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MAY, 1902.

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REAL AND FICTITIOUS CAPITAL—My Dictatorship.
Editorial Comment.

Frank Vierth, Publisher, Cedar Rapids, Iowa.

9124

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While the date forms a very im-
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have noticed that we are apparent-
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THE BUGS AND THE BEES.

By W. A. Douglas, B. A.

As the farmer went round 'mid his plants and trees,
He saw the bugs and he saw the bees.
"Oh! the pesky bugs, they'll ruin my crop,
With poisonous dose their work I'll stop.
But the bees I'll shelter and keep alive,
With the best of food and the best of hive."

With poison his trees and plants he sprayed,
And thus the pesky bugs he slayed;
Each swallowed his draught and said "here goes,"
Then rolled on his back and turned up his toes.
The farmer laughed in boisterous glee,
"Requiescat in pace, O! bugs," said he.

The farmer toiled from day to day,
He garnered his oats, his wheat, and his hay;
With busiest might he toiled each hour
To catch the shine, or to catch the shower.
"In the human hive I'm a busy bee,
But a pesky bug, well, that's not me."

His neighbor he saw who dwelt near by,
Raise never a crop, nor goods supply;
But only a sign did tell this tale
To every one, "Here are Lots for Sale."
And the farmer said as his ground he dug,
"My neighbor's no bee, he's only a bug."

In the human hive there are bugs and bees,
 For some must toil while others may squeeze,
 While some are raising the wheat or rice,
 Others are raising naught but a price.

While some like bees enrich with their toil,
 Others, like bugs, live only to spoil.

Then the taxer came with the 'Sesser's roll,
 He comes to each to gather his toll;
 The man who makes improvements great
 Must pay the most to support the state.

But when improvements there are none,
 We'll place the taxes lightly on.

The farmer stamped, the farmer swore,
 Said he, "I'll have this tax no more.
 This taxer ain't worth his bread or cheese;
 He don't know which is bugs or bees.

If he had a farm, the stupid plug,
 He'd poison the bees and feed the bug."

A Single Tax View of Trusts

By Louis F. Post.

We recognize that there might be such a thing as a good trust. There might be commercial combinations that would reduce prices by economizing. They would indeed displace men, as machinery and other labor-saving methods do; but under just and normal conditions, there would be abundant opportunities for all who were displaced. Immediate demands for them in kindred occupations would constantly exceed the supply. Such trusts would tend to improve social conditions, instead of making them worse. Those are the kind of trusts which our pro-trust friends have in mind when they defend the trust. But in fact there is no such trust in existence to-day, and under prevailing industrial conditions there can be no such trust.

The trust question as it faces us is not a question of business combination. It is a question of legal monopoly. If competitive conditions prevail, com-

binations of competitive businesses would do no harm. They would have to do good or they could not keep the combination alive. But when businesses control legal monopolies and form combinations of these, then you have harmful trusts. And that is the kind of trust we have to-day—the kind of trust of which we complain. The trust question, I repeat, is at bottom not a question of business combinations, but a question of legal monopoly. It is not to be dealt with by restrictive laws, operating upon methods and effects. That would only make bad conditions worse. You have got to get beneath the methods and effects and get at the causes of these bad trusts. You have got to strike at the monopolies which give them their power. Abolish the legal monopolies that underlie trusts, and trusts will disappear.

Take any trust which on its face seems to be a combination of mere competitive interests. If it were so in fact, it would be a good or at least a harmless trust. But scrutinize it and you will find that somehow, directly or indirectly, it depends for its power upon monopoly. It may have no monopoly by name. It may simply be taking advantage of general laws. It may depend, for example, upon

the restrictions upon free competition which are imposed by tariffs. To the extent that the tariff narrows the field of competition, to that extent it fosters trusts. One of the very objects of the tariff is to produce that condition of strangled competition without which trusts could not live. If we wish to get rid of the trusts, we must sweep away the tariff and make trade as free between the people of the world as it is between the people of our states.

While single tax men demand the abolition of the tariff—offering in its place for revenue purposes an infinitely wiser and juster system of taxation, they do not suppose that the abolition of the tariff would abolish all trusts. It would abolish a good many, and weaken the foundation of a good many more. But trusts would still be fostered by other and more direct systems of legal monopolies.

