

fields a Father Huntington casts his life with the moral lepers of a great city, and men speak lovingly of him as of one who is indeed doing the Master's work.

SOMETIMES we speak of the doctrines we hold as a science—the science of political economy. And so it is. But it is more than that. It is an ethical and religious message. It is upheld, in essence at least, by many eminent churchmen of the past, teachers and saints of the Roman Catholic faith. It has been declared by the very highest authority as not contrary to Catholic doctrine. The Fatherhood of God carries with it the Brotherhood of Man and the right of all men to God's bounties. The message of Dr. McGlynn is a message for today.

No Taxes

BY FREDERIC CYRUS LEUBUSCHER

I WENT into a store in New York City to buy a deck of playing cards. When I objected to paying twenty cents, the salesman said they could be sold for a profit at ten cents were it not for the federal tax of ten cents. I handed him two dimes. Instead of the usual "thank you," he said, "One cent more please for the New York City sales tax; any sale of thirteen cents or over must pay 2 per cent tax."

"So, if there had been no federal tax on cards, there would be no sales tax?" "That's about the size of it; the cent is a 10 per cent tax on a tax." "It is worse than that," I retorted. "If we had time to figure the share of the tax on the wood pulp, on the paper-making, building and machinery, on the printing press and the building in which it is housed, on the oil for the machinery and the ink for the press, on the railroad cars and trucks from the forest to the store, on—oh many other taxes which will occur to you; if, I say, you apportion all these taxes, you may find that the direct tax on this deck of cards is perhaps fifteen cents. Did you notice I said 'direct.' There is also an indirect tax—the tariff on wood pulp, on building materials, on machinery, on cars, on trucks, etc., the effect of which on the price of these fifty-two cards would compel a statistician to burn the midnight electric juice, which is also taxed."

Feeling that I had taken too much of the salesman's time in a purchase in which the store might make only a few cents gross profit, I ordered two packs of standard cigarettes at twenty-five cents. Of course the sales tax was added. The salesman, who seemed to be as much interested in the discussion as I, said that the United States tax was again half the price, and traced the other taxes as I had done with the cards, arriving at much the same result. He ended up with, "I never realized before how much we are taxed on everything; three-fourths of the price must be taxes." I assured him that it was

not quite as bad as that, on the average. While there are no accurate statistics, economists estimate that the taxes on industry of the federal, state and local governments take from one-fifth to one-third of the national income, or at least twelve to fifteen billions a year.

Every dollar of this is added to the price. And more too. If a given article costs one dollar to make, the manufacturer adds twenty-five cents to cover his overhead including a small profit. With a tax of twenty cents his costs increase to \$1.20. Adding his 25 per cent, he charges the wholesaler \$1.50 instead of \$1.25, thus adding five cents profit on the tax. The wholesaler in his turn adds profit on a profit on the tax, and the retailer in self defense adds a profit on a profit on a profit on the tax. The consumer pays them all.

The mere fact that one hundred thirty million people still eat, wear clothes and live in houses proves that there is consumption enough to furnish the various governments with revenue, even though it has to be eked out with borrowings. Not all the one hundred thirty millions; for twenty millions of them would be in rags, sleep in the streets and starve were it not for the taxes paid by the one hundred ten millions. While playing cards and cigarettes are luxuries, no direct taxes of 100 per cent are levied on necessities. Even so, they are all taxed. *The Manufacturers Record* states that a loaf of bread pays seventeen taxes and shoes twenty-three. Empty stomachs and bare feet are the result.

However, with a fifth to a third of their incomes going to tax-eaters, the one hundred ten million themselves eat less, buy fewer clothes, build fewer houses, rent fewer apartments and cut out many amusements. The results: Farmers can't sell all their crops, many factories shut down, some thousands of banks fail, millions lose jobs—the depression. Everybody damns the taxes. Mark Twain said, "Everybody complains about the weather but nobody does anything about it." But there are a few—and their number is increasing daily—who assert this crushing deadly burden of taxes is utterly unnecessary and that government can be efficiently administered without levying one cent of tax.

But who will pay the bills? Why the one hundred thirty millions, with the publicly created revenues of their own property, just as you and I pay our bills. These "voices crying in a wilderness" who make this startling claim, base it on fundamental economics. The land of this country, they say, with what we know as natural resources, was given to its inhabitants by their Creator at the time he gave them the atmosphere; they say that man is a land animal and would languish if denied access to land as surely as he would suffocate if denied access to air. Land and natural resources are generally lumped with food and factory products as property. Indeed, when we say, "He is a man of property," we usually mean he is a landowner. But these thinkers maintain

that there is a difference between natural resources and things produced; and to bolster up their claim they quote such well known names as Blackstone, Adam Smith, Thomas Jefferson, Thomas Paine, Abraham Lincoln, Herbert Spencer, Henry George, Helen Keller, Dan Beard, Hamilton Holt, George Foster Peabody, William E. Dodge, and Tolstoy. Wealth is produced in only one way, by the application of labor to land; and in the degree that we are denied access to land and natural resources will the wealth be lessened.

