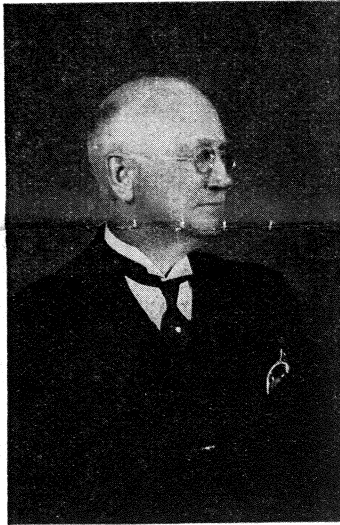


The Problem of Taxation

JOHN H. ALLEN



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Owing to the great number of requests from delegates and guests at the Annual Convention of the Universal Craftsmen Council of Engineers for a copy of the address on Taxation delivered by Mr. John H. Allen at the opening exercises it was decided to publish an extended abstract so all could have the benefit of it.

First, let me ask if there is a need for us just plain soldiers to look into our economic problems. Most positively yes, for do we not realize that on the all important matter of say "Taxation," those of our people whom we think possess master minds have shown in so many ways that they, as we say, are up a tree, passing on to us in the shape of laws nothing but extensions and more or less of plans just as unfair and as devoid of deep thinking as those we are now working under. Discouraging. Depressing. Destroying.

So often we have heard that destruction and taxation go hand in hand these are the usual words, and the power to build up, creating contentment and happiness, is also in this same power. The power to tax is the power to destroy, and such being so, how terribly careless we have been in these matters,—but my friends, the time is at hand when we must sit up and take notice, our house must be placed in order, and for these minutes at my command, I want, with you, to look into what seems to me to be our solution—and the only one—or at least the all important one, a Philosophy so simple, so just, a touch of the Spirit on High, guiding the way.

And now, just something about Henry George that his word may be more impressive—(what others have said of him). John Dewey says, "It would require less than the fingers of the two hands to enumerate those, who from Plato down, rank with Henry George among the World's Social Philosophers." Tolstoy declared Henry George's proposals must ultimately be accepted.

Says Woodrow Wilson—"All the country needs is a new and sincere thought in politics, coherently, distinctly and boldly uttered by men who are sure of their ground. The power of men like Henry George." True enough to say that hundreds of our prominent people have spoken of Mr. George in this way.

Henry George gave the name of "Single Tax" to his cause, and ever since the opposing forces have thrown brick-bats at that name, not knowing or seeming to care what the name stood for. Like the names Communism, Socialism, Nazism, Fascism, etc., how by many they are

Mr. President—Mr. Brandeles, Chairman of the Convention Committee, Delegates—Ladies and Gentlemen:

It is very gratifying standing here to see so many ladies present, and the talk I am about to make should, and I am very sure will, interest them, for is it not true that payments from the household purse are largely made, and I am going to say wisely so, under their direction? During the past several years, especially, they have in that regard been a God-send when all of the real workers have found it necessary to economize, going straight to the core of things, for these have been strenuous times, trying the souls of men and women—and we are not through yet.

When your very alert and industrious Secretary, Mr. Brandeles, asked me by letter to address you on this occasion, I expected that my answer to his kind invitation would frighten him off. This answer of mine said "yes," provided I might talk on the Economic Philosophy of Henry George, having in mind that under no circumstances at such a time, when recreation and pursuit of enjoyment was largely the business of the hour, could I be induced to talk anything bordering on shop or related thereto,—and for this talk, Mr. President, valves and the valve art will be farthest from my mind—"Everlasting" or not. Mr. Brandeles writing me, saying that the subject of Henry George and his "Single Tax" doctrine would be entirely acceptable, made me understand that this Association is progressive and is thinking of things over and beyond their daily routine.

derided—cussed at—knowing but little about any of the thought which these names stand for, and there must be some good in all of these philosophies, ladies and gentlemen, for anything that is entirely bad cannot live.

Let's look a little into these names. Communism no doubt means a philosophy having to do with the communities. Socialism has much to do with that which pertains to our social existence, and the other names are so foreign to us that I am thinking that we know little about what they stand for.

