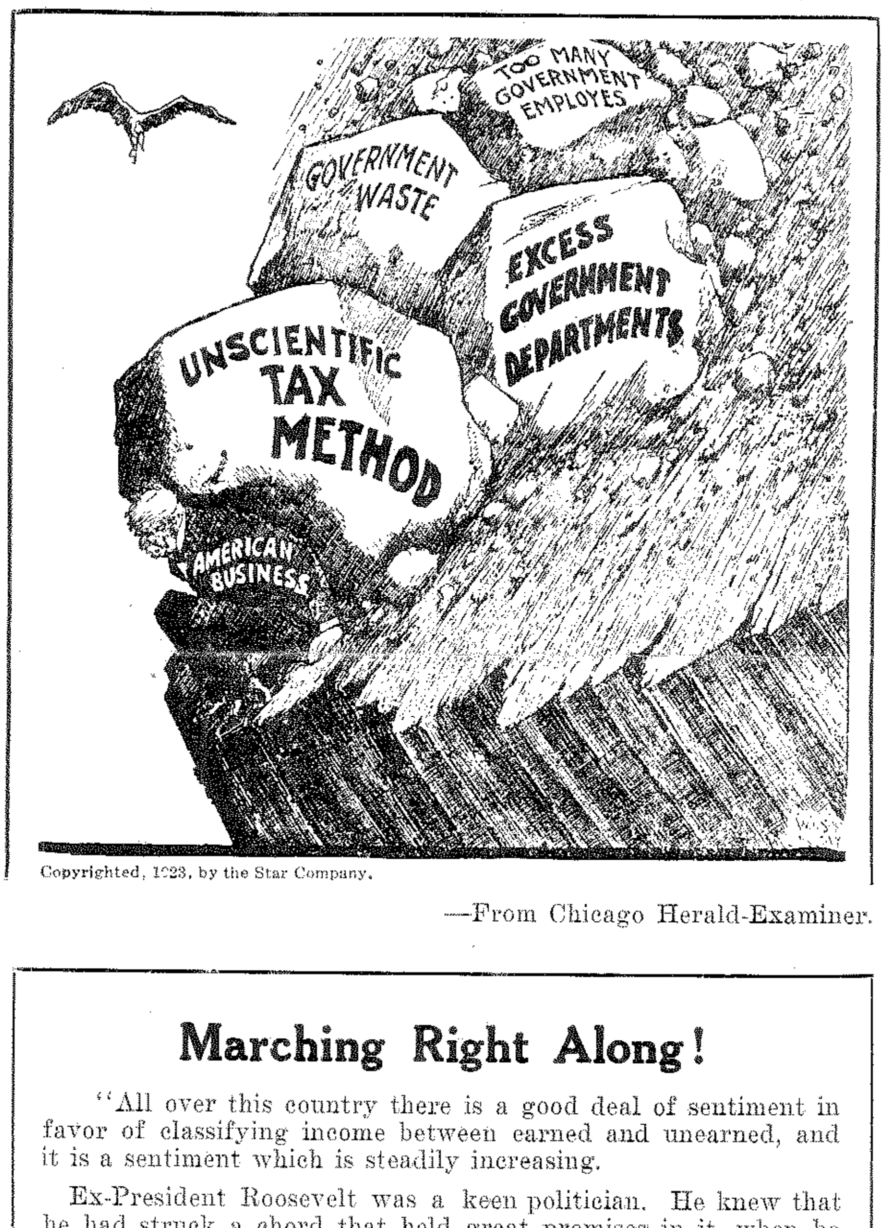
How long private industry will be able to survive this kind of legislation is more than we can tell. Well, we don't know where we're going, but we're on our way!

Our hoss is gone dead, and our mule is gone lame,
An' we lost our dog in a poker game;
Then a cyclone cam 'long, t'other day,
An' blew the house where we lived away;
An earthquake followed when that was gone,
And swallowed the spot the house stood on.
Now the durned tax-collector, he's come aroun',
An' made us pay on
A hole in the groun'.

—Anonymous, Chicago "Public."

Getting Close to the Edge!

According to the Budget, the excellent organ of the National Budget Committee, every workingman and working-woman in the United States is blistered to the tune of $200 a year to pay for our Government. The total annual cost of government in this land of the free is $8500 million—think of it, ye gods!—and every penny of it must come out of production. This amount is more than **one-eighth of our national income**; and paying it means, in terms of labor, that each worker is contributing seven weeks labor a year, or approximately one day a week!—The Freeman.



