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# What Private Enterprise Can Do ~

By

Charles Johnson Post

THE ANSWER TO SOCIALISM

A BROCHURE FOR :

\$1.00

BUSINESS OWNERS  
FARMER OWNERS  
LABOR OWNERS

2464

*The American Association For Scientific Taxation will make an economic survey of taxes, and tax situation, for communities or corporations. This analysis, in this brochure, is a study of New York City taxation based upon the official records over many years.*

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## FOREWORD

In the following statistical analysis of the effects of the New York State Housing Law of 1920 the figures given have never before been collected, or published, in any comparative and tabulated form.

The figures given are from sources of the official records of Greater New York and each of its five separate Boroughs, from the Municipal Library of New York, from the United States Department of Labor (Statistical Division) and from the United States Statistical Abstract.

It was on the statistics as shown in this analysis that the Hon. William J. McDermott, Superintendent of the Bureau of Buildings, in 1924, said:

"Apparently this law has stimulated the erection of buildings for residence purposes."

This was his official judgment.

No further comment could be needed and, even more weighty than his expert opinion, are the facts as revealed, for the first time, in this series of tabulations and official statistics.

## CONTENTS

	Page
Introduction .....	1
Taxation, its blunders and inefficiency .....	2
Scientific Taxation, its study .....	8
Increase in bare-land values .....	9
New Building, Increase .....	10
New Building, Wages Paid for Erection .....	14
New Building, Per Capita Expenditure for .....	16
New Building, Per Capita Expenditure for All Cities..	20
Business, and Taxes .....	21
Wage Worker, and Jobs .....	22
The Farmer, and Taxes .....	24
The Law .....	28

## INTRODUCTION

The United States is in an era of spending.

It cannot escape it.

Nor, outside of intelligent economy, should it escape it.

Our evils arise not from the spending of taxes but in the discriminatory and stupid levying of them.

Private enterprise and private initiative are hampered by chaotic and oppressive taxation. This taxation is against the business processes of production and distribution of the very wealth upon which our national prosperity depends.

We are drifting into a vague Socialism unopposed and misunderstood by the very business energies and enterprise it would destroy.

Ignorance is the mother of jumbled invention. Business is in the valley between Communism and Fascism; and both are Socialism. Free enterprise can choose neither, and survive. And simple lethargy can, unfortunately, make the choice.

The only revenue that Government receives is from taxes. Taxes are paid from the processes of business and the results of economic labor. Taxes are the lifeblood of our national security and our national welfare.

Thus we will need more taxes: we will need more taxes to meet proper and growing expenses of decent government because we need more education, not less — and education is our American tradition — and it costs taxes. We need taxes for our national and State development in economic and social directions. These must be paid for from taxes. We need taxes for our national security and development in economic fields as well as military — and these too must be paid for in taxes.

## PART I

We must have efficiency in Government administration in all proper Government functions and not merely accept a famine-minded Scrooge as the model for either statesmanship or its administration.

And all this must be paid for in taxes.

We are facing an era of spending that calls for both scrutiny and acceptance and for which we must plan efficient and scientific taxation. Taxation must not be a mere blundering form of confiscation.

We accept taxes because, as a civilized people, we recognize the vital need for them.

But we know so little about taxes.\* One tax is as good as another say many business men! — and many a profound dimwit thinks so too! Yet this is not so. All engineers know that the method of making machines move is in the science of engineering.

Yet, in the field of taxation, we are still quite primitive and scorn the science of taxation. We tax only what we can see or feel. That is utterly unimaginative, and quite as blundering as if, in the field of science, we denied the existence of force because we could not see it or feel it directly, or denied the atom because it is visible only to the eye of the mind. The scientific approach, to a natural law in physics, is developed through observed phenomenon. And from that, in time, a principle becomes apparent; and we wonder why mankind was so dumb as not to have seen it before! Taxation has never been studied — and I mean **studied**; not merely accepted. True, various mild facts have merely been recorded and forgotten — and the result is about the same as if one studied a Sears-Roebuck catalogue in the search for the principles of a sound currency — since currency is the medium by which Sears-Roebuck carries on its business!

We have hated theory, and overlooked the fact that theory is nothing but the recorded law of the behavior of facts.

\* Taxation is payment to the Government for services by the Government, according to ability to pay, measured in terms of such Government service.

We should know, in specific phenomena and facts, what taxation does and has done and what are, and have been, its specific effects within the world of business — business as commonly understood as well as its basic economic principle. For it is upon business that our economic nation has been made and in which our prosperity has its being. Business pays wages; wages by which the produced-wealth is demanded and distributed throughout the nation. Those wages rapidly drift back through channels of buying that still further the demands for the production of yet more wealth through yet further business energies and processes. It is an endless circle, provided free enterprise is not shackled.

Or, to put it more simply perhaps, a man who works does not live from day to day by his energy — his energy simply makes him tired — but by the wages paid for his energy and ability. With these wages he demands and buys what he wants. What he wants some other worker has had to make and yet another to transport. Thus the whole economic fabric is, and should be, profitably agitated and kept agitated into increasing productive energies. This continuous agitation produces and is prosperity. Only such continuous agitation can maintain it. Energy turns into wages; wages demand more energy which, in turn, produces more wages and so on *ad infinitum*. Thus, the more energy we can stimulate the more people will receive the wages paid, and the greater our national buying power.

It is the spending of this volume of wages that makes for our national prosperity.

Demands upon energy, that do not result in such a spreading circle of wages, need the most careful scrutiny; this is because they may be actual clogs upon prosperity itself. Taxes laid against the wealth produced is basically a tax against wage or the energies that receive wages.\* Taxation against the production of wealth — business energies — is an interruption of business prosperity; a threat against business welfare and our national prosperity.

It is out of wages that taxation must come in all cases. Or, if you prefer it, out of wages and salaries and profits —

\*For the meticulous mind: Artists, musicians, actors, etc., produce a demand for wages and other energies — the whole movie and theatrical business attests this. The whole field of transportation is also the proof that all forms of productive or transport labor are part of our productive economic fabric.

for profits are, in general, merely the wages of invested capital. Wealth produced, or transformed, by business energy is the difference between pure gambling, whether on horses, cards, policy, or in any other form of non-economic, or any non-productive, or non-wealth-transforming energy-form of human activity.