Compare for a moment this name "Single Tax." The name itself describes a philosophy originated by Henry George, who it can safely be said, has been the master economic thinker, possibly for all time. Let us analyze the name. Evidently it is a tax on something. It is also evident that the name stands for a tax on one thing. Now is it not important that we should go into this subject to see what it is that this great Henry George said we could tax (meaning one thing only) and have enough in the way of funds to run our government—Federal, State and Municipal—and my friends, this one thing which Mr. George would tax—in other words take the rental value of—has to do entirely with a socially created wealth and not a tax on anything which we as individuals can claim to be responsible for. This thing which we Single Taxers would tax is not machinery or anything in the way of improvements, buildings such as homes and manufacturing plants,—it is not incomes or inheritances, and certainly not on the bread we eat, which is now being taxed in our State of New Jersey; and I desire to approach the matter in a way that will be easily understood.

You know that when we build a Ten Thousand Dollar home, the building and its surroundings costing you that, outside of the land which you had to pay for, you have added Ten Thousand Dollars of value to the surrounding land. And if a number of us would collect together and build a number of homes, the buildings and other improvements costing us \$200,000, we have added at least that much in value to the surrounding territory, and who is it that gets the advantages of all that—the people who are responsible for its existence—"No"—not today, but it should be so. It goes to private individuals who happened to own the vacant land round and about, and they in turn, when selling further lots simply add the extra price on to the new purchasers, realizing big profits on something which they had no part in creating.

The George Washington Bridge spanning the Hudson River from New Jersey Heights to the heart of New York, cost something like thirty-four millions of dollars, and the mere erecting of that bridge increased the land values on the two approaches to an estimated value of forty millions of dollars. Now who created that value? You tell me that the people of the States of New Jersey and New York, whose money erected that bridge are responsible for that increase in value. But do they get this advantage under our present system? You know very well that they do not. The owners of that land may be living in Berlin or London, or somewhere in South America, and the increase would be theirs just the same,

in spite of the fact that they had nothing to do with it and morally they certainly have no right to the rental returns coming therefrom.

People little realize walking up and down Broadway and on other streets in the City of New York, that the land value of this great city is worth considerably more than all the farms of the State of New York, and I am told that only about $\frac{1}{16}$ of the rental returns on those values, which as you know are created by the people, fall into the treasury of the City of New York. It will be interesting for you to know that the estimated total wealth of this nation is around and about the enormous figure of Five Hundred Billion Dollars, and my friends, over one-half of that, let us say Two Hundred Sixty Billion Dollars, is in the value of land, something that cannot be seen or felt, but is there just the same, a social creation, the individual as an individual having little or nothing to do with it, and it is that one thing that Mr. George is after in the way of taxation, his idea being that the entire rental of these land values be taken over by the people to carry on the expenses of government.

Thomas Jefferson said—"Wherever there is in any country idle land and idle men it is clear that the laws of property have been so far extended as to violate natural right. The earth is given as a common stock for man to labor and live on."

Our forefathers did well in doing away with entailed estates and other nightmares, in establishing this Republic—but unfortunately held on or did not remove that which Monarchy is based on—LAND MONOPOLY.

Land—Air—Water—the three necessities, and all should be FREE. Just think what a period of prosperity we would have erecting homes, buildings of all kinds, and other important improvements, if the Land Speculator was done away with and we paid a rental value on the land only—the people's created wealth.

And here is a well-known illustration amongst Single Taxers, showing how flimsy the ownership to land is morally. This is an imagination of course, but is just as valuable, looking to the point. A farmer walking down the road somewhere in the British Dominions and in need of land, sees a vast tract that is not settled upon, discovers that the soil is productive, well watered and has many other advantages, and all in idleness. He looking at the matter from a necessity standpoint, proceeds to occupy the land, that is, at least a certain portion of it, building his home to protect his family and barns for his stock, and proceeds to plough up the soil for planting,—when down the road comes Duke Somebody or other, very likely having been told of this farmer's action. The Duke immediately sets about to learn why the farmer was there and was told by the farmer that the land not being occupied by any one and he needing a farm whereby he could raise sustenance for his family, occupied it, whereupon he was told by the Duke that this was his land and that the farmer had no right to it and ordered him to get off of his land, together with all of his trappings, threatening him with an arrest if he did not do so, immediately. The farmer replied, "You say this is your

land. Please tell me how you obtained it." The Duke answered, "Your question is an impertinent one but nevertheless I will give answer. My father Sir, gave me this land." Then the farmer said, "Oh, a father and son affair." Asking the Duke who gave the land to his father, the Duke replied, "His father." "Oh, indeed," said the farmer, "and where did his father get it." "From his father before him," said the Duke. "And where, if you please did the original forebear get it," asked the farmer. "I am proud to say," said the Duke, "back in the year 1520 my illustrious forebear fought for it and got it." Whereupon the farmer answered, "Take off your coat and let you and I fight for it, too."

