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TAXATION

By John Z. White.

Mr. White was introduced in complimentary terms by Mr. W. K. Smith.

Mr. Chairman, Ladies and Gentlemen:—I am glad that any one esteems me so highly as does Mr. Smith. After you have listened to what I shall have to say, you very likely will hold an opinion quite different from that entertained by my good friend.

This will be entirely proper, for I fully understand that you are under no obligation to believe anything that I may say. We never ask pupils to believe the multiplication table, but to understand it, and like procedure is extremely desirable when considering the question of taxation. If you think that I am wrong it will be in order to oppose the position taken, and even to advise me to add to my remarks the words used by the merchant in his advertisement: "Do not go elsewhere and be cheated—come here."

We urge one matter with some energy—viz., avoid judgment in advance. Do not imitate the lady who, on entering a criminal court with her husband, said, "What a horrible looking man the prisoner is!" "Hush, my dear," he replied. "They have not brought in the prisoner yet—that's the judge."

We are prone to assume, before investigation, that we know about public questions brought to our attention. Such attitude is hardly commendable, and in considering the matter of taxation we urge an entirely open mind, to the end that a just opinion be formed. Meanwhile there is no present intention to convince you of the truth of our position, but to call your

attention to some seemingly important facts, in the contemplation of which you may perhaps convince yourselves.

Taxation is purely a matter of business. It is payment for public service. It is merely paying a bill. Just as in private life we pay a price for private service, so in public relations we pay a tax for public service. A tax is the price of public service. But the moment we compare public with private payment, we notice a most astonishing difference. When, for instance, I receive a private service—say, a pair of shoes—I know that cattle have been reared, hides tanned, buildings erected, machinery made and installed, many other materials gathered, the shoes made, perhaps wrapped in tissue paper and placed in a paper box at my convenience. The shoe dealer is asked what all of these services are worth, as expressed by the shoes, and replies, perhaps, ten dollars. All of this is quite plain. When one pays ten dollars for the shoes, one pays for all the services necessary to their production.

Turn now to the public establishment and ask what the services one has received from the federal, state and local governments may be worth? Did any one ever receive a reply? They always ask me how much I am worth, and intimate that I will be taxed according to my ability to pay, not according to the worth of the public services that I have received. If the shoe dealer had pursued this policy in fixing his prices, he would have been thought to be insane.

The theory that taxes should be levied according to the ability of the taxpayer to pay is silly, but it is accepted by most teachers and statesmen, and financial chaos slowly follows—as is becoming apparent, even to leading newspapers. The public should tax me for the service that it renders to me, but not for the service that I render to myself or to my neighbors.

It is obvious that a rich man can pay a tax or any other account more easily than a poor man, and when we name an assessor he inevitably (by the taxation according to ability theory) goes hunting for the rich—and so do burglars. This does not prove anything, but it is a most startling association. It should excite curiosity. If taxation is a matter of business; that is, payment for public service; why does not some states-

man, editor or economist approach it from this point of view?

In any business with which we are not familiar, we take an inventory to discover what is on hand, well assured that we do not know what we can do until we know with what we have to do. Then we consider what has been done and its results, as well as what probably it would be well to do, and its probable consequences.

We have in the United States 1,903,000,000 acres of land. Except for small areas occupied by cities, approximately one-quarter is grazing land (including the desert), one-quarter forest land, and one-half agricultural land. Living on this land is about 6% of the people of the world, and we have 25% of the wealth of the world.

This is the estate, ladies and gentlemen, that you and I and other American citizens must administer. That is our business, as citizens. That is what we are here for. This is the richest estate that ever has been known in all of the history of the world, and if we cannot administer it, will you kindly tell me what sort of an estate you think we could successfully manage? It is the greatest estate, the most magnificent estate, that ever was governed by one nation, and if we are unable to achieve success in its administration, would it not be well to return it to the king from whose shoulders the purple mantle fell one hundred and forty years ago? That mantle alighted upon your shoulders and mine, and the vital question now is: Have the citizens of the United States the wisdom and virtue necessary to discharge the consequent responsibilities of sovereignty?