Thus, if and when we levy taxes carelessly and unscientifically we may, quite likely, be levying taxes **against** the very business energy that we need most for our national prosperity. Such blundering and unscientific taxation, of course, is purely and simply levying taxes **against** production — which means inevitably a lessened production and less wages and less profits throughout the nation. Yet these latter are the very elements upon which our national life and prosperity depend.

To those who profit by blundering taxation there is no argument in the field of scientific taxation that can appeal.

And we have forty-eight different systems of committing dull and unscientific or blundering taxation in differing ways; one for each State.

The farmer — for all States are heavy farmer States — is the worst sufferer; but the farmer is and has been a sucker for taxation against himself. He carries the heaviest tax burden and does not know it — or, apparently, want to know it.\*

For, until the farmer learns more about scientific taxation, he will continue to be the most discriminated-against tax victim throughout the nation.

Forty-eight differing, sovereign, rights of taxation within our national economic system — and all with a certain uniformity of blundering and harmful catch-as-catch-can methods. If you can see it or feel it, **tax** it; if you can't, forget it! I am not unaware that unscientific taxation can be very profitable for a few in a privileged class. If you are one of them do not read this book further.

The effect of such pervading unscientific taxation is never considered; the sole object is to get a tax; and this regardless of its unscientific basis or adverse effect upon

\*I knew a farmer who earnestly demanded a tax on bees — because they fed on his blossoms and made honey for another farmer. He was a member of the New York State legislature.

manufacture or business energies. We have seen population and wealth flow to Florida; what of it! We have seen the wealth of textile business shrivelling or drifting from New England; what of it! Slums grow and cities become distorted and sprawl for miles of unneeded commuting; what of it! Kismet! Fate! So what! Says you — and you are a Business Mind!

Or, perhaps, are you?

Among those who do not care, is this average and crusted business mind with its crusted business training. To such, in general, taxes have to be paid — so one way, say they, is as good as another! Yet the effects of taxation are felt deeply in our distorted, economic business life with its blundering depressions. Still further is it felt in the vital terms of business-wages and business-profits and business enterprise and development long after the tax itself has been collected — and long before that. Unscientific taxation kills or throttles business enterprise even before it is levied or collected! And again, let me remind you, unscientific taxation has its profits — for the insiders.

What is scientific taxation?

Scientific taxation means taxation that is so established and so levied as to encourage business development, encourage the production of wealth, stimulate business enterprise, and to develop the volume of wages required for the continuing production and use of wealth and of wealth beyond that.

Scientific taxation means the encouragement of enterprise and business sagacity. That scientific taxation may penalize its few privileged beneficiaries may be true — so what! Which does business prefer, free enterprise or sacred cows?

Scientific taxation means the discouragement of those factors that tend to limit the energies of production and that hamstring prosperity wherever it tries to do battle with sloth or stupidity.

Scientific taxation means the relief from the unfair and adverse taxation levied against the business world of the wealth production upon which, alone, our national prosperity rests.

Scientific taxation is already practised, in various communities and in varying degrees, alongside and muddled with methods of taxation that are nothing more than arbitrary forms of confiscation that still survive. They are merely a primitive tradition that survives merely as an economic banditry largely preying upon the congenitally gullible.

Scientific taxation means simply the application of such scientific principles as will abolish prevailing methods of unscientific taxation. Scientific taxation will relieve the burdens that press most heavily — and most unfairly — upon the processes and products of business energy and wealth production. For our national prosperity depends absolutely upon the degree of our wealth production and transport of the wealth produced; although we now tax it the heaviest.

And yet, upon this vital element business energy in our business structure, upon which our strength and prosperity depend, we lay our heaviest taxation! "The power to tax," said our first United States Chief Justice John Marshall, "is the power to destroy!" It is true. Business knows it; even if it does not think in terms of scientific taxation.

Absurd as it is our taxation, in general, is based on its power to destroy, or strangle, the very lifeblood of our prosperity. We have forty-eight different ways of tax blunderings — one for each of the States of our Union — and only our national structure, that prohibits direct taxation, protects business from additional burdensome discriminations.

It is true that there will always be the tax manipulations of dullwitted politicians and anti-social speculators and the hatchet-men banded against any form of progress.

New York City, for example, has some of the most outstanding and enlightened laws on taxation in the nation. Yet adroit politicians, serving shrewd manipulators, have openly thwarted the means for making effective those laws.\* This will be true in every community until human nature is wholly ideal. Shrewd, unscrupulous self-interest will always be found cheek-by-jowl with noisy politicians to whom

\*One gentleman in New York City was permitted to accumulate over \$500,000.00 of unpaid taxes over a period of 20 years and still own his properties unimpeached and unimpaired!

Nature has denied the fellowship of conscience or social responsibility, or sometimes of intelligence. Anti-social dim-wittedness and unscrupulousness easily accepts either a Republican or a Democratic label to serve their ends — and not infrequently take that of an "Independent" or "Liberal" one with equal alacrity. To either of them the term "scientific", whether applied to taxation or any other groove, brings hoots of derision. Scientific is the opposite of ignorant — hence their scorn and their antagonism.

Nevertheless there is such a thing as **scientific taxation**; and this, too, in the field of economic relations.

One method by which we may unfold and develop scientific taxation is by the trial and error method, and in this, we have abundant examples in the past. As the late Governor Al Smith said: "Let us examine the record!"

Let us do so.

There is an outstanding example that is worthy of the keenest attention by business minds. To this tax law and its period — which I shall set forth in full — I bring no argument since it speaks for itself. Let each reader develop his own logic from the facts on the official record of statistics. Let him consider coldly the following official facts. Let each business man give it the acid test of his own intelligence and from it draw his own reasoned conclusions. Let him consider the obvious causes and their effects upon and within our nation's world of business.

And then, in the face of the actual and indisputable increase in prosperity due to the application of this particular form of scientific taxation, test his own logic. Scientific taxation was applied briefly, it is true, but observe the stupendous effects and the stimulation to business which followed, and followed immediately.

The statistics run into hundreds of millions of dollars of business, of wealth produced and economic wages paid. It meant a business prosperity never before experienced in that area! It carries its own lesson for every business community.

There is but one test for any logic or any analysis and this should be applied to any tax problem: "By their fruits shall ye know them; do men gather grapes of thorns, or figs of thistles?" (Matthew 7:16) This is scientific thinking.

Scientific thought is simply the highest form of common sense.