Take the railroad for instance. That is a highway, and in private hands is a highway monopoly. The monopoly is not in the cars, or tracks, or tunnels, or buildings, or anything of that sort. It is in the right of way—in the land that constitutes the "way" as distinguished from the structure. These highways connect places, and to control them is to

control traffic. Railroad corporations can form oppressive trusts because they control highway monopolies.

They can and they do more than that. They make exclusive contracts with business concerns, which form trusts upon the basis of special railroad privileges. One of the most familiar examples of this sub-letting of railroad highways is furnished by express companies. Express companies thereby acquire monopolies of right of way, and can form oppressive trusts by combining these monopolies into one. Express companies are only one class of concerns deriving monopoly privileges in that way. There are others. The Standard Oil trust built up its power in precisely that way. The cracker trust is said to have privileges of this kind. And doubtless, if you inquire closely, you will learn that many a trust with an innocent face derives its power from railroad privileges. Highway monopolies, then, must be abolished, if we would free ourselves from vicious trusts.

But even if that were done, trusts would still have a firm foundation to build upon. No trust can perpetuate itself *unless it gets its feet upon the ground*. All the advantages of tariffs and railway

privileges and other monopolies will not avail trusts that come in conflict with hostile trusts which monopolize sources of supply and distributive points. Monopoly of land, then, is the ultimate basis of the trust. It is an absolute condition to success that the trust have its feet upon the earth.

This has been discovered by the great trusts. The steel trust and copper trust go back to the land and make ore mines part of their property, while the coal transporting trust of the anthracite region is careful to secure not only highways but coal mines. Railroad monopoly itself is being subjected to the more powerful monopoly of land at terminal points.

Let us follow the idea a little further. The control of trusts by trusts is clearly among the possibilities of trust development. As partnerships have merged into corporations and corporations into trusts, so will trusts merge into trusts of trusts, and finally into one all powerful trust. That is the tendency. It is already manifest, and will be a thing accomplished unless we kill the trust system.

Suppose, for example, that the steel trust should reach out until it controls all the ore mines. It would then have its feet upon the ground, and no competitor in the steel business could cope with it.

But it must use coal, and here let us suppose, is one coal trust which has reached out until it controls all the coal mines. It, too, has its feet upon the ground. Suppose now that the interests of these trusts collide, and what would be the outcome but the consolidation of the two into one? That illustrates the trend of the trusts. And if not stopped, that trend will persist until the organization of trusts and their absorption into trusts of trusts eventuate in the ownership of all business by some gigantic combination.

To that triumph of the trusts most socialists look forward with satisfaction. They see in it the opportunity of the people to take possession not only of the earth but of the artificial instruments of production also, by dethroning the single trust under whose control all business will have come. But there is no real cause for satisfaction in that. As the evolution of the trust proceeds, trust employes become in greater and greater degree mere voting machines. It is not their convictions as citizens that they register at the polls. They vote as they are ordered to. This condition would be enormously worse if the development of the trusts proceed even approximately to the point of a universal trust. And when

the time came to dethrone trusts, the voice of the people would be stifled. The trusts themselves would decide the issue. They would do it through the army of dependent voters whose livelihood they would control. It might be that they would decide in favor of the substitution of such a government trust as the socialists look forward to. But if they did, they themselves would fix the terms. All land and all machinery might by their consent and with the votes of their dependents be turned over to the government, but it would be for a price that the trust magnates would dictate and to a government which they would control.

It is not by waiting until trusts own everything and then taking it from them that the trust question must be met. We must kill the trust by securing in time the point of vantage toward which it is advancing. We must keep its feet off the ground.

Since trusts, in order to survive, must get their feet upon the ground, must control the earth at the points of supply and the points of distribution, the abolition of all monopolies except land monopoly would fail to abolish them. By acquiring control of the land they would control everything else. So it is that single tax men, though they would abolish

the tariff, though they would abolish highway monopolies, though they would repeal every law that creates or supports monopoly, they would not stop there. They would strike at the mother monopoly of all. They would abolish the monopoly of land.