Some of these men and women even go so far as to claim that depressions and poverty are directly caused by the institution of land monopoly, viz. monopoly of natural resources. About twenty-five years ago I heard the eloquent Raymond Robbins illustrate this point from his experience in the nineties while mining in the Klondike. Two of the great army of the Klondike who flocked to Alaska returned from the hills to Nome, broke and discouraged. They wandered to the beach and, preparing to lie down, one of them threw over his miner's pick which turned up some sand showing a glint of gold. He automatically panned it out and he and his companion spent the rest of the day in panning. Nightfall showed that they had made about ten dollars each. The news spread to the settlement where hundreds like them had returned empty-handed, and where wages had gone down to a bare subsistence and the unemployed were being fed in "soup houses." Soon not only the "soup houses" were no longer needed but any of those getting under ten dollars a day left their jobs or were induced to remain and be paid the same wages that the beach offered. But after a while the property owners whose land abutted on the beach claimed it, and the authorities reluctantly ordered the workers off. Shortly the "soup houses" again flourished until the matter was adjudicated and the beach declared public property. From that time and until the gold was all taken out good wages and full employment prevailed.

To many city people the word "land" connotes the farmer or the miner. They do not realize that the most valuable land in the world is right under their feet. The land of New York City is assessed at eight billions and even in this depression is said to have a market value of almost ten billions. There are no accurate statistics of the value of all the land and natural resources of the United States. They are estimated to be from one hundred twenty-five to two hundred billions. It is probably safe to put them at one hundred fifty billions.

Now what is the remedy? The Socialists say, "Nationalize the land." But not so the eminent men and women whose names I have mentioned, for they are all individualists—the very antithesis of socialism. They all believe in the private ownership of land *so long as it is occupied or used and the ground rent is paid in lieu of taxes.*

But all of them share in the plan which it is claimed

will not only give back the use of the land to the people but, by so doing, gradually abolish taxes, increasing production and so abolishing poverty. Briefly stated, their claim is this: "The mere coming together of people to form communities automatically results in the creation of land values, which should properly be called public or *people values*. The same area of land as that in New York City which is worth nearly ten billions because of the presence and activities of nearly eight million people, would, say, in the Rocky Mountains, one hundred miles from the nearest habitation, not be worth ten cents. If a man in that city makes a coat or a pair of shoes, if he writes a song or a book, these things belong to him absolutely. So, just because these eight million people by living and working and exchanging their products with each other create land values, these are public values and belong to New York City as much as the coat, the shoes, the song and the book belong to the individuals or group producing them. They also insist that this enhancement of value pertains only to land and not to commodities, so that, for instance, roast beef does not cost any more in a big city than it does in a village.

Now, the inhabitants of New York City owning all these billions ought to utilize them for community purposes. Instead, they annually give up about a half billion dollars of their individual production in the shape of taxes on buildings, mortgages, merchandise, sales, etc., in order to run their government. In a dim way they sometimes recognize their folly. Fifteen years ago, when there was a shortage of dwellings, they passed a law exempting new buildings from taxation for ten years, if erected within three years. A building boom resulted.

The argument proceeds. Suppose Father Knickerbocker should wake up. What should he do with his billions? What economists call the law of rent answers this question. Every lot in this great city has an annual value commonly known as ground rent, the amount varying with the capital value of each lot. All real estate according to law is assessed every year on the basis of its "true" value, both land values and improvement values. With the tax rate of \$2.75 per hundred, about four hundred million dollars are collected, and of this only two hundred millions are ground rent. It is estimated that the annual ground rent of New York City is about eight hundred millions, and therefore only one quarter is taken in taxation. The city balances its budget as far as possible by taxing improvements, mortgages, sales, licenses, etc. Why not take all the ground rent in lieu of all this taxation? There would be surplus enough for state and federal expenses.