This land is one-half of our tangible property, and upon its value rests one-quarter of our taxes. Upon the other half of our property (buildings, machinery, vehicles, furniture, clothing, food, etc., that we have made or produced) rests three-quarters of our taxes. One dollar in six of Federal taxes rests upon the value of land, and this comes from land in use, while vacant land, in city and country, perhaps over thirty billions of dollars in value, pays no taxes to support the Federal government. West Canada very wisely places an extra tax upon the value of unused land.

Three-quarters of all public revenue (national, state and local) amounts to over \$250.00 per year per

family, and this is doubled by the time it reaches the consumer. \$500.00 per family is eleven billions of dollars annually for the whole people. This expense is the only active force upon our market that has sufficient power to seriously disturb our business. The fictitious element in railroad capital may be mentioned in comparison. The opponents of the private railroad companies claim that eight billion dollars of railroad capital is fictitious debt. At five per cent this amounts to four hundred millions per year, or four dollars per capita, or twenty dollars for a family of five persons. The average American family will pay twenty dollars tribute every year, and never know that anything has happened. Five hundred dollars is a quite different story. (The railroad tribute should not be tolerated, but it is trivial when compared with the tax burden.)

Let us now consider how public services affect business. The first service by the public is to keep the peace. That is, mutual protection of, and by, the people; or, the beginning of the police power—a term that has never been defined by the legal fraternity. When that group shall give us a definition of the "police power" that shall prove acceptable, all public questions will become much more simple of solution. Meanwhile the supreme court has told us that the police power may not be contracted away, nor be made the basis of a private property right, by any process known to American law.

That is absolutely sound democracy—or, human justice. A stockade thrown around Fort Dearborn (the beginning of Chicago) is an illustration of the police power—mutual protection. On its integrity rested the safety of every man, woman and child in the community. Could a democratic people make it the basis of a private property right? Was not every one (women and children, including Quakers and conscientious objectors), if it proved to be necessary, bound to help erect it, and also to help defend it? If the stockade were seriously attacked, and a couple of conscientious objectors discovered within it, would they not be likely to receive a very hasty and a very emphatic education? The stockade expanded becomes our national boundary, and the same police rule holds away. Can any one imagine that community of frontier people defending that stockade on a sunny

afternoon when they knew it was not in danger? Here we may notice the difference between universal military service (in case of need) and permanent military service (whether or not necessary). Mutual protection is the primary impulse from which grows civil society.

The second public service is security of possession of the products of industry.

When I make anything—say, a canoe—it is mine; mine against the world. To deprive me of it is to rob me. This is the sacred right in private property. It is sacred, and any nation that seriously impairs that right will begin to disintegrate. It makes no difference whether it is Russia, Great Britain or the United States.

Occasionally a clergyman tells us that we over-emphasize this claim; that strictly we hold property as trustees under God. We assure him that he is right. That is what makes it sacred. We advise him not to interfere with any of these trusteeships—God might be offended. It is clear that the clergyman has not changed the thought—merely the words.

If any man doubts the validity of this position, let him submit it to a wholly unprejudiced mind. Let his small son go fishing and on the way home ask him to whom the fish just captured belong? The boy will answer quite readily—and will not refer to a decision by the supreme court. If the court doesn't know, the boy will furnish the information. If some larger boy tries to take the fish away from him, he will recognize the situation to fully justify a declaration of war, and whether or not war shall be declared will be determined wholly by his notions of expediency. This is the entire basis of sound international law—what are our rights; what is the expediency of asserting them.

This position is sometimes admitted as to simple production, like the fishing illustration, but denied as to complex production where hundreds, or may be thousand, co-operate. If a given result requires thousands of workers, the product belongs to the whole group, and is to be distributed to the individuals concerned as they may bargain among themselves. If one pays all of the rest as agreed, their titles pass to him. The matter to keep in mind is the nature of the original title. The maker is the "primary" owner. We buy what a man makes—we do not buy his labor, and no one can give a better title than he holds.