What is scientific taxation? Let me repeat: Scientific taxation is payment to the Government for services rendered by the Government according to ability to pay measured in terms of such Government services.

**This** is scientific taxation. It only needs to be applied and enforced.\*

## PART II

Among the prominent Governors of New York State it is fair to rate Alfred E. Smith. Governor Smith came up from the crowded East Side; he grew up with no fear of precedents when hard problems arose. He met a critical housing condition and ruggedly supported private enterprise. He was no genteel Marxian socialist. His famous saying: "Now let us look at the record!" has become a political slogan. He wanted facts!

So, let us look at the official record of the facts.

We had a housing shortage even before World War I had fired its last shot. So a law was passed for New York State in 1921\* that — in order to get it passed — applied only for ten years to cities of the first class. This meant New York City. The Republican up-State legislators said to Democratic Governor Smith, if anything unforeseen or experimental is to happen we prefer to let it happen to a Democratic Greater New York City!

And this is what happened to New York City in the ten-year period that followed:

The bare-land value rose from 4.5 billions of dollars in 1919 to over 8 billions of dollars in 1929.

In 1920 the value of the bare land on which Greater New York rests was 4 billion, 6 hundred millions of dollars (\$4,606,220,000.00) and, in 1929, (following the application of this legislation) the value of the same bare land was over eight billions of dollars (\$8,056,644,000.)

The following tabulation, by Boroughs, will show at a

\* See page 27.

glance the significant rise in bare-land values that consistently followed from the year of the new law:

Increase in Bare Land Values of New York City During the Period from 1910 to 1930, by Boroughs, in Dollars;  
add three 000's for the actual sum in Dollars

Year	Manhattan	Bronx	Brooklyn	Queens	Richmond
1910	\$2,905,201	\$265,774	\$ 596,150	\$200,180	\$ 33,822
1911	3,114,812	330,679	794,148	276,089	40,195
1912	3,127,852	332,945	786,159	277,644	38,756
1913	3,155,389	332,354	782,660	280,223	40,263
1914	3,161,949	336,116	783,859	280,678	40,249
1915	3,184,441	344,712	788,159	283,983	41,121
1916	3,133,955	350,506	795,747	289,994	41,600
1917	3,067,358	352,174	807,004	292,756	42,398
1918	3,047,602	351,455	808,696	296,461	42,261
1919	3,033,394	351,338	816,123	297,039	52,765
1920	3,061,515	356,334	834,470	303,094	50,804
1921	3,295,207	364,614	892,559	309,174	58,499
1922	3,315,723	366,880	814,608	318,944	59,843
1923	3,352,334	389,353	934,823	342,212	66,267
1924	3,459,593	399,780	985,872	393,736	72,674
1925	3,571,158	411,430	1,061,676	439,579	77,873
1926	3,749,159	432,043	1,234,517	564,187	88,723
1927	4,166,872	519,007	1,470,434	688,911	137,115
1928	4,438,318	601,616	1,569,040	776,772	143,810
1929	4,765,047	658,412	1,632,198	850,428	150,557
1930	5,238,909	689,670	1,723,780	926,560	152,868

Total Increase in Bare-Land Values, by Boroughs, in New York City, by Decades, from 1910 to 1930

	Years 1910 to 1919	Years 1920 to 1930
Borough of Manhattan	\$128,183,000.	\$2,177,394,000.
Borough of Bronx.....	85,604,000.	333,336,000.
Borough of Brooklyn....	218,723,000.	889,310,000.
Borough of Queens.....	86,859,000.	623,466,000.
Borough of Richmond..	18,943,000.	102,064,000.
Total .....	\$538,312,000.	\$4,125,570,000.

A total increase in the bare-land value of over four billions of dollars in a brief ten years is certainly significant in relation to the fact that it followed a new law directly

related to land and building stimulation. Furthermore, even at the absurdly low land assessment valuation that is New York City's custom\* this meant an increase in tax income of over 107 millions of dollars per annum.

Since the bare-land values of New York City increased by more than four-billions of dollars in that ten-year period there must have been a cause — for no law can make values; only supply and demand can do that. New York City has no timber rights, no mineral rights, and no fertility value. It has only one value, location in New York City where some seven million other people live and have their business being. It is because other people, millions of them, have built their homes there — or rent them — that New York City exists.

Thus it is well to look over the building that went on in New York City encouraged by this law of 1920:

Value of New Building in New York City from 1910 to 1929 by Borough:

Year	Manhattan	Bronx	Brooklyn
1910	\$ 96,703,029.	\$ 48,034,405.	\$ *
1911	98,537,275.	22,837,060.	*
1912	116,325,135.	34,644,400.	*
1913	73,970,685.	20,072,489.	*
1914	45,477,165.	16,347,382.	*
1915	64,652,869.	28,119,100.	*
1916	114,690,145.	16,725,582.	*
1917	29,068,525.	8,545,475.	27,613,290.
1918	8,507,000.	3,991,425.	6,431,622.
1919	72,283,061.	21,006,865.	9,142,394.
1920	96,199,860.	18,585,600.	56,326,632.
1921	121,032,441.	72,150,739.	114,298,575.
1922	140,941,677.	107,081,184.	194,301,755.
1923	178,981,460.	122,731,203.	264,836,260.
1924	258,761,585.	127,979,621.	218,167,790.
1925	370,776,504.	151,647,402.	238,420,165.
1926	310,625,870.	209,974,655.	267,561,025.
1927	259,100,515.	163,171,001.	208,102,435.
1928	323,913,420.	187,905,549.	182,762,850.
1929	543,882,265.	89,356,707.	130,095,210.

\* The tax rate here figured is upon a tax rate of \$2.60 per \$1,000. of valuation.