Very evidently that early forebear had chased a number of deserving people from that section, building a fence around it, and doubtless went into Parliament, succeeding in law-making sufficient to establish himself in his monopoly of this tract, which he and his successors had never seen fit to use, and, my friends, was it not as right for this farmer to propose fighting for this land at this late date, just as right as it was for the Duke's forbears to chase others off in the year 1520, and the farmer morally was absolutely sound in his position. Yes, these land grants and land monopolies and such ownerships have little in the way of a real right backing them up.

In 1888 Henry George wrote in an editorial in his paper, the "Standard" of January 21st: "It is not by the mere levying of a tax that we propose to abolish poverty: it is by securing the blessings of Liberty."

His greatest work, as you very likely know, is the book entitled "Progress and Poverty." He explains in this book this paradoxical situation, the more progress we have the more we suffer from poverty—that is, some of us. The curve works at both ends, as one line ascends the other descends. Great riches nearly always bring extreme poverty and Henry George pointed out a remedy. Until our recent unpleasant depression, which has hit the soul and body of men, we were quite satisfied with ourselves, thinking our customs and our laws were the best in the world, but we have been thrown from this complacent situation, and we are all willing to admit that something is wrong, and Henry George told us more than 50 years ago that it was our taxation system.

Doctor Nicholas Murray Butler, President of Columbia University, has maintained that the remedy is to be found in this great book of George's. Single Tax discourages and ultimately destroys speculation in land, or if you will speak of it correctly, gambling in land, that being the thing that puts land out of touch with the ordinary individual, the price always being abnormally high. Land, under Single Tax, will be rented like anything else, and according to its value, the value that people put into the land, which is a small matter indeed compared to the high price that we must pay in order that we might build a home or a manufacturing plant, or something else where we need land. Our present system of taxation is abominable. Thousands of the assessor's lists, as you very well know, contain favoritism and discourage building of all kinds.

At our plant we had need of an extension, something we might store castings in. It was our thought to make this extension conform architecturally to the rest of the plant, costing \$25,000. We could put up a steel frame, covered with corrugated iron, costing about \$2,000. Upon inquiring at the Tax Office we were told that if we erected the more expensive structure, we would be assessed \$20,000. The cheap building would be assessed at \$1500. We put up the cheap building, but under the Henry George's plan we would have put up the \$25,000 building, and that same thing is being duplicated thousands of times all over this country.

Can't you people see that our taxation system is such a vital thing, having to do with progress and getting away from these horribly depressed times? Tax on land value is out in the open, easy to understand and easy to value, as compared with this present method, with its Board of Officials employed in administrating taxes on income, inheritance, tobacco, gasoline, etc., etc., and now in many of our states on the day by day purchases. Is it possible that our statesmen, our politically-minded people, can't get away from such a method of taxation as we are now cursed with, and my friends, you will never get to good times until taxation is settled, and settled right.

With the present sales tax which is spread more or less through the States, the wages of every working man and woman have been reduced \$15.00 to \$50.00 a year, depending on the size of the family, and the larger the family the greater the reduction.

The immortal Bard of Avon said these things well, "YOU TAKE MY LIFE WHEN YOU DO TAKE THE MEANS WHEREBY I LIVE." Land is to man what water is to a fish. A fish cannot live without water and a man cannot live without land. Can you imagine ten or fifteen per cent of the fish in the ocean owning ALL THE WATER and compelling the remaining 85 or 90 per cent of the fish to pay them Economic Rent for access to the water? You can't imagine such a situation? You say it is too ABSURD to imagine!