Now our trouble begins: If I build a house, it is mine, for the same reason that the string of fish belonged to the boy—but the house is so heavy and awkward that I cannot carry it with me as I do my watch. I must place it somewhere, and that "somewhere" is land. Unless I can hold the land upon which the house stands, I cannot hold the house—and I do not know how to make land. Therefore, all civilized people have instituted property in land by law, as the only known way of maintaining order in property relations.

Here we have the skeleton of civilized society:—Police power; property in products; property in land. One sort of property originated in human industry, the other in legal institution. The one is a natural right, the other a social convenience. Men may live as barbarians if they so wish, but if they live as civilians they will execute the three functions named, and to execute them they must pay the cost, which can be done only by providing a revenue. Where may that revenue come from? Obviously every dollar must come from products, or from the value of the legal institution—property in land.*

We have then a simple question: What is the difference between a tax upon products and a tax upon the value of the legal institution, property in land? That is the question that today is confronting civilization, and civilization is going to answer. Any one who takes the most casual look may see civilization staggering under the burden of public budgets. That the present situation cannot possibly continue is becoming increasingly apparent.

What, then, is the effect of taxing products? If one is a rich manufacturer—say, of shoes—we tax him because he has "ability to pay." It costs him, we will suppose, five dollars to make a pair of shoes ready for the market. We tax his buildings, machinery, stock, etc., to an amount that equals one dollar on each pair of shoes. What does the manufacturer do? Look at his situation: It cost him five dollars to make that pair of shoes, and it cost him one dollar

NOTE—All payments are from products, but as landholders have taken part of products as rent, we raise revenue from the portion so taken, or from the portion remaining with producers, or from both.

to keep the government (that's us) from taking them away from him after he had made them.

Evidently, to avoid bankruptcy, he is forced to make six dollars the basis of his price. This being the case, who really pays the tax? Are not the men and women, the boys and girls, who buy the shoes the real taxpayers? Often these same men and women, and boys and girls, are told, and they usually believe, that they do not pay taxes, and to interest them in public affairs, as every one should be in a democracy, a poll tax is placed upon them, whereby they become conscious of their status as citizens.

And now the usually overlooked matter: How much did we tax the manufacturer on account of his "ability to pay"? Not a penny. How long, oh Lord, how long, shall we be in learning the simple truth that capital "cannot" pay taxes. We can drive capital out of business with heavy taxes (so heavy that consumers cannot pay the increased price of goods), but we cannot make capital pay taxes. Capital must "pass on" the tax, or quit business. In fact, it "passes on" the tax—with as much more added.

The only possible way of avoiding this result is to place the tax burden upon the value of the legal institution, property in land. Such a tax, as is agreed by all competent to give judgment, is not "passed on" in an increased cost of doing business. If a parcel of land, in city or country, will rent for \$1,000 per year, a tax of \$500 will not enable the owner to rent for \$1,500. The land is valued according to its location, and taxing that value does not make it worth more. Further, no one will pay more than its use is worth. Prof. Seligman says: "The point is so universally accepted as to require no further discussion."

Keeping in mind the necessary public functions of civil society; that is, the police power, the security of natural property in products, the legal institution of property in land; let us observe what must occur as society develops: In 1830, 75% of our people were farmers. Today 35% are farmers. The change has been brought about by improved machinery. When I was a boy, seven men made a team in the harvest field—one man driving four horses hitched to a McCormick reaper, one man raking off the cut grain, and five men "on stations" binding. One man, with

a self-binder, now does the work of the seven, and we are paying him the wages then received by two or three men. This reduces the labor cost of the harvest field. The machinery was called labor saving, and if it had not saved labor, it would not have been used. Wheat was then some sixty-five cents per bushel, and, omitting war prices, is considerably more now.

The labor cost of the harvest field has been reduced and the price of the product has been raised. What is the explanation?

Incidentally it may be observed that no one knows what electricity is, and therefore there is room for divided opinion in relation to matters electrical; but as we erect houses and could not do so if we did not know how, and as this is true of all other products, there is not room for divided opinion in economic matters. As we here meet no unknown quantity there is no excuse for the mists and fogs in which statecraft and literature have veiled these questions.