Value of New Building in New York City from  
1910 to 1929 by Borough: (continued)

Year	Queens	Richmond	Total for New York City
1910	\$ 15,144,377.	\$ *	\$155,881,810.
1911	22,212,255.	*	143,586,590.
1912	19,651,222.	*	170,620,757.
1913	17,521,235.	*	111,564,409.
1914	18,098,290.	*	79,918,837.
1915	20,316,392.	2,356,430.	115,345,000.
1916	20,099,683.	3,113,999.	154,621,000.
1917	11,635,253.	3,462,969.	80,323,000.
1918	2,644,221.	2,644,221.	39,431,000.
1919	46,022,687.	3,113,999.	151,566,000.
1920	38,092,548.	4,838,841.	214,040,000.
1921	80,769,085.	11,085,104.	399,334,000.
1922	138,828,764.	12,187,526.	593,338,000.
1923	106,137,420.	12,177,938.	714,862,000.
1924	160,518,388.	16,132,879.	781,557,000.
1925	*	12,263,485.	773,106,000.
1926	186,594,101.	13,090,976.	987,444,000.
1927	179,624,011.	10,580,011.	712,512,000.
1928	146,509,524.	15,638,515.	856,727,000.
1929	87,478,012.	9,526,093.	860,337,000.

The value of new buildings during the ten year period  
from 1920 to 1929 is as shown below:

Years — 1920 to 1929			
Manhattan	Bronx	Brooklyn	
\$2,600,125,634.	\$1,250,578,661.	\$1,873,881,819.	
Queens	Richmond		
\$751,649,853.	\$117,521,368.		

Grand Total of New Buildings for New York City: \$6,893,757,335.

That meant nearly seven billions of dollars for new buildings in New York City in a period of ten years. At least 60 percent of this was spent for wages in the city where these new buildings were erected. You can make your own figure as to how much was spent for the interior office, store and domestic fittings bought to equip these new buildings; merchants and business men made and sold these. It was a nice order for business; and New York City prospered greatly. It had, in fact, one of the biggest booms in its history; and one of the soundest.

We have noted the significant increase in bare-land values. We have also shown the official statistics for the equally significant increase in new building during the ten-year period following the passage of the Smith law\*.

It would be idle to study statistics on taxation such as these, and statistics yet to come, without giving their relation to our economic or everyday business life.

Therefore one should glance at the purely business and manufacturing effect of the statistics of the building industry in Greater New York for those significant ten years from 1920 on.

Competent analysts estimate the labor cost of any building as running from 60 percent to 70 percent of the total cost.

Thus let us assume a labor cost of building erection, on the site where the building is erected, at a reasonable 60 per cent. This cost goes, in wages, to the labor that actually puts the building together. Thus the wages paid to building-labor in Greater New York was a wages-fund, or pay envelope of nearly seven billions of dollars. New York wage-workers drew an average of nearly 289 millions of dollars each year from this building industry alone, during the ten years following the enactment of this tax law.\*

Incidentally, the population of New York City increased by over one quarter of a million. It was a solid decade of sound and unsurpassed prosperity so far as business and manufacture was concerned. The business history of New York has never known its equal, before or since. Now let us look at the effect upon wages and jobs.

And elsewhere throughout this nation such need for the materials for these buildings, from the lumber, the mine and quarry, have required labor. Wages have been paid that have added to the purchasing power in each of those communities. New York City could not have prosperity by itself. Such demands for building made upon business, and labor — and their wages and profits — created prosperity for others. Prosperity is not a one-man affair. True, it created a concentrated prosperity within new York City, and New York City

\* See page 27.

was the chief beneficiary of its own common-sense. That this is true is easily shown by a simple calculation as to the wages paid within the building industry of New York City.

A most moderate estimate of wages paid in erecting a building on its site is 60 percent of the complete cost, as previously stated. Therefore the calculation is a most elementary operation in determining the amount of wages paid to local labor.

Further, a portion of such wages-fund goes into savings, and it is upon such savings, stored capital or liquid capital that business, through banking, depends for its enterprise and the development of further wealth-production and the profits of prosperity. The dwelling, the home, is the basis of American citizenship. Similarly it is also the basis of the economic life of our nation.

#### Wages Paid

Tabulation of Wages Paid in Erecting New Buildings from 1910 to 1929, Based upon 60 percent of Cost of Erection From Values of New Buildings\*

Year	Manhattan	Bronx	Brooklyn
1910	\$ 58,021,000.	\$ 28,820,000.	\$ *
1911	59,122,000.	13,702,000.	*
1912	69,795,000.	20,756,000.	*
1913	44,382,000.	12,043,000.	*
1914	27,282,000.	9,808,000.	*
1915	38,791,000.	16,871,000.	*
1916	68,814,000.	10,035,000.	*
1917	17,441,000.	5,127,000.	16,567,000.
1918	5,104,000.	2,394,000.	3,858,000.
1919	43,369,000.	12,604,000.	5,485,000.
1920	57,719,000.	11,151,000.	33,795,000.
1921	72,619,000.	43,290,000.	68,579,000.
1922	89,565,000.	64,248,000.	116,581,000.
1923	107,388,000.	73,638,000.	158,901,000.
1924	155,256,000.	76,787,000.	131,900,000.
1925	222,465,000.	90,988,000.	143,052,000.
1926	186,375,000.	125,984,000.	160,536,000.
1927	155,460,000.	97,902,000.	124,861,000.
1928	194,348,000.	112,743,000.	109,657,000.
1929	326,329,000.	53,614,000.	78,057,000.

\* It is also of interest to note that, from 1920 to 1929 inclusive, there were 374,818 buildings erected in New York City at an average cost of \$18,125. — which high average is due to the great number of multiple dwellings erected. The average individual home in that period was definitely less than \$6,000.

#### Tabulation of Wages Paid in Erecting New Buildings: (continued)

Year	Queens	Richmond	Total
1910	\$ 9,086,000.	\$ *	\$ 93,529,000.
1911	13,327,000.	*	86,151,000.
1912	11,790,000.	*	105,372,000.
1913	10,512,000.	*	66,938,000.
1914	10,858,000.	*	47,951,000.
1915	12,189,000.	1,413,000.	69,207,000.
1916	12,059,000.	1,868,000.	92,772,000.
1917	6,981,000.	2,077,000.	48,193,000.
1918	1,586,000.	1,586,000.	23,658,000.
1919	27,613,000.	1,868,000.	90,939,000.
1920	22,855,000.	2,903,000.	128,424,000.
1921	48,460,000.	6,651,000.	239,600,000.
1922	83,297,000.	7,312,000.	356,002,000.
1923	63,682,000.	7,306,000.	428,917,000.
1924	96,311,000.	9,679,000.	468,934,000.
1925	*	7,358,000.	463,863,000.
1926	111,956,000.	7,854,000.	592,466,000.
1927	107,774,000.	6,348,000.	427,507,000.
1928	87,905,000.	9,383,000.	514,036,000.
1929	52,486,000.	5,715,000.	516,202,000.