Perhaps, if Father Knickerbocker decided to pay his bills with his own public values instead of taxing his eight million fellow citizens, his Uncle Sam might wake up too. Using the many billions of ground rent that are now paid every year to a few hundred thousand of

his one hundred thirty million nephews and nieces, he could repeal all the myriad laws imposing taxes, including excise, income, estate and even the sacred tariff. Of course this vast sum might not suffice to pay farmers bonuses for destroying food while millions are starving, nor would it allow boon-doggling. But it would be more than enough for all legitimate functions of government, national, state and local.

This simple change advocated by those named above would do away with the load of oppressive burdens now borne by industry. A story is told of a drunken farmer who was fined ten dollars for "painting the town red." But when he painted his barn red the assessor added ten dollars to his tax bill, thus fining him *not once*, but every recurring year.

The people who advocate this plan for abolishing poverty are practical men and women. They recognize the inertia of the masses and that it is no easy task to overthrow a system hoary with age. Taxes can be gradually repealed and replaced by the collection of more and more of the people's ground rent. While the little Kingdom of Denmark still levies some taxes it collects a larger proportion of its ground rent than any other country; and today, with practically no unemployment, the Danes are the most prosperous people on earth. A beginning has been made in the United States. Some years ago the City of Pittsburgh, Pa., adopted the policy of increasing its land taxes 5 per cent a year more than its building taxes until now the rate of taxation on buildings is only half the rate on land values. The result? More building permits are issued in that city, in proportion to the population, than in any other city in our country. And new buildings mean the employment of labor and capital in the manufacture of building materials and in construction. The earnings of the workers are spent at the "butcher, the baker and the candlestick maker," and everybody in that city benefits.

In a small way the plan is being tried in Sydney, Australia, and in New Zealand, but cannot have lasting results until at least building and improvement taxes are entirely repealed. This has been done in the Village of Milk River in Alberta, Canada. Its budget is only \$2,500, but it levies no taxes and collects \$4,500 entirely from ground rent; and at that it does not take the entire ground rent. Only this February the people of Milk River voted 3 to 1 against the proposition to change the system by taking even less of the ground rent *in order to get rid of the surplus*.

Worse than the mania for stock speculation is the mania for land speculation and with even more disastrous results to the whole people. After all, Wall Street gambling is only betting whether shares go up or down. Land gambling is betting on the fundamentals of human life. And men and women who picture Wall Street as the abyss of hell, do not hesitate to buy building lots in the hope

of reaping an unearned increment without working. This April a multi-millionaire, member of a great industrial family, wrote me: "The difference between lottery tickets and land speculation is that holders of the former know perfectly well that all cannot win, while the holders of land, in a sort of hazy way, think that somehow a town may grow up, a railroad be built or a manufacturing enterprise may locate near their land, if they only wait. And it is this waiting which produces all the poverty with its accompanying misery in the world."

A landowner, *as such*, is a non-producer. When he holds land out of use for speculation he is a menace; but when he puts it to use by building a house or raising a crop he is fined (taxed) for adding to the wealth of the nation.

It is mainly the land gambling instinct inherent in most of us that is responsible for our taxes and resultant depression. It is also the reason why the substitution of the collection of ground rent for taxes will not find ready adherence, because it is obvious that if all ground rents are taken by the government there will be nothing left for speculation. The market price of land is its untaxed value. If the ground rent is 8 per cent and only 2 per cent is taken, the market value is the remaining 6 per cent, capitalized. Besides the gambling instinct the advocates of paying the cost of government with ground rents are up against the conservatism of the masses and their fear of a new idea. The first and most important thing to do is to bring into the consciousness of a majority, this fundamental fact: that land and natural resources are not property in the sense that food and products are property, but are gifts of the Creator, and like air, are of the essence of human beings. The more moderate of the adherents of this philosophy—while not abating their demand for the entire ground rent—will accept a gradual approach. But there are some sincere enthusiasts who demand all or nothing. These bitter-enders would even reject the Milk River Plan where there is no local taxation but a surplus of ground rents after paying all expenses because, forsooth, the Milk Riverites still pay Canadian and provincial taxes and tariff.

It is not necessary that a horde of government agents go around to the landowners, like the landlord of a tenement house, to collect the ground rent. One merit of this great reform is its simplicity. Unlike Socialism or Communism it entails no revolution. It utilizes the present tax gathering machinery which now levies taxes on improvements as well as on land values, but will hereafter cut out all improvement taxes and increase the taxes on land values. "But," it might be asked, "instead of other taxes will we have to pay more land taxes?" "Not at all; what will be collected is land rent. Calling it a tax doesn't make it one." "But, don't you say all taxes are added to the price you pay?" "If it were indeed a tax that would be so. But all economists admit—even

the most conservative and reactionary—that a tax on land values cannot be shifted. Why? Because the surface of this planet is limited in area—the quantity of land is fixed. Not so the things produced by the application of labor and capital to land—the potential output is practically unlimited.”