The explanation of the price of wheat (and all other products) is quite simple: Land forty miles west from Chicago was bought in 1860 at twenty dollars per acre, and today the same land (that will now grow no more wheat, corn or hogs than then) will cost \$350 per acre. The land cost has been raised more than the labor cost has been reduced. Central Chicago land at the early date was worth \$2,500 per front foot; today it is worth \$22,000. Labor cost has been reduced in the city by all manner of improved machinery, but land cost has been raised much more. Labor cost reduced in both city and country, and land cost raised in both city and country! These facts are universally known. They were the boasts of our newspapers for several decades.

During years that we reduced our agricultural population from 75% to 35% of the whole, we made manufacturing and trading increasingly possible by liberating masses of people from farm employment. We do not need three-quarters of our people in agriculture. It would not pay. Manufacturing and trading can best be carried on where people are close together, to the end that they may exchange goods more easily and communicate more quickly. Therefore the city grows. The city sends goods to the country, and the country sends produce to the city. An economic circle is established, and if we let that

circle alone, if we avoid interfering with it, our industrial civilization will reach the highest and most just development.

Water evaporates and falls as rain. This endless circle of water makes life possible. Interrupt it, and the desert appears. Interrupt the economic circle and the social desert—the city slum—appears. One desert is as certain as the other. The current that sustains life has been weakened. The people interrupt the normal economic exchange between city and country without having the slightest intention of doing so. It occurs in the following manner:

As the city grows, an industrial or commercial center (down town) develops. It will be the place where men can most readily trade and otherwise co-operate with one another, and will therefore become valuable, and its few owners will become wealthy as an inevitable result of necessary law.

Fifty families own the heart of the city of Chicago. As the city grows toward three millions of people and the business at its center grows mountain high, these few families, by authority of law evidenced in their title deeds, are levying an ever-increasing tax on that growing business, calling it ground rent; but it is levied by authority of law as certainly as is the levy by the assessor.

Those who are not of the favored fifty families hasten to participate in the growing value, and buy lots as near to the center as possible. This process has resulted in more than fifty lots in each one hundred in the city being held vacant. What would we say of a manufacturer who kept fifty per cent of the floor space of his factory vacant? Would we not think that he was piling a great and unnecessary overhead cost upon his business?

That is exactly what we are doing in all growing American cities. Holding so many valuable lots vacant, artificially raises the price of all lots. People driven out of agriculture and into the city decade after decade, by improved machinery, must use these lots for homes, business, schools, churches, hospitals—for everything that goes to building a city—and at every step are met by this artificial and increasing overhead cost.

Nor are we satisfied with this one overhead. We must have another, also unnecessary. We tax every

building erected, every machine installed, every bill of goods brought into the city. These two artificial overhead costs (the tax on products and the excess price of lots that results from holding so many valuable lots idle) gradually make further investment of labor and capital unprofitable, and the growth of the city slows down.

The city is the farmer's market. If we choke the city, the farmer is also injured. City and farm must thrive together. To injure one is to injure both.

The people then move west and do the same thing over again upon new land, as they have for a hundred years. They have reached the sage brush and the cactus. They are so far into the desert that they cannot make a living, and we are taxing all of the people of the United States to get money to pay the cost of a dam across a desert river that they may get water to sprinkle on the sand and grow something, and then it costs ten times as much to transport back to market what they do produce as it would if they were permitted to use the vacant lands in and around Chicago and other American cities, the best markets in this world.

Our proposal, then, is merely to take off from productive effort the two artificial and unnecessary overhead costs indicated. That is, quit taxing products, which will remove one overhead. Then increase taxes upon the value of the legal privilege of holding land until it won't pay to hold valuable land idle, and thus remove the other overhead.

When this is done, both land and products will appear upon the market at their true values, and we will have in fact what most of our people seem to think they already have—a normal market. Products will no longer be increased in price by the addition of taxes, and land will not be increased in price by holding so much valuable land unused.

It seems hardly necessary to say that this result will not be brought about at one fell swoop. We levy taxes through the agency of federal, state and local governments, and, as might be expected, most changes have been through local action. Hundreds of localities in various parts of the world have applied this plan in varying degree.