It is also of interest to show the totals spent in wages to labor in each of the Boroughs during those preceding ten years and the ten years following the enactment of the wise tax legislation that took penalties of heavy taxation off of business and gave free enterprise a chance.

Amount of Wages Paid to Labor for Building Erection from 1910-1919, and 1920-1929.

	Years 1910-1919	Years 1920-1929
Borough of Manhattan .....	\$382,121,000	\$1,467,524,000
Borough of Bronx .....	153,060,000	750,345,000
Borough of Brooklyn .....	25,000,000	1,125,919,000
Borough of Queens .....	116,001,000	674,726,000
Borough of Richmond .....	8,812,000	70,509,000
Total .....	\$684,994,000	\$4,089,023,000

Thus, in the ten year period following the enactment of this scientifically designed tax law, there was paid to the building-trade wage-workers of New York City over four billions of dollars in wages, or wages over four hundred

millions of dollars a year! And the nation, as a whole, received wages in creating the building materials of some two-billion dollars more.

Preceding the enactment of this law there had been a building-wage amount for ten years of but a little over one-billion dollars (\$1.2 billions). Such a contrast needs no emphasis. Or should not either to the business-mind or to the perceptions of labor leaders. Yet it may be further emphasized that all this was by adequate and scientific legislation that gave full freedom to private enterprise. It was in neither Socialism or Subsidy.

### PART III

Since, as a purely business matter of analysis and record, purchasing power is brought down to terms of the per capita purchasing power of any community (advertising analyses are made and the per capita income of any group or any community is studied to find where the purchasing power is highest) it may be well to look at the purchasing power that followed this outstanding law of New York.

In using a **per capita** figure, care must be used; **per capita** figures are known to be deceitful, thus: I have \$1.00; you have \$1,000.00; thus our **per capita** wealth is \$500.50! The arithmetic is correct but the **per capita** has become nonsense.

But, the **per capita** for building expense is a correct use of the term and both a convenient and easy visualization by which to measure the buying power of a community.

Previously, in this little book, I have referred to the dangers of the **per capita** calculation; yet per capita in many cases gives a graphic picture of the spread of huge figures in statistics and brings it down to an appreciable level. When dollars run into the billions — as they must do in almost any Government scrutiny — they are so vast that they become as meaningless as light-years to the untrained mind.

The following table is interesting — certainly it should be to those businesses that deal in building supplies, to say nothing of those who manufacture the elements and implements that are used to equip a home or an office — for nothing calls on more varieties of manufacture than the erection and fitting of a home, an office building or a factory.

This is the table :

Per Capita Expenditure for New Buildings in  
New York City from 1915 to 1929.

Year	New York City	Year	New York City
1915 .....	\$37.02	1923 .....	\$69.57
1916 .....	51.30	1924 .....	65.96
1917 .....	13.87	1925 .....	85.78
1918 .....	11.85	1926 .....	68.64
1919 .....	35.13	1927 .....	67.99
1920 .....	26.90	1928 .....	63.07
1921 .....	34.22	1929 .....	50.22
1922 .....	68.36		

Here, again, the increase due to the enactment of this scientific legislation is clearly shown. The sluggishness of business and private enterprise before, and its prompt upward response after the law cannot be ignored or brushed off.

Since Greater New York is composed of five Boroughs — each formerly a county — it would be well to compare each of these five Boroughs in detail, and their relation to the Borough of Manhattan which is the center of the entire structure of Greater New York. Manhattan is primarily the business and manufacturing center of Greater New York.

Brooklyn, Queens and the Bronx are not infrequently referred to as the "bedroom" of Manhattan, because of the enormous flow of citizens to and from Manhattan each morning and evening of the working day. Thus the reflexes, in detail, of the effect of the enormous building operations following this law may be analysed by the presentation of these statistics drawn from the official records. And the comparison with the years preceding 1920 give even greater emphasis as to what may be accomplished for the prosperity

of a community by and through the application of scientific taxation.

This is the tabulation:

Per Capita Amount Spent for New Buildings in New York City from 1915 to 1920, by each of the Five Boroughs Comprising that City

Year	Manhattan	Bronx	Brooklyn	Queens	Richmond
1915	\$ 28.03	\$ 47.27	(not given)	\$ 53.02	\$ 23.02
1916	49.84	26.80	(not given)	49.95	29.48
1917	12.66	13.05	\$ 14.38	27.61	31.87
1918	3.71	5.82	9.11	14.60	23.64
1919	31.19	29.31	4.57	10.01	27.08
1920	42.16	24.86	27.63	79.59	40.97
1921	53.11	92.68	55.01	162.29	91.42
1922	62.03	132.27	91.30	268.65	97.96
1923	78.97	146.01	122.79	179.41	95.47
1924	129.17	150.76	100.44	238.48	119.85
1925	190.62	173.97	108.17	240.79	88.61
1926	165.45	232.80	119.42	244.32	91.77
1927	142.77	176.19	91.49	220.00	72.14
1928	184.93	191.01	79.16	171.46	103.80
1929	321.93	90.66	55.52	97.22	61.58

Let us go further in this per capita comparison. For there were other cities that existed in those same years and that were subject to the same national economic fluctuations. Let us take four cities whose combined population closely approximated that of New York City during those years. Chicago, Philadelphia, Boston and Minneapolis meet those conditions. And here is their per capita for new buildings:

Per Capita Expenditure for New Building in Four Cities, Chicago, Philadelphia, Boston and Minneapolis, of an Aggregate Population Approximating that of New York City, Compared with New York City:

Year	Four Cities	New York City
1915	\$37.02	\$ 37.83
1916	51.30	39.01
1917	13.87	19.91
1918	11.85	11.37

Per Capita Expenditure for New Building in Four Cities:  
(continued)

1919	35.13	20.43
1920	26.90	43.04
1921	34.22	90.90
1922	68.36	130.44
1923	69.57	124.52
1924	65.96	147.74
1925	85.78	160.43
1926	68.64	170.75
1927	67.99	140.91
1928	63.07	146.07
1929	50.22	125.38

Only one of these cities had a law to encourage building, New York City — all other factors are equal; all experienced the same economic flows and stresses during the same identical years.