To do that they propose nothing revolutionary. Revolution is not necessary. All that is necessary is to tax into the public treasury the peculiar value that attaches to especially advantageous locations. If that were done, no man or combination of men, whether incorporated or not, could monopolize the sources of supply or the points of distribution without paying annually to the public the value of the privilege. That would deprive them of all advantage over others. It would lift their feet off the ground.

You remember the classic fable of Hercules and Antæus. Hercules with all his strength could not conquer Antæus so long as Antæus could touch the earth. But when Hercules discovered wherein the power of his adversary lay, he lifted Antæus from the earth and then destroyed him with ease. The trusts are the modern Antæus. Let the people lift them from the earth and the battle against them will be won.

Real and Fictitious Capital

Chapter VIII "My Dictatorship."

"Wonderful! You must be a magician," exclaimed the socialist, as soon as the last deputation withdrew.

"I can hardly believe that these people have surrendered their capital so meekly otherwise than under the influence of some magic. Seriously, have you hypnotized them?"

"It would seem so; but the only magic I have made use of is the application of natural principles in the regulation of the relations between man and man."

"That hardly explains why such a selfish set of people as most capitalists are should surrender the power they had of robbing the community."

"Because they are selfish, and because, having no longer a profitable monopoly, they do not care to provide people with water. You speak of them as 'capitalists.' In a sense they were capitalists; but

how much do you think their *real capital* amounted to?"

"Millions. Many millions. They were kings—water kings."

I smiled, and handed him the estimate I had just received from the surveyor, which gave the total of the waterworks at \$175,000. He looked at me in amazement.

"This," I said, "is the full value of their plant, buildings, engines, pipes, and meters, all included."

"And what has become of the rest of their capital?" he asked.

"The rest you can get at the price of waste paper, since it is nothing else, and never was anything else. For that which you still call 'capital' consisted of nothing but parchments and papers—the bogies of which you and your school are so terribly afraid."

"But these shares represented capital."

"Very little indeed; and so far as shares represented real capital—that is, wealth in some form or other—it was harmless. But such shares as those of the water company, or the title-deeds of land, represented no *existing* wealth at all, but wealth to be produced in the future. That is, the holders of such deeds had a *lien on future production*."

"I do not quite follow your meaning."

"I will explain then. Suppose I owned you narrow footpath leading down to the river or lake, and that this enabled me to levy a toll on every passer-by before I allowed him to quench his thirst. You, seeing I am doing a profitable business, propose to buy me out. I agree to sell—but what? Not the toll I have already collected, but the *opportunity of levying toll in the future*. I speak to you thus: My revenue from this river is \$500 annually; but the city is growing, and this the only source of water for miles. As people increase, so my toll-money must increase. Hence I want you to pay down equal to what I think I might be able to collect in the next twenty-seven or thirty years; or, in round figures, I require \$15,000 for 'my property!' This at once constitutes me a 'capitalist' to that amount; yet the only real capital I have, that is 'wealth' in the shape of human labor, may consist in a gate to lock out the people. In the course of events, natural opportunities are declared common property, and the revenue derived from them goes into the public treasury. What offer would you then make me for my property?"

"None at all; excepting, perhaps, a few shillings for your wooden gate," he said laughingly.

"Precisely. And that explains why the shares of the water company have fallen from \$600,000 to \$30. You know now what has become of their other capital. In other words, it had no existence except on paper. You will clearly understand, of course, that by real capital I mean something that is due to human exertion—accumulated labor; that is, wealth to which its rightful owner is entitled by virtue of his exertion."

"Well, all wealth is due to labor, for that matter."

"No, it is not. This is a great and fundamental error on your part. Labor has the smallest part in the production of wealth."

"What!" he exclaimed in surprise, "wealth not due entirely to labor, when you yourself admit that capital itself is only accumulated labor?"

"Oh, bother capital! It is a perfect Mrs. Harris in political economy. The two factors in the production of wealth are *labor* and the *forces, or raw products of Nature*. Without the latter the former is absolutely impotent. Without the former but little is to be had. These two factors then—*Nature* and *human labor*—co-operate everywhere,

though in variable proportion in different localities, in the production of these commodities men require. These commodities you may call wealth, or capital, or whatever else you please. Where Nature co-operates more freely, men are well off. Where Nature's share is less, men are worse off. But in most cases the greater part is done by Nature. Woe betide the people who are so situated that labor has to do the greater part of the work."