Second-class cities in Pennsylvania exempt forty per cent of the assessed value of buildings (improve-

ments) from the tax levy. Soon they will exempt fifty per cent. Pittsburgh is the chief of these cities. Also there is no local personalty tax. (Has any one heard that property rights are impaired in Pittsburgh?) Under this law, building operations, in proportion to population, have been 45 per cent greater in Pittsburgh than in any other large city in the United States, excepting New York only, which adopted a law having a similar effect.

In Portland, Oregon, and Houston, Texas, two dollars in three of city taxes come from lots.

In North Dakota improvements on farms are exempt by constitutional amendment.

San Diego, California, is in marked contrast with Fall River, Mass. The assessment figures for San Diego in 1919, in round numbers, were: Personal property, nine millions; improvements, six millions; lots, seventy-two millions. In other words, nearly five dollars in six of city revenue was derived from lots. The tax on buildings is so small that it pays to build much sooner than under the usual tax. And San Diego, considering its population (75,000), is one of the best built cities in the United States. Much of the best construction has occurred since the introduction of the new policy. Large modern hotels are numerous. Who can name just one in Fall River? That city is rich and has one hundred and twenty thousand people. Why do not its buildings equal those in San Diego?

Explanation is easy. For every dollar of tax on land value, over four rest upon production. The tax on buildings is so heavy that it does not pay to build. Improvement is discouraged. The owner of the best hotel there said that if the tax were removed he would at once begin to build. The more or less discouraged appearance of many New England manufacturing cities is not difficult to understand. They have penalized industry and subsidized idleness.

A few years before the war, the proportion of taxes in New York City was one dollar on land value to sixty-three cents on improvements and personal property. At the same time St. Louis levied one dollar on land value to one dollar and fifty-eight cents on improvements and personal property. Low taxes on land value make it easy to hold land idle. High taxes on products (that is, improvements and personal property) make it necessary to increase the prices of

such products, thereby limiting the power of consumers to buy, and, of course, checking business. Should any one be surprised at the slow growth of St. Louis? (The "progressive" people of that city formed a Million Club. Their desire was to reach a population of a million by 1920. Instead of removing the artificial tax burdens that crippled the business of the people, and, of course, checked the growth of the city, they attempted to achieve their purpose by "advertising." They are still advertising—also taxing industry—and are still without the longed-for million.)

Some time it will dawn upon modern minds that low taxes upon the legal privilege of holding land have the same effect as high taxes upon the products or processes of industry. Either will cause an artificial and unnecessary overhead cost, and any business man who in this day and generation does not know the meaning of unnecessary overhead ought to go to night school.

New Jersey recently enacted a law exempting from taxes for five years buildings erected within two years. New York City exempts residences (not costly flats) from taxes for ten years, if built within two years. The truth is beginning to penetrate.

If it is desired to increase the supply of buildings, quit taxing them. If we wish to get rid of vacant lots, put taxes upon them. Which do we really desire? We know why we want buildings, but what are vacant lots for?

Do you know of a merchant who ever sold any goods to a vacant lot? Are vacant lots good customers for farm products? Do gas companies lay gas mains past hundreds of vacant lots, thereby investing large amounts of capital from which there is no return—and consequently find themselves under the necessity of charging consumers excessive prices?

Are not all other public utilities in the same situation? We carry paved streets past paved lots. Likewise water mains and all other public facilities. Merchants drive delivery wagons past these same unused opportunities. Children pass them on the way to school. In short, they cause a vast increase in both public and private cost. And to what end?

What is the purpose of voters who maintain this condition? "What is the great idea?" Silence is the

universal reply. There is no idea. The city grows in spots, and the owners of these spots gain a profit. It seems, then, that we are maintaining a system that blocks general development in order that many may take a chance in which a few only can win—and meanwhile the great body of voters must endure distress without even the poor pleasure of holding a blank lottery ticket.

In view of their stupidity, holding the power of the ballot as they do, one is tempted to exclaim that they are getting just about what they deserve. (Be it remembered that all are absolved from believing, and those who do not believe the essentials are in need of the absolution.)