—From Chicago Herald-Examiner.

Marching Right Along!

"All over this country there is a good deal of sentiment in favor of classifying income between earned and unearned, and it is a sentiment which is steadily increasing.

Ex-President Roosevelt was a keen politician. He knew that he had struck a chord that held great promises in it, when he came out in advocacy of such a classification shortly before he died.

McAdoo also is equally keen as a politician and he has already publicly thrown out his approval of the same principle.

In this connection the Governor of Minnesota urged the idea upon the Minnesota legislature in his last inaugural message.

We have always believed that a distinction should be made between earned and unearned incomes. For instance, we know of a person living in a neighboring city in this state, who fell heir to a small portion of land which is now occupied by one of the largest mercantile houses in the very heart of the city of Chicago. This concern occupies almost an entire block and they rented from the person above referred to the little piece of land owned in that block for $25,000 a year for ninety-nine years.

Now this person lives in perfect comfort, perfect leisure, not a worry in the world, never earned a dollar of this income which he fell heir to, but has $25,000 a year upon which to live during his lifetime, and longer than that, for almost a hundred years.

Here is an income that is unearned and should be taxed more severely than that of some other person who earns an income of the same amount by industry, by hard work. There should be a distinct difference between such incomes.

In many of our large cities, property is owned and rented for ninety-nine years for a princely income; such income not being earned, not doing any good to anyone, should pay a large tax."—Wisconsin Agriculturist, April 7, 1923.

AUTO ASSOCIATIONS PROTEST AGAINST TAXES

Perhaps no other agency has done so much to keep down costs and make life worth living as the automobile. It has completely revolutionized our mode of transportation. It has made it possible to carry men and goods from one place to another with the most amazing rapidity. As an instrument of social utility the automobile stands without a peer.

Notwithstanding this fact, however, our good politicians in their eagerness to "swat the rich" and "please the people" have started a movement that may end in taxing this most useful thing out of existence. Beginning a few years ago with personal property taxes and license fees the variety of taxes—federal, state and municipal—now levied on automobiles and trucks, has grown into the dozens, with the total revenue raised thereby amounting to the colossal sum of $341,300,000 a year. And the tendency to saddle still more taxes on the automobile for all purposes has apparently only just begun!

It is for the purpose of halting this dangerous tendency that the Motor Vehicle Conference Committee composed of representatives of the American Automobile Association, the Motor and Accessory Manufacturers' Association, the National Automobile Chamber of Commerce, the National Automobile Dealers' Association and the Rubber Association of America has issued its report on "Special Taxation for Motor Vehicles."

Mr. M. O. Eldridge, Executive Chairman of the American Automobile Association says, in connection with this report:

"Every tax that is levied against the automobile eventually comes out of the pocket of the consumer. The widespread use of the automobile has placed small cars in the hands of thousands who can ill afford to pay an additional tax and who should not be required to pay special taxes while vast properties owned by men of wealth, which automatically increases in value through the building of these same good roads, are not required to pay any special taxes.

"For instance, suburban real estate developments have flourished near all cities as a direct result of the increased growth of the automobile, and property which could readily be bought for $500 an acre a few years back is now selling for $10,000 and $12,000 an acre through subdivision into lots. The good roads which many legislators presume to charge to the automobile have aided in increasing the value of that property."

"Increasing" is right! While the owners of automobiles and trucks have been busy cutting

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THE BULLETIN

of the Manufacturers and Merchants Federal Tax League

Published Monthly

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LET'S GO!

In eight short months from now our new Congress assembles. In this Congress one of the hardest tax fights of the present generation for fairer revenue methods is destined to be fought out. The Manufacturers and Merchants Federal Tax League expects of course to have a good hand in the fray, and we have already begun to muster our forces. From now on an increasing volume of letters, circulars and pamphlets will be sent out from our Chicago headquarters to influential citizens in all parts of the nation. We want to avail ourselves also of every other opportunity and medium of publicity to get our message across. In this effort our members and friends can greatly help. Camp on the trail of your Senator. Keep after your Congressman. Remember, their "ears are on the ground." Finally, go after your editor. Tell him that we have the only sensible and acceptable solution to our vexatious tax problem. Inform your editor further that we now have a large number of skilled writers at our command and that we will be glad to have one of them write a special article for the benefit of his readers if he will let us know. This will mean some work on your part, but the stakes are big, and we dare not lose!