"Do you know of such a place?"

"Yes, Aden, for instance, which is lying in a desert. Their very firewood has to be fetched in small bundles on camels from a distance; and their drinking-water has to be distilled from sea water, and is sold by hawkers from house to house as milk is in our streets."

"But how does that bear on our question?"

"It has an important bearing on it. You and many others were always clamoring for 'the fruits of your labor.'"

"Of course; and so we are still."

"Well, if you had 'the fruits of your labor' only, you would be worse off than the people of Aden; for these folks have at least the sea water for nothing. What you should have asked for is *free access*

to Nature and an equal share in the bounties of Nature. The fruit of your toil would then be yours as a matter of course, since then no one could enslave you."

"And you think you have effected this with the single tax?"

"Certainly. For whatever of value is due to Nature now goes to the community, and the expenditure of the revenue thus derived, benefits all alike. And all having an equal interest in the spending, care is taken that it is usefully employed. All being thus placed on an equality as regards the opportunities of production, no one can lord it over the other. In other words, now a truly free contract between buyer and seller, employer and employe, is possible."

"But still there will be some more skillful than others and thus produce more."

"Yes, and these are the very men we wish to encourage, to be emulated by the others. What we have achieved by the single tax is this: The road is now open to all, and every one can run as fast as he pleases. The fastest runner will get the highest prize, but no longer at the expense of those less gifted. Nor can he by being the fastest runner,

prevent others from reaching the same goal, though perhaps a little later. He can shut no gate, and erect no barriers. The road is to remain open to all and forever. There is a prize for every one in the race, and the magnitude of the prize is determined by everyone for himself. Blanks there are for only those who are too lazy to take part in the race."

"Answer me another question. Why is it that you have not taxed the Water company for the use of the river? For, according to your view, this is a natural opportunity."

"It is. But we charge only for natural opportunities that are monopolized. These people do not now monopolize the water, but supply it to whosoever wants it. They simply act as carriers, and anybody else can do the same. If we charged them for the water, would we not tax those who use it?"

"Yes. And since the water is used by a portion of the nation only, whereas it belongs to the whole, should not those who enjoy it pay for it?"

"Oh, that is what you mean. There you are right. But then the people do pay for that already; since whatever advantage there is in being near a river attaches to the value of the ground occupied."

"I hardly see your point."

"And yet it is plain enough. Suppose there are two blocks of land in every respect alike, save that the one is near the river, whereas to the other the water must be carted by some means. Say now that this would mean an annual expense of \$25. Would you not, in that case, esteem the former block of land worth more than the latter to that amount?"

"That is my point."

"So that you would agree to take the latter block at \$25 less rent only?"

"Yes."

"But the water being piped, the two blocks will now be of equal value. If we charged for water, ground rent in the outlying districts would be proportionately less. But both water and ground rents belonging to the community, there is no need for separate charges, while it simplifies and cheapens the collection."

"Yes, you are right. It is very much the same as if one hotel charges half a crown for bedroom and eighteen pence for service, while another hotel charges four shillings for both. Nevertheless, the theory seems to be entirely in favor of the capitalists."

"In favor of the capitalists?"

"Very much so. You have remitted all their other taxes, and now do not even tax them for the use of the river. I must confess, however, that I am very much confused about the whole matter, and not the least as regards yourself. I will be frank with you. At first I suspected you of collusion with the capitalists; but somehow they do not seem to be very grateful to you. And yet——"

"And yet?"

"I hardly know what to say. I am now satisfied as to your good intentions; but yet why are you so strenuously opposed to a Property or Income Tax?"

"For various reasons. In the first place because it is against the principle of our constitution—that is, it is a direct interference with the liberties of the citizens. In the second, because such taxes falls on industry, and to that extent check or, at all events, hamper production."

"These cannot be your only reasons, nor even the weightiest. You cannot mean to say that by taxing the millionaire, who has acquired his wealth at the expense of the workers, you would check production. Why not recover at least a part of what they have stolen from others?"

"By a property tax?"

"Yes."