The development of taxation among English speaking people is interesting and illuminating. The first tribes made voluntary gifts to the chief. Early Saxon kings had income from folk land, their own land, and dues from harbors, military roads, duties, customs and treasure-trove. Also certain fines for violating market rules, and tribute from protected Jews. When traveling, the king's expenses were paid by those visited.

When England was raided by the Danes, a tax was levied—the first in 991. The rate was one to four shillings per "hide" of land (as much as a full team of eight oxen could plow in a season—that is, a good farm of those days.) William in 1084 made it six shillings. It will be noticed that it was laid on the land—which was, of course, held by the barons.

In 1181 came the first tax on personal property. From that time on the struggle continued, with slow gains for the barons—or land holders—until Charles the First and Second, when the barons made great gains in relieving landed privileges from taxes (all under the outward struggle for control of the taxing power by the king or by Parliament). James II. followed with a reign of three years—1685-88—and then came William and Mary, who, by the mouth of William, "thankfully accepted what had been offered them." This precious pair were in the hands of Parliament "thankfully", and it is small wonder that the wealthy, who controlled both king and Parliament, utilized their power to their own advantage, and English land was assessed for taxation for the last time in 1692.

Less than a century later came the American Revolution, and we copied the aristocratic tax system that the English had resisted for centuries, although they had finally been overcome. We have simply inherited the present tax arrangement, without definitely knowing anything about it. The English struggled to be free from the tyranny of the king merely to find themselves entangled in the barons' tax scheme. We largely copied and continued it, because we have had to subdue a new continent, rid ourselves of chattel slavery, try to perfect the tools of democratic government, etc. In short, the English missed the true tax scheme because they were giving their attention to other matters. We followed their lead in federal revenue, and, until the income tax, land holding was not touched by federal revenue—except for a few years, 1816-19. In state and local taxes, however, we have been more fortunate. About half of such revenue comes from the privilege of holding land. It is easier to control state and local action than it is to direct federal policy—a fact worthy of notice.

This result as to taxes should lend increased energy to those who still have faith in that part of the Constitution called the Bill of Rights, and which contains the following: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people."

The people, therefore, are wholly free to act through their state governments with regard to state and local taxes—matters not delegated to the United States nor prohibited to the states. The way is open. All that is needed is the will to advance, and the English-speaking race has never yet acknowledged final defeat.

We tax dogs, so that we shall not have too many of them. Is that the reason that we tax houses? If a tax on dogs reduces the supply, will not a tax on houses have a like effect? If not, why not? We tax a man who "paints the town red," and we tax another who paints his house white. We tax a man who builds a chicken house—also one who robs it. We tax a man who gets a dog—also one who gets a wife. We send our children to Sunday school and teach them to tell the truth, giving them picture cards or other

rewards; and when one of them grows to manhood, we hand him a tax schedule and advise him that the more nearly he tells the truth the more money he will lose. Our tax laws entirely reverse the lessons of the Sunday school. Such system, long enough pursued, will corrupt the morals of any community on earth. Our tax laws are utterly chaotic. They are not in harmony with any moral, economic or legal rule, but they do agree with the theory of the bruiser in a free fight. He said, "whenever you see a head, hit it."

This chaotic condition resulted from the barons' struggle to avoid rightful taxes. They very gladly taxed the miller, the inn keeper, the hunter, the poacher, the peddler—tax anything under heaven except the barons' land—hence the chaos.

The proposal that we make is in full accord with the past history of our race. When established aristocratic customs have blocked the path of social advance, those customs have been replaced by democratic habits. When Elizabeth ascended the throne piracy was usual upon the high seas. Commerce was growing in France, Holland and England. The more extensive commerce became, the more pirates there would be, merely because it would "pay". Clearly piracy must be abolished or commerce would be checked. Piracy was abolished, and then it was found that free commerce was more profitable than piracy. Doing right brought greatest gain.

When Burke and Pitt were prominent in English affairs, slavery was nearly universal. Invention was offering new machinery. (It is said that Napoleon refused a breech-loading rifle that was offered him—and lost a world.) Can any one seriously advise slave labor for operating existing machinery? Slavery must be abolished or invention checked. Again doing right brought greatest gain, for free labor is more profitable than slave labor.