SEND US CLIPPINGS

It is a big country, this in which we live. May we not ask our friends therefore to help us out by sending us any newspaper clippings bearing upon the tax question which they may happen to read and which they believe might be of interest to us. It will aid us in doing better work.

THE LESSON OF NEW YORK

In 1920, New York City, in order to encourage the building of homes, exempted all new dwellings of a certain type, whose construction was begun within two years, from taxation for a period of ten years. Of course the land on which the dwellings stood was taxed, but not the dwellings themselves.

This law in March of this year was held unconstitutional by Justice Tierney of the State Supreme Court. However the Appellate Division of the Supreme Court (the court of last resort in the State of New York) on April 6th unanimously reversed the decision of Justice Tierney, declaring the law to be "wise and justifiable and free from the taint of unconstitutionality." It is believed that the United States Supreme Court will also take the same view.

But whether constitutional or unconstitutional a more effective method of arousing building activity and multiplying home ownership has never yet been devised. So satisfactory did the law work that at the end of two years it was extended for another year, and has recently again been extended until 1924. A total of 60,000 families, involving a stupendous home building program amounting to $250,000,000 have thus far taken advantage of the tax exemption privilege—outstripping by far the combined building program for dwelling purposes of any other half dozen cities in the nation.

All of which teaches a moral. It is this: if you want any good thing, don't tax it. If you want more homes, don't tax them; if you want more factories, don't tax them; if you want more commerce, or trade, or business prosperity, don't tax them.

Our Tax Relief Program

The following tax program to raise revenue and to relieve business, industry and agriculture of about $1,250,000,000 of the intolerable burden it now carries, will be introduced into the House of Representatives in December by the Hon. Oscar E. Keller of Minnesota:

Congressional Bill No. ——

This bill repeals all existing sales, commodity and excise 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.

Congressional Bill No. ——

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

Congressional Bill No. ——

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 to that amount or about 38% of the entire estate.

Congressional Bill No. ——

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

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

The above revenue program will relieve producing business of about $1,250,000,000 annually, and the people of from three to five times this amount in inflated living costs.

NEWS NOTES

With the death of Senator Nicholson of Colorado the La Follette group in the Senate holds an absolute balance of power.

* * *

Congressman Madden estimates that the expenditures of the federal government will be about $4,000,000,000 a year until 1926. Then what?

* * *

A bulletin published by the Civic Federation of Chicago warns that the activities of the Illinois legislature threaten an increase of 119 per cent in the state tax rate.

* * *

Congressman Frear wants to finance the soldiers' bonus bill by an excess-profits tax. A better tax by far would be a tax on the value of the unearned increment of lands and natural resources.

* * *

Denver votes the middle of this month on a measure to reduce taxes on improvements, stimulate home ownership and encourage industry. It is an excellent measure. But the land speculation and rent collecting interests have set out to defeat it by calling it bad names.

* * *

The census bureau's survey of farm mortgage conditions, now complete up to Jan. 1, 1920, shows that on that day the total mortgage debt on farms in the United States was $7,857,000,000. Figured at 6 per cent, this total would mean that three years ago the farmer was paying interest at the rate of $471,462,000 annually.

WISCONSIN POLITICS

The "soak 'em" tax policies of the Wisconsin legislators are said to be driving a good many industries out of the state. This, the Wisconsin Tax Commission in a special report to the Assembly, hotly denies.

We don't know yet for sure which is correct, but we are not afraid to venture a little guess. Experience has taught us that when a little boy is threatened with punishment by a higher authority his inclination is to run.

Meanwhile there is a tax bill pending before the Wisconsin legislature that will not drive industry away but coax it in. That bill is the Grimstad land value tax bill. It is being ably supported by the Commissioner of Markets, Mr. Edward Nordman. More punch to his elbow!

AUTO ASSN'S PROTEST AGAINST TAXES

(Continued from page 1)

the cost of transporting men and commodities, keeping down prices of goods and paying increasing millions in taxes to the government because they have done so, the speculators in land have, without paying a cent of special taxes, been reaping billions in increased land values that the automobile itself has brought about. It's high time that such stupid and unfair revenue practices were reversed, and the automobile associations and Mr. Eldridge in particular deserve great credit for endeavoring to bring the facts of the matter to the attention of the public.