"Listen, and I will try to clear up the matter for you. But first I would draw your attention to the essential difference between the production of industry and the raw products of Nature—or, briefly, *land*. Suppose I owned a piece of land which yielded me an annual income of say \$25, and that the current rate of interest were five per cent. You know that the selling value of such a piece of land would then be \$500."

"Of course."

"Next we will suppose that a tax of 50 per cent. is levied on ground rent; so that, after levying this tax, the net revenue from this land would only be \$12.50, then——"

"Then your land would be worth at the outside \$250. And if the tax is 100 cents on the dollar, its capital value would be gone entirely. That you have already demonstrated wholesale; but it does not bear on my contention."

"I'll show you that it does, if you will but be patient. Let us now see how a property tax would work. Instead of \$500 worth of land, say that I possessed \$500 worth of coal or bread, or any other

industrial product, and that you imposed an all-round property tax of fifty cents on the dollar. What would be the result of that? You are silent. Well, then, I will answer the question myself. My coal would at once be worth \$750. But that is not all. In selling the coal, I put on my profit of say ten per cent. This, before the tax, would have amounted to \$50; but after the imposition of the tax I would get ten per cent. profit on \$750 instead of on \$500, or \$75 instead of \$50. Who do you think would gain most by this transaction—the workers or the capitalists?"

"Go on!"

"This, is one of the reasons why I am opposed to taxing the products of human labor under any pretense whatever. Before giving you any of the others, I want you to realize and commit to memory this stern fact: *A tax on produce always falls ultimately on the consumer, and that because a tax on any artificial commodity always enhances the price of that commodity.*"

"That's true enough. The custom duties always increased the price of commodities, and their burden fell upon those who consumed them. But is not the same true of taxes on the raw product?"

"Confining the term raw product to the raw material of Nature—*i. e.*, land—No. For if you tax the value of land, people are compelled to produce in order to be able to pay the tax, or else they must give up the land to others to use. And since a tax on land values absorbs only the difference in the values of the different natural opportunities in use, its effect is simply to place the occupants of land of different qualities on an equality. That is, the opportunities of production would be the same to all, no matter what may be the difference in the land each occupies. But the value of commodities produced will be determined by the cost of their production; that is, by the amount of labor expended. Hence, if you tax the manufactured article, you will thereby enhance the cost of the commodity; and if intending purchasers refuse to pay the increased price, any such commodity will cease to be produced."

"And your other points?"

"We have not yet finished with the first. You object to 'capital.' Now I have already drawn a distinction between real and fictitious capital: the former being represented by accumulated labor, the latter by parchments. In the one case you pay to

recoup past labor—as when you pay for the use of a spade, a plane, or a house; in the other you pay for access to Nature."

"I understand that distinction."

"Well, then, let the plow represent ten days' labor (or its equivalent in gold), and the tax on it one day's labor——"

"I see your point. The return would then have to be altogether eleven days' labor."

"Exactly. Then note the second economic principle. *A tax on land values destroys fictitious capital, while a tax on industry creates it.* This may help you to understand why those gentlemen would prefer to have their property taxed rather than the land, and why the land tax has made waste paper of their scrip. There is yet another well-ascertained economic principle bearing on this point. *Every tax that falls on industry, no matter in what form imposed, can be, and always is, shifted on the ultimate consumer.* But a tax on land values cannot be shifted, because, as above explained, it only places the occupants of different qualities of land on a footing of equality."

"I don't quite see that."

"And yet it is plain enough; but let me give

you a concrete case. Supposing two farmers, A and B; the one possessing land that yields say 20 bushels of wheat, while the other, with an equal outlay of labor and capital, yields 30 bushels. Now if we taxed the latter 10 bushels, this would simply equalize their respective gains. Each would now retain a net produce of 20 bushels. And manifestly the taxed farmer could not put an extra price on his wheat, because no one would pay him more for his wheat than they would to the other. But supposing we impose a tax of 25 cents per bushel of wheat——"

"That will do; I can see it now."

"Then we can pass on to the next point. My object being to prevent people reaping where they had not sown, I have, of course, to destroy all fictitious capital; for then they could only demand service for service and value for value. But had I only imposed half the present amount of land value tax, I should have abolished only half of this fictitious capital, leaving the lucky owners still in possession of half of their privileges. And if, to supplement the revenue, I had imposed an equivalent tax upon property, I should have re-created as much fictitious capital as the land value tax had

destroyed; that is, things would have remained pretty much as they were before."