Unless the use of land and natural resources is recovered by the people in this sane and simple way, depressions will recur more frequently, each worse than the one before. Then we shall see in this country what is now taking place in Spain, where the landless peasants, goaded by hunger and misery, are seizing the great landed estates, with accompanying bloodshed, and parceling them out among themselves.

Most of the believers in this philosophy realize the futility of an appeal to the ballot box until the consciences and the minds of the people have been aroused. When that happens, the reform will come as a matter of course. A great economist once wrote: “Social reform is not to be secured by noise and shouting; by complaints and denunciations; by the formation of political parties, or the making of revolutions; but by the awakening of thought and the progress of ideas. Until there be correct thought, there cannot be right action; and when there *is* correct thought, right action *will* follow.”

Land is Source of our Living

IN the *Traveler* recently several Henry George disciples have accused Peter A. Reilly of Boston of not understanding the principle of land-value taxation, hence his opposition to the doctrine. As if to corroborate their charge, he asserted in a letter the other day that it is “difficult to understand.” Well, we didn’t find it hard to understand.

When I first read “Progress and Poverty” I found the truths stated to be so simple that I wondered why it was that I hadn’t thought of the relation between man and land, that this old earth was created by God for the wants and uses of all mankind and that taxing the community-created value of land into the public treasury would establish the equal right of all persons to the earth, or—as the late Rev. Fr. McGlynn expressed it, “provide a place at the Father’s table for all His children.”

There seems to be no good reason why we Single Taxers should waste time arguing with a man who is in favor of labor being exploited. It is evident that Mr. Reilly is committed to the present unjust economic system and doesn’t want to be enlightened. Unemployment, poverty, vice and crime, all the result of the injustice bottomed on landlordism, doesn’t concern him in the least.

Wherever land-value taxation has been applied, even in a limited degree, the result has been beneficial to all except the land speculator. Diverting ground rent into the public treasury would be a natural tax.

The necessity for government and the value of land are both the result of population, and the revenue of ground rent from the one should be used to pay the cost of the other.

The Single Tax would make it impossible for speculators and monopolists to hold natural opportunities unused or only half used, and would throw open to labor the illimitable field of employment which unused portions of the earth offers to man.

W. L. CROSMAN in *Boston Traveler*.

The Difficulties of Democracy

JOSEPH DANA MILLER in *International Journal of Ethics*, London, England

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“Of all forms of government democracy is the most difficult.”—Sir Henry Sumner Maine.

“The difficulties of popular government which arise from the modern military spirit and from the modern growth of irreconcilable parties could not perhaps have been determined without actual experience. But there are other difficulties which might have been divined because they proceed from the inherent nature of democracy.”—Sir Henry Sumner Maine.

DEMOCRACY contemplates no more than other forms of government—all seek to justify themselves as serving best the happiness of the people. Democracy claims for itself no other *raison d’être* than a tempered monarchy or an honest despotism. We have learned that it is best that power should proceed from below rather than from above, and that it is not safe to vest large powers in any branch of government or any group of persons. And we trust that the practical application of this theory of government will give us all greater happiness, and that civilization and progress are indissolubly connected with it.

Yet what we have termed the difficulties of democracy remain. We have assumed that what stands in its path are obstacles placed there by its foes, when in fact the chief difficulties are inherent in democracy itself. We have assumed that all that it was necessary to do was to place power in the hands of the people, and liberty would be an accomplished fact. We have assumed that democracy would be attained by smashing institutions that impeded it, and that all the rest was a triumphant march.

But democracy is not so much a system of people’s power as a *state of social consciousness*. But even with this all is not attained, since the practical difficulties that remain, defects of knowledge, unconscious bias, failure of governmental machinery, or the natural propensity of men to grasp power and of others to yield power to those who authoritatively assert it, are appalling to whoever will think of the possibility of a pure democracy.

It is seldom we reflect how young democracy really is. We look in vain for any satisfactory democratic teachings among the most eminent of the philosophers and thinkers. Democratic tendencies in their writings we may discern readily enough, with suggestions for more liberal laws, but of democracy, as we of today understand it as a fundamental concept, hardly a trace. It might be thought that here and there some thinker philosophically detached from his times would have announced the discovery of democratic tenets. But no. Aristotle, who discovered more than one important law of human association, could never get away from the institution of slavery, founding the argument for its necessity upon the deceptive analogy of the subordination of body to soul, of appetite to intellect, of