Again let us go further into the detail in order to make a more scientific comparison. Let us take the per capita for each of the cities, separately:

Per Capita spent for New Buildings in Chicago, Philadelphia, Boston and Minneapolis, compared to New York City, from 1915 to 1929:

Year	per capita Chicago	per capita Phila- delphia	per capita Boston	per capita Minne- apolis	per capita New York City
1915	\$ 39.48	\$20.60	\$40.48	\$47.54	\$ 37.83
1916	44.02	28.59	67.52	65.09	51.30
1917	19.13	18.85	31.81	25.70	14.87
1918	13.27	8.61	10.90	14.64	7.18
1919	38.94	36.04	31.57	45.97	27.18
1920	29.67	19.55	23.64	34.64	38.08
1921	45.00	15.26	25.75	50.89	69.41
1922	76.95	53.35	66.19	66.95	101.60
1923	111.17	56.53	45.03	69.56	120.59
1924	99.44	62.59	54.87	46.95	134.04
1925	127.19	77.62	76.55	61.76	131.54
1926	119.70	62.28	52.53	40.60	165.00
1927	113.97	50.63	63.85	43.53	137.32
1928	99.83	48.46	60.01	44.00	141.25
1929	64.51	46.15	54.08	36.17	143.64
Average from 1920 to 1929	88.74	50.23	53.24	49.38	113.39

All of the above cities are manufacturing cities. Boston is an important port; so is Philadelphia. Chicago is an inland shipping point and center, so is Minneapolis. Thus the difference in the per capita purchasing power for building erection becomes the more startling and significant. For only one city had a law to encourage building — all other factors are equal; all experienced the same economic stresses during the same identical years.

There is another comparison to be made, that with other leading cities throughout the United States. This will give a national horizon for estimating the effects that intelligent taxation of a scientific character will have upon business, labor, and manufacturing enterprise. Let us take the cities of the following table — a representative group covering manufacturing, business distribution, port, shipping and distributing enterprise and observe the results that this famous law had in Greater New York.

It is well to emphasize the fact that this **per capita** expenditure for each city is the amount actually paid out in wages and purchases for the creation of new wealth — new lumber created, new cement, bricks, paint, hardware, and all the interior equipment. It meant wages paid for all these and for their transport, and for their erection into a building. It meant a radiating prosperity for business.

It is reasonable to note that, for the years given in the tabulation, the national economic factors, of peace, war and its aftermath, were the same. The economic rain fell upon the just and the unjust. Kindly note that New York City was in the lower brackets for new building expenditure for many years. Thus the tremendous impetus of the tax law from its enactment in 1920 cannot be ignored. New York City outstripped Chicago and Detroit (in Detroit the auto industry accounts for its growth) and in every year, but one, New York City with its progressive and scientific tax legislation easily led the nation in per capita building expenditure; and by high and definitely significant amounts. Scientific taxation encourages wealth production, it stimulates business and private enterprise. And it can start prosperity and can also maintain it. These official statistics indicate that plainly:

# Per Capita Expenditure for New Buildings from 1915 to 1929

	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929
Baltimore	\$15.90	\$17.50	\$10.02	\$ 8.65	\$24.13	\$32.10	\$38.96	\$17.87	\$42.44	\$48.55	\$49.69	\$43.60	\$27.67	\$31.89	\$30.05
Boston	40.48	67.52	31.81	10.90	31.57	23.64	25.75	66.19	45.03	54.87	76.55	52.53	63.85	60.01	54.08
Buffalo	25.19	28.80	21.63	14.19	25.93	21.66	34.74	45.58	51.20	25.78	43.04	45.92	57.33	41.88	41.03
Chicago	39.48	44.02	19.13	13.27	38.94	29.67	45.00	76.95	111.17	99.44	127.19	119.70	113.97	99.83	64.51
Cincinnati	34.06	27.36	23.01	10.68	22.61	21.49	32.99	56.48	25.35	48.64	67.25	60.86	62.56	74.16	68.42
Cleveland	47.38	46.48	41.39	21.49	60.74	74.65	48.18	55.31	69.66	60.35	63.72	58.00	37.16	46.54	27.70
Detroit	44.01	64.75	45.88	19.90	85.73	62.39	46.30	83.52	116.15	127.74	137.10	131.65	99.03	85.18	61.66
Indianapolis	25.84	31.27	24.07	15.03	41.20	39.76	49.22	73.50	70.07	57.81	60.83	43.91	52.98	50.65	34.51
Jersey City	18.84	17.41	9.05	14.42	15.33	14.45	38.28	62.72	62.66	58.66	75.42	62.20	38.92	39.86	41.41
Kansas City	36.89	38.93	32.22	18.08	29.78	34.40	36.16	59.68	66.49	56.56	101.98	53.78	34.31	13.21	35.64
Louisville	17.53	16.60	7.54	8.62	17.65	26.54	31.29	70.69	73.19	59.16	93.58	61.24	67.61	46.94	33.56
Milwaukee	27.31	30.19	25.70	12.30	44.13	24.95	49.20	59.96	84.89	66.62	51.38	57.25	63.41	58.37	59.32
Minneapolis	47.54	65.09	25.70	14.64	45.97	34.64	50.89	66.95	69.56	46.95	61.76	40.06	43.53	44.00	36.17
Newark	25.06	26.21	23.62	13.20	48.90	48.01	37.84	61.07	70.19	83.34	77.52	80.21	100.80	62.06	50.51
New Orleans	8.06	8.42	7.50	4.66	13.64	23.14	18.86	32.10	31.41	36.44	36.37	40.70	32.60	22.96	23.26
NEW YORK CITY*	28.45	29.15	14.87	7.18	27.18	38.08	69.41	101.60	120.59	134.04	131.54	165.00	137.32	141.25	143.64
Philadelphia	20.60	28.59	18.85	8.61	36.04	19.55	15.26	53.35	56.53	62.59	77.62	62.28	50.63	48.46	46.15
Pittsburgh	25.26	23.85	19.73	13.70	25.20	23.31	29.76	40.11	47.91	45.42	74.04	58.54	43.96	52.28	42.31
Rochester	35.78	35.57	24.98	7.06	32.95	27.65	47.41	49.16	63.61	80.06	78.34	56.37	62.67	47.79	34.14
St. Louis	15.58	20.81	16.97	8.35	26.72	17.20	16.12	26.89	45.07	42.89	59.03	40.29	41.81	45.06	26.06
San Francisco	30.08	37.60	32.33	16.08	30.22	41.93	36.75	64.80	77.99	72.98	82.83	89.93	72.48	57.79	49.13
Seattle	23.09	28.80	22.72	35.84	50.02	34.56	33.50	55.92	63.18	—	—	97.83	68.58	79.70	58.06

\* Note the low building expenditure of New York City prior to the passage of the building law in 1920 — and the immediate effect thereafter.