UNSCRAMBLED INDUSTRY

Some Observations Regarding the Desirability of Lower Taxes Upon Productive Business and Higher Taxes Upon the Privilege of Holding Land

BY JOHN Z. WHITE

[Very frequently we are asked by students of the tax question for a fundamental statement of our tax philosophy. To such inquirers we have no better answer than that given in our pamphlet "Unscrambled Industry," written for this organization by the well known tax authority, Mr. John Z. White. As the contents of this excellent piece of literature has never appeared in the columns of the Bulletin, we herewith take great pleasure in publishing the first installment.—Editor.]

Introductory

The collection of public revenue is a definite matter of business, and should be based on sound business principles. Sound business accords with the normal conditions of human life, rather than with those of some imaginary Utopia, or with the wishes of the beneficiaries of certain special interests.

Tax reformers are frequently confused with social reformers, and it may be well to outline definite grounds for the proposal as to public revenue herein offered.

Inaccurate and seemingly discordant statements by the members of an association, all of whom are devoted to the same purpose, have frequently been the occasion of useless contention and unsuccessful effort. It is hoped that this outline may aid in securing a harmonious point of view, and consequent agreement in expression.

Sound doctrine in ethics, law, or economics, will not intentionally be violated.

In ethics duties and rights are two sides of the same event. That is, what one may rightfully demand of another, that other is in duty bound to deliver.

In law "any business affected with a public use is subject to public regulation and control," —or, as the Supreme Court of the United States has it, when "one devotes his property to a use in which the public has an interest, he, in effect, grants to the public an interest in that use, and must submit to be controlled by the public for the common good."

In economics, the act of production is the source of ownership.

These doctrines are sound and failure to conform to them brings the economic disorder that gives rise to the mass of disturbing regulations that are so disagreeably, and even disastrously, deranging modern business.

Current literature contains many references to "recent movements for the reconstruction of society." These comments usually assume that existing society is the result of a more or less absurd jumble of silly and deleterious conventions that have been foisted upon an inattentive world by the "capitalist system," and that the reconstructors will presently drop out of sight the whole tawdry and preposterous mess and substitute for it a hand-picked system of rules, by virtue of which we shall live happy ever after.

We need no new ideal or reconstruction in American life. Free born, self-governing men is the ideal to which American youth have been reared, and no higher ideal ever did, or ever will guide and inspire a great people, and no "movement to reconstruct society" will afford us any advantage, nor yet the slightest ground for hope. All such trash is grist for the mills of aristocracy, and the net result is but added confusion, potent to keep the thoughts of men fixed upon the unreal. Avoid confusion and modern aristocracy will fall. It has no foundation save confusion in current thought.

Far better that we remember that profoundly true aphorism: "The common law speaks only in damages." The common law does not issue orders, but holds each man responsible for his acts. Any other basis for civil society is shifting sand—or tyranny.

Trouble assails us because we have failed to legislate in harmony with our ideal,—not because that ideal needs "reconstruction." "A frequent return to the fundamental principles of government is necessary to preserve the blessings of liberty" says the constitution of Illinois, and it speaks the truth.

Failure to conform legislation to our high ideal has opened wide the door of opportunity to the quack and to the aristocrat, and they have taken full advantage of our negligence.

For a thousand years the English speaking race has struggled (sometimes blindly) against aristocratic privilege, that men might stand erect in freedom, enjoying God's sunlight, His falling rain, His free air, His good earth, without paying tribute to a bunch of useless aristocrats. And now, instead of joining "movements to reconstruct society" (which are usually nothing but disguised socialism), we need only to continue the struggle of our forefathers against aristocratic privilege. That way lies safety for democracy. That way lies freedom for men. That way lies the realization of American ideals.

In short, this is no time for reactionaries, but it is time for the assertion of genuine American conservatism, based on long settled principles, without reference to court practice. Legal principles are but particular statements of moral truths.

Chaotic Taxation

Our tax laws are so completely chaotic that a description of them is practically impossible. They are based upon no discernible principle of ethics, maxim of law, or rule of economics.