"Good! You have now made it impossible for people to rob their fellows in the future. But how about the millions they possess already?"

"Good heavens, man! Millions of nonsense. Have I not already made clear to you that these millions existed on paper only? that the wealth of these millionaires did not consist of what they actually possessed, but *in the share of the annual produce they could command*? Take any millionaire you please, and make an inventory of his present possessions. Two or three costly palaces, now rather expensive luxuries, with no rents coming in and a heavy ground tax to pay. Some fine furniture, a few ornaments, a few pounds of gold and silver, and a cellar full of scrip. How long can these perishable things last at best? And what harm can they do to anyone while they last? What better means of 'getting at them' can you possibly devise than prevent them from plundering, and make them pay the full value of any privileges they wish to retain—so long as the few gimcracks in their possession will enable them to defray the expense thereof."



Comments.

The Bugaboo of Capitalism.

We have no quarrel with our socialist friends. Single taxers and socialists both strive for the same result—the equitable distribution of wealth and the abolition of poverty. Possibly a slight difference may be properly mentioned and that is that socialists contend that equitable means equal distribution, while the single taxer believes that equity demands that the return to each person should be the full measure of the results of his exertions, under conditions in which he would have free access to nature and absolute freedom as to his individual tastes and inclinations so far as they did not interfere with the same rights of others.

Capital, is to the socialist, the unrelenting enemy of the toiling masses which threatens to crush out the last vestige of independence that has a place in the bosom of the American workingmen. Every

attack of socialists is directed against the so-called capitalistic system, and yet there are very few of them who have a clear comprehension of what capital is and do not seem to understand the part taken by real capital in the great and complex system of production and distribution. By this statement it is not intended to reflect upon the intelligence of our socialist friends. These views simply illustrate the very common tendency to arrive at conclusions without an analysis of the causes leading to ultimate effects.

It is unquestionably true that the average socialist regards labor and capital as the principle if not the only factors that enter into the production of wealth, and if this were correct it might justify the contention that public ownership of the machinery of production and distribution is the only means by which the worker would secure the product of his labor and protection against poverty.

But capital is not a primary factor in the production of wealth. It is a finished product and was brought into existence by the application of human exertion, labor, to the natural elements which are designated by the term land. It is the monopolization of the natural element, land, that has made

labor dependent and brought upon us the curse of involuntary poverty.

Though existing capital were wholly destroyed, if labor had free access to land it would be quickly reproduced. But this freedom of access to nature must first be secured, and until it is secured the owner of the natural resources will dictate as to where and to what extent the "tools of production" will be employed, and the return to labor in the form of wages will never be more than that which will keep a sufficient number satisfied and a general uprising thereby averted. On the other hand, with this freedom of access to land, labor can and will demand the full product, and if necessary, can voluntarily co-operate and produce the tools needed. Men are certainly capable of managing details that pertain to their particular form of employment; if not, they would be less capable of taking an intelligent part in the management of a complicated and cumbersome machinery of a socialistic government?

The common ownership of natural opportunities, which are embraced in the economic term, land, will insure to every individual, whether engaged in the production of the raw materials or superintending the movements of some modern labor-saving mach-

ine, the full reward of his labor. Secure in his individual freedom man will reach a standard of moral and intellectual development which he could not attain as a ward, or strictly speaking, as a slave of the state.



Send Your Communications.

It has been frequently suggested by subscribers of WHY? that a desirable change in the character of its contents would be in the form of editorial matter dealing with current affairs viewed from the standpoint of a single taxer, also that space be devoted to brief discussions and communications. The pages of WHY? are open to short letters on any instructive subject and such letters are invited. We wish to make the publication all that its name suggests, a seeker of knowledge and while making that search will share its discoveries with its readers.

News items concerning the single tax movement are solicited also.



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the deeply interesting and instructive narrative known as "The Story of My Dictatorship." It seems to us that no piece of literature that has ever been given to the single tax movement more fully meets the demand for a means of reaching the masses. It possesses enough of the character of a story to make it interesting, and while simple and easily understood is a searching and complete discussion of social and economic questions and the single tax philosophy fully upheld.

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