Yet under our present tax system, MAN does that very thing. Fifteen per cent OWN THE LAND ON AND FROM WHICH ALL MEN MUST LIVE, and they compel the other 85 per cent of men to pay them Economic Rent for access to the land. Eighty-five per cent of us pay the other 15 per cent approximately 30 per cent of our incomes, for permission to live and work upon land!!!

In other words, 15 per cent of us take, to the extent of 30 per cent, the lives of the other 85 per cent by taking and withholding from them "The means whereby they live." Said Henry George, "No man has the right to hold land out of use if some other one has need of it."

There is nothing revolutionary in this plan, and when the people conclude to take over the returns from these rights of theirs, they will do it, talk confiscation as you will. These rights that the people have always possessed, but because of carelessness on the people's part, so busy attending to their own affairs and not thinking, not thinking, of these essential things, a land monopolist has got in and has robbed them of their birth-right. The word

confiscate was little heard when the Southerners lost their slaves or when the Louisiana Lottery was done away with and it was only a few years ago when we put the 18th Amendment into the Constitution, and that took away millions and millions of dollars from different ones, the people at that time believing that we were on the right path. They have changed their minds since. However, when our people determine on a course, the chips will have to fall where they will.

Single Tax is making considerable headway, going forward in a healthy, substantial manner. Education is always a slow process. People don't need to think so deeply to understand this great question. They certainly should agree that a value created by the people should belong to them. How can you get away from that?

The State of Pennsylvania, a matter of 15 years ago, passed a law to permit cities of the second class to reduce the assessments on building and all improvements by one-half, and no taxes on machinery—this one-half taken from improvements, to be spread on the land value, all for municipal purpose—which is to say that in the City of Pittsburgh and also Scranton, two cities of the second class in Pennsylvania, they have Single Tax 50%, and if it is right 50%, gentlemen, it is right 100%—which has got to come.

A short time ago I was engaged in more or less of a debate with a Real Estate individual on this subject, before the Chamber of Commerce in our city (Jersey City), he showing the evils of the Pittsburgh method of taxation, as he called it, saying that it had reduced land values. This was so silly that I hesitated to answer him. However, I did, calling attention to the fact that the people assembled were largely manufacturers, and in the event of building a plant or extending the one they already occupy, would they be looking for expensive land? Does a man want to pay several thousands of dollars for a place to put a home? Quite true the land values in the City of Pittsburgh have gone down, and today there is no city in the Union that is being looked upon more favorably than this City of Pittsburgh by manufacturers and others who wish to build, and factories must be near large cities on account of the labor market, transportation, etc., etc. Pittsburgh is excellent in this regard, and such institutions

as the Westinghouse Manufacturing Company, the H. J. Heinz Company, and a number of other large plants in Pittsburgh have come out enthusiastically in favor of this system of taxation, showing they are in accord with it in a very substantial way. In the cities of the second class in Pennsylvania, if they were to take all the taxes off improvements, machinery, etc., in fact, everything except collecting land rental, the development and upward movement in those cities in the way of manufacturing plants, homes, etc., etc., would be something tremendous. You could not stop it.

A change, as I have said before, to this new system, could not possibly be revolutionary. It can take place in a day, or months, or through a process of several years. The very rich whose wealth is based on land values will object strenuously. They have been living on the fat of the land, on other people's labors, ladies and gentlemen, just about long enough, and for people to take these rental values over for their own benefit is their God given right to do, and it isn't going to disturb anything except make things better—less of poverty, less of crime, work and plenty of it for those who will want to work. Mr. George points that out specifically, and such a great mind as his having unselfishly devoted himself to the common people, made this clear, and we must give ear to it.

In the State of New Jersey for several years we have been trying to introduce this way of taxing, similar to that which Pennsylvania now enjoys, covering the entire state instead of just several cities. Needless to say, the real estate people and large land owners have fought us tooth and nail, and just a few years ago there was a strenuous fight by these gentlemen to upset the Pennsylvania law. A canceling bill was put through both branches of the Legislature, but fortunately vetoed by the Governor. We came within fifteen votes of passing our Single Tax Law in the Assembly, in our State of New Jersey, showing an enthusiasm that our effort created among these politically-minded people.

This scheme only needs the people to understand it. This is a panacea for our basic troubles and we will never be able to get far until the people take all the returns from land rentals and in taking it over get rid of all other taxes—and thus proceeding sensibly and righteously.