In the early years of the nineteenth century imprisonment for debt was common, if not universal. Extensive credit was beginning to be appreciated in business affairs. Does any one think modern credits would be possible, if imprisonment for debt were still the law? Evidently imprisonment for debt must be abolished or the policy of extending credits cannot be developed. Without extended credits the tremendous business of our modern time would not be possible.

Doing right has brought its certain reward. Honesty is the best policy. "Seek ye first the Kingdom of God, and all these things shall be added unto you."

The present situation is parallel: Our country is bursting with power and desire to grow, but this impulse is everywhere met by the two increasing overhead costs mentioned, and these are the inevitable results of our present revenue system.

We are, of course, going to right this absurdity, just as we did the others, and for the same reason. The existing condition is both harmful and foolish. Doing right, now as before, will bring greatest reward and carry civilization to heights quite beyond any as yet attained—or even imagined.

Those who have lived where the proposed plan is in some degree in operation are its strongest supporters. Sydney, capital of Australia, raises all its revenue from land values. The farmers of the West Canada prairies pay only land value taxes, and could not be induced to changed their system. Our farmers' state and local taxes are mostly on land values now, though they do not seem to know it. Farm values by the census of 1910 were forty-one billions. Of this twenty-eight billions were land values. The farmers' taxes are mostly on land values now. In the state of Missouri, a few years before the war, 75% of all taxes paid by farmers were on land values. The other 25% was on buildings, stock, tools, etc. Does any one imagine that if the farmers in Missouri were relieved of the 25% on their products and the same placed upon the value of their land, that they would be affected very much one way or the other?

The present plan chokes the city, and the city is the farmer's market. A market is what he needs, and all that he needs—as he might have learned during the war. One reason, then, why we are going to adopt the proposed plan is that we already are adopting it—gradually, to be sure. It might move much more rapidly with great advantage to every one.

Another reason why we shall adopt it is that it is the only way to avoid socialism. The distinctive characteristic of socialism is public control, or ownership, of productive capital. We are getting more and more of this public regulation and have been getting more and more of it ever since we enacted the Sherman

Anti-Trust Law; and we shall continue to be increasingly hampered in this way so long as we permit the two overhead costs to choke business.

One of the dangerous developments is evidenced by a recent decision by the United States Supreme Court. In the appeal from New York of the Marcus Brown Holding Company against Marcus Feldman, Benjamin Schwartz and other tenants, the court held that the owner could not evict tenants who held over at end of lease, save under special conditions, because "an emergency exists." This is an assertion of police power—and therein is danger. When police power is used to settle economic questions, sane citizens have reason for serious pause. But we will do well to remember that courts and legislature will afford relief in case of need or "emergency", if enough people are involved to make the matter politically important.

People will use their ballots destructively, as courts and legislatures know, if they are not taught to use them constructively. A case from the District of Columbia involving the same principle received like treatment. The court admitted that the legislature had restricted property rights in land—and justified the proceeding. We are slowly sliding into the lap of socialism (not so very slowly, either), and socialism, like aristocracy, is impossible as a permanent system. Read the history of aristocratic government. When did it do anything save "ride to a fall"? The Plantagenets failed. The Tudors failed. The Stuarts failed. The present royal house maintains itself only by steadily retreating before the advancing tide of democracy.

Socialism and aristocracy are of like feather—based upon the same concept of social philosophy. They deny freedom to the individual. Socialism is merely an aristocratic reaction.

In opposition to our position, we are told that one who erects a building needs fire protection; that one who has goods needs police protection; that one who has vacant lots needs neither, as the lots cannot be burned nor stolen. That, therefore, on the theory that they who receive the benefit of public service should pay for it, the owners of the building and the goods, rather than the owner of the vacant lots, should be taxed. This seems to be plausible, surely, but so does the statement that the sun rises.