In state and local affairs a man builds a chicken house, and the public takes his money away from him, calling it a tax. Another robs that chicken house, and the public takes his money away from him, calling it a fine. One man comes to town and paints it red. Another stays at home and paints his house white. Both lose money —the one as a fine, the other as a tax. One man gets a dog, and is taxed, to the end that the town be not overrun with dogs. Another man, of different taste as to companionship, gets himself a wife, and is taxed just as though he had secured a dog. Women demanded the ballot that they might draw a legal distinction between themselves and dogs—a difference that men had not recognized in their tax laws.

A man paying Federal taxes requires the advice of a lawyer (sometimes two) and an expert accountant to make his tax return —and even then runs the risk of being found out. The whole matter is without rule for orderly procedure, unless we apply the theory of the Irishman in a free fight, "Whenever you see a head, hit it."

We send a boy to Sunday school and teach him to tell the truth, sometimes giving picture cards as a reward to stimulate interest. When the boy is grown to manhood, we give him a personal property tax schedule and tell him that the more truthful he is the more money he will lose, and the more he avoids the truth, the more money he will save. The law says, yield to this temptation and save money, or refuse to yield and be punished. It is a system that long enough pursued will corrupt the morals of any community on earth.

As shown by reports of the proceedings of the National Tax Association, tax experts have much difficulty in making intelligible explanation of local tax arrangements to their associates from other states.

Prevailing tax laws can be maintained only because the confusion they present defies comprehension. They are without either rhyme or reason. An orderly system of taxation will quickly reveal its merits and demerits, for the true principles of taxation are very simple because they naturally flow from a few social and economic facts that are quite obvious. It is this truth that makes resort to confusion necessary to the maintenance of absurd and burdensome revenue measures. It may fairly be assumed that tax laws that are difficult to understand are also vicious.

Let us consider, then, the few simple social and economic facts from which naturally flow the true principles of public revenue, and observe how nearly in accord with sound doctrine American life now is (in spite of absurd tax arrangements) and then cease to wonder that American citizens so stubbornly defend their established institutions.

Why Taxes Are Levied

It is first asserted that there is no unknown quantity in the productive process. The fact that we erect buildings is proof that we know how. In the field of economics we make the things with which we deal, and therefore there is no legitimate excuse for the mists and fogs in which statecraft and literature have veiled this question.

In the study of physics the explanation of ultimate facts eludes us. What is electricity? What is gravity? Failure to answer questions of this character leaves plenty of room for divided opinion, but in the field of economics no such mystery obtains. If one desires a woolen garment one will defend sheep from wolves and other natural enemies, let the sheep eat of grasses and herbs that grow out of the ground, and when wool grows on their bodies will clip, wash, card, spin and weave it, and from cloth so made will cut and sew the desired garment. A lot of work but no mystery. All productive work is of like character. The vagueness that pervades economic literature is wholly artificial. Teachers do not ask pupils to believe the multiplication table, but to understand it. Like procedure is required in political economy—that is, in business. There is no unknown quantity in the productive process.

The safety, comfort and happiness of individuals depends upon the organization and successful functioning of civil society, and in order that it may exist civil society must exercise the police power, secure peaceful possession of legitimate property, and institute a legal form of land holding. These functions it **must** execute. (It **may** rightfully do whatever else it will, so long as it does not trespass upon individual freedom).

The execution of public functions is impossible unless their inevitable cost is liquidated. Without a revenue civil society cannot exist. The revenue system is thus intimately connected with individual well-being.

Taxes, then, are levied to obtain the revenue necessary to pay the cost of administering public functions.

Source and Character of Taxes

Taxes must be derivel from actual property, and therefore every tax must be levied upon products of industry or upon the privilege of holding land, because all actual property consists either of privileges in land or of products of industry. A hundred and thirty years ago Hamilton said, "To get a revenue we must tax land or commerce."

Taxes upon products of industry ("commerce" in Hamilton's phrase) are necessarily added to normal cost of production. Otherwise the production must cease. If every apple tree in Illinos were taxed $10.00 per year, could anyone grow apples in the State? If shoes cost $5.00 to prepare for the market and are taxed $1.00 a pair, must not the manufacturer base his price on a cost of $6.00? Taxes on the supplies from which the shoes are made, on the building in which they are made, or on their production in any form, can by no possibility fail to increase their price to consumers.

Taxes of this character on practically all products cannot fail to limit consumers' power to buy, and thereby check business. Three-quarters of the taxes paid in the United States ($4,500,000,000) are of this description.