## BUSINESS — AND TAXES

Business is being taxed so heavily as to menace private enterprise, initiative, and the development of wealth production.

Every business man knows that.

The heavy taxation against business drains off the jobs before they are born.

It drains off capital that is needed for the business expansion and further wealth production. It lessens this very production which is the source of wages. For wages are the means by which the purchasing power of the nation, and its business and prosperity, are created and maintained. Plenty of wages and jobs means prosperity for business because they mean plenty of wealth production.

Yet our taxation is levied against business and wealth production. "The power to tax is the power to destroy".

When the law\* was enacted in 1920 it gave a striking stimulus to the building industry in Greater New York as the official statistics prove. Thus, following the enactment of such law Greater New York in the following ten years erected buildings to the value of over 6 billions of dollars (\$6,893,757,335.00). Yet the preceding decade only produced 1.2 billions of dollars of building erection — or less than 20 percent of the new building following the enactment of the law of 1920. (\$1,192,858,403.)

Thus we have a situation that is no problem.

The answer is automatic. When the tax was taken off of business enterprise; private business enterprise stepped in and functioned freely; it needed neither subsidy nor favors for sacred political cows. Private enterprise merely needs relief from strangling and blundering taxation.

Taxation must not be levied against the business of wealth production and distribution. That is, unless it favors hari-kari and is against its own wealth-production and prosperity.

\* See page 27.

Scientific taxation is payment to the Government for services provided by the Government, and according to ability to pay, measured in terms of those services.\*

When tax laws are modeled or based upon those sound scientific and equitable principles we shall progress to a more stabilized economic health and steadier business prosperity.

## THE WAGE WORKER — AND JOBS

Every wage worker is dependent upon his wages. His wages are dependent upon the production of wealth — or the opportunity to produce wealth. In other words, his wages are dependent upon having a job, for it is his job that produces wealth.

And having a job is dependent upon the buying power of others to buy the wealth so produced; and, without jobs, the others cannot buy. Any tax upon the wealth produced by wage-workers increases the cost and thus lessens the buying power and thereby lessens the need for jobs. Thus such methods of taxation against business clearly and vitally concerns the wage worker.

It was St. Paul who said, "No man liveth or dieth unto himself alone." This is entirely true of economics. Wage workers cannot prosper without jobs and wages, and any taxation against wealth production lessens their wages or their jobs; or, likely enough as official statistics prove, both.

\* This is to foreclose those bachelors — or business visionaries — who think that they should be exempted from taxation for schools since they have no children. They have a private right to have no children, but they should not be exempted from their share of the school system by which better citizenship is made available for their associations. Such thinkers would put an anti-social premium upon sterility — which is not altogether unlike our present tax methods. There must be no deadheads in our nation.

Suppose New York State had not enacted the law\* in 1920? There would not have been as many homes and buildings erected in the ensuing ten years. There would have been less digging, less mason work, less bricklaying, less plastering, less carpentering, less painting, less plumbing, less rug and textile weaving for the homes, less curtains for the windows, less furniture needed for the rooms, less jim-cracks and knicknacks for the homes — and all of these would have meant less jobs to produce such homes and the goods within them. Then, also, there would have been less railroading and freight cars to haul them, less truck-driving to deliver them, less lawns, less seeds and plants, less tools, and less odd jobs to keep the old home-place pleasant — less work all around because of taxes against the creating, the buying and the selling and the transporting of wealth produced by and through the jobs for which wages are paid. Therefore less buying power.

From 1921 to 1930, inclusive, there was over 6 billions of dollars for new buildings (\$6,893,757,335.) in Greater New York City, while within the previous 10 years the building was but 1.2 billions of dollars (\$1,192,858,403.). Such official statistics are important proof and of high significance to wage workers and employers.

A moderate estimate of the cost of erecting a new building, on any site, is about 60 percent of the total value of the edifice. Thus from 1920 there were wages paid in Greater New York to building trade of over 4 billions of dollars. Yet this does not take in the cost of equipping the buildings with furniture or the interior essentials when the tenants or owners moved in.

Taxation is a vital matter to both organized and un-organized labor. It cannot, for labor's own interest and the security of the wage-worker, afford to permit taxation to be levied against the wealth produced by labor. The present blundering taxation practice is nothing, in plain logic and statistical analysis, but taxation levied against the use of labor for the jobs that earn wages. To continue to permit even adroit speculative devices to escape with high profits and

\* See page 27.

nominal tax contributions puts a premium upon tax-dodging and a prejudice against wage-earner jobs that pay wages, against building a sound buying power, and against the production of wealth.

When taxation is levied against business, it is levied against the employment of labor, against the market for jobs, and against the welfare and prosperity of our whole economic fabric.

We cannot tax ourselves into economic prosperity by taxation against the wealth production that creates prosperity. Taxes levied against wealth production are levied directly against the jobs that produce the wealth.

Taxation must not be levied even indirectly against jobs that produce the wealth and establish our national buying power.

The scientific principle of taxation is payment to the Government for services rendered by the Government, and according to ability to pay measured in terms of those services.

## THE FARMER — AND TAXES

The farmer is a sucker for taxes.

The farmer is the most heavily taxed group in the country. And he is contented about it! Very contented indeed.

Every tax dollar the farmer pays is wholly a tax on his labor and skill and prudence, on his thrift. He thinks he owns valuable land! Yet his farm land is valuable only because he puts in fertilizer each year, because he ploughs and drains and fences and repairs. What is an abandoned farm worth? He is busy with his labor, and the busier he is with his labor the more his taxes. He is taxed on his labor.

The original fertility of his acres has long since gone; the fertility is due to his labor each year, to purchase of fertilizers and his labor of ploughing them in, and of farm upkeep. Test it — see what a brush-and-golden-rod farm is worth? It is no bonanza and every farmer knows it; it isn't worth its taxes, and every farmer knows it.