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permanently removed from a city. Will any one contend that now a building can be more cheaply erected, or that machinery can be more cheaply installed? If not, are we not justified in saying that fire and police protection do not make buildings or machinery worth more? And are we not justified in asking what is worth more as a result of the public provision of fire and police protection? The answer is obvious. Without fire and police protection no one would pay the present price for any lot of land within the corporate limits. The owners of buildings and goods pay to the owners of lots what the fire and police protection are worth. That is the way in which lot owners become tax collectors—though most of them seem to think that they are tax payers. They still maintain the barons' bluff.

To make the matter definitely concrete: One comes to town, wishing to go into business; finds a satisfactory location, and interviews the owner, asking the rent, or purchase price (which is the rent capitalized). A figure is named, which the prospective tenant thinks too high; but he is told that here he is not out in the woods, or the rocks, or the mud; that here it is all paved; that the location is healthful, because drained—a good sewer system; that he does not need to go to the spring or dig a well for water, because of a water system; that here we do not swear on breaking a lamp chimney, for we but touch a button and get the electric flash; that we have telephones, good transportation, free schools, fire protection, police protection; that stores of all kinds are near at hand, as are theaters, concerts, clubs, churches. In fact, it is these many conveniences that make the place—the locality—the lots—the land—valuable.

The tenant concludes that the opportunity is good, and pays the rent. At the end of the year the assessor appears, saying to the tenant, "You have received fire and police protection and all of these public services?" "Surely," replies the tenant. "Well, here is the bill," says the assessor, presenting the tax schedule. "The bill!" exclaims the tenant. "You have rendered the services, and I have received them, and should pay for them; but you have empowered a man by law, through your legal institution, property in land, with authority to collect from me just what your services are worth. He is your agent, acting by

your authority. I have paid him. Go to him and get your money. If you make me pay this bill, I shall pay twice for the same services."

The value of land is the exact measure of the worth of public services, just as the value of products is the exact measure of the worth of private services—in a free market, of course. Let any one who can point to the failure, herein, to frankly apply the doctrine of principal and agent, and if this doctrine is not honest law, will some one tell what is honest law?

The farmers' land is worth but little in comparison with city land, because like public services are not available. Although farmers have great "amounts" of land, it is but one-third of total land value in the United States—and farmers are one-third of our total population. On the proposed basis they would pay one-third of state and national taxes. They pay much more than that now, for taxes are laid on wholesale stocks in cities, and these goods are in a considerable part sold to farmers. We have, therefore, the delightful picture of farmers all over the Northwest paying Chicago city taxes, in addition to state and national taxes.

Farmers have always paid more than their fair share of taxes, and they always will until they learn to destroy the scheme that originated in the desire of British barons to get something for nothing. No aristocratic government ever placed taxes upon the value of land so long as it could raise revenue from any other source. The tax upon the products or processes of industry is the aristocratic tax. The tax upon the legal privilege of holding land is the democratic tax. Our social structure, as expressed in police power, property in products, and the legal institution property in land, is democratic. Of this structure our people are properly both proud and tenacious, but our revenue system, in three-quarters of its entirety, is aristocratic, and it is the antagonism between our democratic social structure and our aristocratic revenue system that is causing our industrial troubles.

Again the concrete situation: We have in Chicago 447,405 rented homes and 58,382 held free from mortgage, while 102,719 are mortgaged. Rents, in the last year or two, are said to have advanced at

least \$25.00 on the average. This indicates \$11,285.-125 increased rent per month. Does any one imagine that these people failed to economize in all other expenses? Could this economy fail to affect business at the stores of the city? The same thing occurred in varying degree in all of our cities, and the great increase in rent occurred on the first of May, 1920. When did the business decline begin? It was evident in June, July, August and since, being emphasized by increase in the fall rents occurring in October. The economy of the people has been called "the buyers' strike," but any one with his eyes open can easily see that in reality it is a "lockout."

This slackened business was followed almost at once by falling prices for farm products, as the history of the market quite clearly shows. We have crippled city buyers by high rents and taxes on improvements and personalty; crippled farm buyers by consequent low prices for their products. Europe can't buy unless we lend her the money (or credit) to buy with. Where is the much trumpeted revival of business to come from?

Our present difficulty is not to be found in any superficial matter. It is located in a fundamental function of social life. The greatest power possessed by peaceful society, either for good or for ill, is taxation.

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