Taxes on the privilege of holding land are different, in that they do not have the effect of raising prices, but on the contrary, tend

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TAXING EARNED vs. UNEARNED INCOMES

"There are only two things that can be taxed—privilege or the products of labor. If privilege is taxed, as it has no value except that conferred on it by law, it is but pay for benefits received. If the products of labor are taxed while there is sufficient income from privilege to meet the requirements of government, it is not only unjust but highly impolitic. In the first case no ill effects would follow except to the beneficiaries of privilege. In the second case production would be discouraged and a long train of economic ills follow.

An income tax that does not discriminate between sources of income is unwise for the same reason as given above. Some incomes are earned, meaning that thereby the community has had wealth added to it. Some are unearned, meaning that no additional wealth has been created, but that the wealth that some one else produced has been taken from him. One is a benefit to society; the other a drag upon it."—The Tenant Farmer, Chicago.

Talking Straight From the Shoulder

Our tax system has been juggled around until nearly all taxes are paid by productive industry, paid out of incomes derived from thrift, saving and enterprise. These incomes are earned by sweat of the brow, burning midnight oil at the desk, nerve-racking management. Contrast these methods of earning an income with the few who do nothing but sit idle and watch their income grow with an increasing increment in land values due wholly to the industry of others and governmental enterprise paid for by the workers. Such incomes are not earned because capital is tied up in land that is producing nothing, just waiting for some one to come along and pay a big profit on the investment and in too many cases, force exorbitant payments from the industrious who must have land before they can engage in industry, agriculture, business, or to build a home.

Taxation is going to be the big political issue during the next eighteen months, according to some noted senators, and it is going to be a big political issue much longer than their estimate. "Land value" tax is the big issue coming up over the horizon and it will not be settled within eighteen months unless industry, and business, and agriculture go broke entirely within the next few months.—Cloverland Magazine, April, 1923.

YOUTHFUL HERO

Bobby was stroking his cat before the fireplace in perfect content. The cat, also happy, began to purr loudly. Bobby gazed at her for a while, then suddenly seized her by the tail and dragged her roughly away from the hearth. His mother interposed:

"You must not hurt your kitty, Bobby."

"I'm not," said Bobby, "but I've got to get her away from the fire. She's beginning to boil."—Los Angeles Times.

NATURAL REACTION

"That man was in a rather indignant frame of mind when he attacked you in a newspaper communication."

"What did he sign the communication?" inquired Senator Sorghum.

"'Taxpayer.'"

"His mood will pass. Everybody is in an indignant frame of mind when he happens to be thinking about his taxes."—Washington Star.

THE REAL PRODUCERS OF PUBLIC SENTIMENT

"The wind that fills the sails of yon square-rigged ship and carries her so gracefully over the billowy deep was not produced on board the ship by the captain or the crew, but by forces and powers outside and independent of both crew and ship. The crew merely set her sails to gain the power of the wind. So with a Political Party the politicians merely set their sails to gain the power of public sentiment. The forces that produce public opinion are outside and independent of Political Parties. These forces are the educational activities of all kinds—they are the real producers of public sentiment, and all progress is due to them, and all honor and credit is due the unselfish souls who carry on the work of developing correct thought in the minds of men."—James R. Brown.

UNSCRAMBLED INDUSTRY

(Continued from page 3)

to stimulate a greater use of land, and thereby promote productive enterprise. Not more than one-quarter of our taxes are of this desirable character.

It may confidently be asserted that—

1. Taxes that bear upon products of industry (commerce), are aristocratic or crooked taxes. (These are given a variety of names—maybe to prove that they are crooked.)
2. Taxes that bear upon the privilege of holding land are democratic or straight taxes.
3. Crooked taxation is the last resort of aristocratic privilege. Just as surely straight taxation is the final triumph of democratic equality.
4. Crooked taxation is not only unfair, but is also the most powerful known obstruction to economic process.
5. Straight taxation is not only fair, but is the most powerful known aid to economic process.

Therefore the proposal is repeated: "A Federal excise tax of one per cent shall be levied upon the privilege of holding land valued over $10,000."

Taxes and Prices

Taxes are levied to pay for public services and that payment obviously should be made in proportion to the value of benefits received through such services. In fact, however, taxes are often levied upon one because one has conferred a benefit upon oneself or upon one's neighbors—as, when one builds a home, or erects and equips a factory.