BUT — the farmer thinks he is putting it all over the city slicker in matters of taxation. Yet the city has single plots in New York City the value of which would buy all the farms of any rural county in the State. Yet the city slicker does not have to fertilize, or plough, or drain or fence. He just sits and pays far lower taxes on his plot because he is not paying on any labor value in the plot! But the farmer is paying taxes, and high ones, almost wholly on the labor and work he puts into the farm.

The farmer thinks, in matters of taxation, that because he owns land by the acre that to tax his land would make him pay more taxes than the city slicker! But the farmer should bear in mind that he, the farmer, is paying taxes on his labor while the city slicker only pays taxes on a location value, and not any labor-value as does the farmer.

For the city slicker plot has the value called **unearned increment**, while the value of a farm is, each year, a **labor increment**.

The farmer pays taxes on his labor increment. The city plot pays no taxes on his plot's labor increment; it pays comparatively a trivial tax on its unearned increment; it is not ploughed, fenced, drained or fertilized; but it has a value far in excess of anything that fertilizer or crops or pasture could yield.

True, both farmer and city slicker pay taxes on the buildings on the land. But this is, as the preceding facts and statistics in this booklet prove, this is a tax **against** industry and labor. For the more industry and labor expended the higher the tax. And taxation levied against industry, whether of the labor of the farmer or of the city business man or

manufacturer, is destructive in its effect upon wealth production and the buying power that jobs make. The city man, with his higher basic land values can far more easily stand this kind of taxation against industry and wealth production than can the farmer. For the farmer has no unearned increment; the city man has.

Thus the tax laid on the farmer is against his cows, on his orchards, on the fertility he buys and ploughs in, and against his fences and his silos and barns and home, on all of the labor he puts into his farm and its fertility. And his taxes are only slightly on the land unless it is already mapped for town lots.

How many farmers have farms, and farm them, that are city lots!

No wonder the city slicker likes the tax systems the way they are now with the farmer always contentedly "it" in this tax-game of blind man's buff.

The farmer has chilled his milk, sprayed his orchards, has drained his fields, kept tight barns and gets every progressive device there is, but in tax matters he clings to the "soak the rich" theory which actually bears its heaviest percentage against him, himself! The "soak-the-rich" theory, which does not soak the rich because they can afford it; but it does tax him on his own labor values. He has no unearned increment. This unearned increment, which the city land owner has and in vast value and volume, is lightly taxed while the farmers' labor increment is the sole basis of farm taxation.

Taxation should not be merely a form of confiscation — as the farmer now accepts it.

Scientific taxation is payment to the Government for services rendered by the Government and according to ability to pay measured in terms of those services.

## HERE IS THE LEGAL STATUTE THROUGH WHICH PRIVATE ENTERPRISE CAME

This is the law passed by the Legislature of New York State in April, 1920. It needs no comment. The official statistics set forth, and analysed in the preceding pages, speak for themselves. Those ten years were no boom-and-bust era for New York City. When the bust came in September, 1929, it was the bust of a mad, runaway, speculation in stocks that hypnotized and borrowed all the dollars and credit there was in the nation. Call-money for stock-speculation ran over 20 percent! Credit shrank for builders pay rolls as well as for all business. For what business can compete for credit against such rates and terms!

The actual wealth producing energies of the nation had to compete for loans, by which wages are paid before a building is completed, with such fantastic speculative call-money loans.

We borrowed ourselves into bankruptcy; bet ourselves into the depression.

We bet on stocks instead of building buildings.

A building, its materials, its erection, its fittings and then its furnishings and equipment bring into play more wealth-producing energies throughout our entire nation than any other single industry. And these shrank as capital sped into Wall Street.

It is pleasant to bet. But business cannot bet itself into prosperity. For business, the only road to wealth and prosperity is through the production and distribution of our economic wealth.

So set forth here is the law that definitely brought an unparalleled prosperity to the vast City of New York. It was a sound economic prosperity, sound because it produced jobs and the jobs produced payrolls, and the payrolls meant

purchasing power. Purchasing power is the measure and the means of our national welfare and prosperity.

If business does not want prosperity it should keep shy of any form of scientific taxation. It should go on as it has through the centuries, looking neither to the right nor to the left though with perhaps, an occasional glance backward. If they do not want prosperity for all they will find that they cannot keep it for themselves — no man liveth or dieth unto himself alone. The choice for business is between science and ignorance — the same as it is for all of us.

And this, herewith, is the law that made this book essential:

### 4-b. "EXEMPTION OF NEW BUILDINGS FROM LOCAL TAXATION:

"The legislative body of a county, or the legislative body of a city with the approval of the board of estimate and apportionment, if there be one in such city, or the governing board of a town, village or school district may determine that until January First, 1932, new buildings therein, planned for dwelling purposes exclusively, except hotels, **shall be exempt from taxation for local purposes** other than for assessments for local improvements during construction and so long as used or intended to be used exclusively for dwelling purposes, or if a building of four stories or more in height, used exclusively for dwelling purposes above the ground floor, provided construction was complete since **April first, 1920**, or, if not so completed, that construction be commenced before April first, 1925 and completion for occupancy be effected within two years after such commencement, or if in course of construction on September twenty-seventh, 1920, within two years thereafter, or if a building three stories in height, used exclusively for dwelling purposes above the ground floor, provided construction was commenced since April first, 1923 and before April first, 1924.

"The provisions of this section shall not be construed to preclude such legislative bodies from granting exemptions which do not exceed the exemption authorized by this section. Any such limited exemption heretofore granted by any such legislative body, intending or purporting to act under the authority conferred by this section is hereby legalized, validated and confirmed.

"For the purposes of this section, construction shall be deemed commenced, when the plans have been filed with the proper authority and excavation actually and in good faith begun. The owner or architect may file with the authority with whom the plans are filed, a statement in writing setting forth the date of filing plans and the date when excavation was actually commenced; and said authority shall forthwith cause said facts to be investigated. If said statement on such investigation is found to be true, said authority shall thereupon issue to such owner or architect a certificate setting forth the date when the plans were filed with him, and the date when excavation was actually commenced, which certificate shall be conclusive evidence of the date when construction was commenced, for the purpose of obtaining the benefits of this section."

New. Added by L. 1920, ch. 949. Amended by L. 1921, ch. 444; L. 1922, ch. 281; L. 1923, ch. 243, ch. 337; L. 1924, ch. 87, in effect April 1, 1924.

②