The public did not build the home nor yet erect the factory, and to tax the owner is to levy a tax for private, not for public, service. A tax properly attaches to public service just as a price attaches to private service. In fact, a tax is, legitimately, the price of public service. Fair business, just law, sound ethics, require the public to charge the citizen for what he does for him, but not for what he does for himself.

In private affairs products command a price. For instance, if one wishes to wear a pair of shoes, one realizes that hides must be tanned, buildings erected, machines made and installed, a great variety of supplies provided, and finally the shoes are perhaps wrapped in tissue paper and inclosed in a paper box. Upon inquiry one wishing for shoes is informed that all of these services, as expresed in the shoes, are worth perhaps $10.00. The whole matter is quite easily understood.

Turn, now, to the public and inquire the cost of a given service. Does one receive a reply? One most certainly does not. Instead, inquiry is made as to how much one is worth, with an intimation that one will be taxed according to one's ability to pay. It is obvious that a rich man can pay taxes (or any other account) more easily than a poor man, and that therefore the rich are especially called to the attention of the tax gatherer, which leads one to ask if it is a sin to be rich, and to observe that burglars seldom visit the poor.

Do we pay for private services according to ability to pay? If not, why should public services be liquidated by this rule?

Consider: The public renders fire and police protection. Will these services make the cost of erecting a building greater? Will they make installation of machinery in that building cost more? Will a piano or other furniture cost more because the public furnishes fire and police protection? Most certainly not. Where, then, is the value of the public service manifested? What does cost more as a result of fire and police protection (and other services) given by the public? Is it not common experience that better fire and police service, better transportation, better schools, better public service of all kinds operate to increase the value of lots and lands, and can we not fairly assert that the privilege of land holding, and nothing else, advances in value as a result of public services rendered?

Products and privileges in land constitute all actual property. The value of private service is shown in the price of products. The value of public service is shown in the worth of the privilege of land holding. All values are either labor values or land values. Labor values come of natural right. Land value comes of legal privilege "Labor value is the value of opportunity to produce."

Primary Public Functions

As stated, "taxes are payment for public services," and fundamental public services, or primary public activities, include—

1. Mutual protection, or the police power.
2. Secure possession of legitimate property.
3. A legal form of land holding.

The execution of these functions is necessary to civil society. Such execution may be straight or crooked. That is, any of these functions may be so executed as to give legal advantage to no one, in which case the execution is straight; or any of them may be so executed as to give legal advantage to some—and therefore legal burdens to others—in which case the execution is crooked. The crooked execution of primary public activities is the essence of aristocracy, and the cause of economic disorder.

The words "Equal rights to all, special privileges to none" proclaim a straight execution of primary public functions.

A feudal lord, without "due process of law" could legally flog his serf.

Queen Elizabeth gave legal monopolies in manufactures to her favorites.

During feudal times certain individuals only could hold land.

Piracy was the custom of high seas when Queen Elizabeth ascended the throne of England, but at a later day it was found that free commerce was more profitable.

Slavery was looked upon as an evil necessarily incident to civilized life, but afterward free labor was discovered to be more profitable.

Toll roads once were common, but long ago free traffic proved to be more profitable.

Debtors were imprisoned on failure to pay, but we found debts easier to collect when such barbarous laws were repealed.

Monopoly is frequent in production today, but we are learning that free production is more profitable.

In short, all wrongs are found to be unprofitable. Doing right brings greatest gain. This is but another way of saying "Honesty is the best policy," or "Seek ye the Kingdom of God, and all these things shall be added unto you." (Luke 12-31.)

The results of crooked execution of necessary civic powers by aristocratic governments compelled the development of modern democratic states, and these have been and still are gradually overcoming aristocratic usages and laws.

Since the days of free companies and pirates, interruption of free production and free exchange have been legal in character, and, therefore, in a democracy, their removal or control is within the power of the people. Monopolies in production and toll gates along the channels of trade, are matters of law, and and are the foundations of aristocracy. If we would make the world safe from aristocracy, as the only way to make it safe for democracy, we will rid ourselves of all legal obstructions to production and exchange.

Examination of the obvious truths of practical business (and this is merely another name for political economy) reveals a perfectly clear pathway to this riddance—or achievement.

Where monopoly is inevitable, as in the privilege of holding land, tax it. Incidentally, federal taxes are almost wholly upon products, and bear but lightly upon the great source of our distress, the privilege of holding land.

(To be continued)