

# *The Lincoln Foundation*

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## Foreword

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**T**HIS report is an account of the activities of the Lincoln Foundation during the first ten years of its existence. It also includes a statement of the philosophy and principles which have guided the Board of Directors in the selection of the projects it has supported.

It has been considered sound policy to regard its choice of projects and its method of administration as experimental during these early years. From time to time in the years to come it intends to make public further reports of its activities as well as of the findings and conclusions of its research projects.

## *Statement of The Founder*

In 1947 after more than sixty active years in the fields of industry and investment I established this foundation.

Over those years I became convinced, because of my experience in the business world and also because of what I read of economics and public affairs, of a number of vital facts. In the first place, the community by its presence and activities creates a value called ground rent. Therefore, this ground rent belongs to the community, rather than to the land-owner who, under the law as it is now written, has title to the land. When the land-owner collects ground rent, instead of the community, the community is denied its natural source of revenue and is compelled to levy taxes on the earned wealth of its citizens. This, I contend, is inequitable, and a violation of the moral law. There is an essential need that this denial of justice be made known to a wider and wider audience.

I found that the clearest and most comprehensive portrayal of these facts was in the writings of Henry George. In more recent years I have witnessed to my profound regret that the contributions of Henry George were to a greater and greater extent overshadowed by the purely empirical and materialistic philosophies of later economists, notably in our educational institutions at all levels.

I felt, therefore, that the remedy should be in education, not only of the public directly but of those leaders in education and in other areas in which public opinion is shaped.

The foundation which I established was, therefore, dedicated to education in its broadest sense.

It was and is my belief that this educational effort should extend over many years and seek through the dissemination of proven truth to change the standards of economic education and of public opinion, and thus contribute to a more just and productive life for free men and women.

JOHN C. LINCOLN

## *The Lincoln Foundation*

### HISTORY AND PURPOSE

The Lincoln Foundation was established by John C. Lincoln in 1947 under the laws of the State of Arizona. Its purpose as stated in the Articles of Incorporation is "to teach, expound and propagate the ideas of Henry George as set forth in his book, 'Progress and Poverty,' in such manner as the Board of Directors may direct."

### ORGANIZATION

The articles of Incorporation vest the control and management of the Foundation in a Board of Directors.

The directors have tenure of two types. Four are "life members," and the rest are elected by the Board for terms of three years with reelection limited to one additional term only. The Board consists of not more than eleven and not less than nine members.

## *Policies—*

### DIRECTORS' INTERPRETATION OF PURPOSE

The Board of Directors is empowered to determine the manner in which the stated purpose of the Foundation shall be carried out. In line with this directive, the Board has recognized that Henry George in his "Progress and Poverty" presented not only an analysis and remedy related to certain ills in our civilization, but a broad treatise on the principles of economics. These principles, notably in taxation, are in the ideological tradition of earlier economists who in their day were appropriately called "liberal." That is, they were exponents of economic liberty within nations and freedom of commerce and trade within the world. In the semantic fashion of the present day, the word "liberal" has been appropriated by those who believe in more, rather than less governmental intervention in economic life. Thus, the long line of economists from Adam Smith to Henry George would be called conservative today.

The kinship of George with Adam Smith, who published his "Wealth of Nations" almost precisely a century before "Progress and Poverty," is shown by the identity between the four Canons of Taxation stated by both.

George's Canons are:

"The best tax by which public revenue can be raised is evidently that which will closest conform to the following conditions:

"1. That it bear as lightly as possible on production . . .

"2. That it be easily and cheaply collected, and fall as directly as may be on the ultimate payers . . .

"3. That it be certain—so as to give the least opportunity for tyranny and corruption on the part of officials and the least temptation to law-breaking and evasion on the part of the taxpayers.

"4. That it bear equally, so as to give no one an advantage or put anyone at a disadvantage as compared with others."

It should be noted that George is here writing of the principles of taxation which would provide essential public revenue with basic justice to all taxpayers. It is his distinction that his book, in these Canons of Taxation, is pleading for justice to all individuals in accordance with his concept of the natural law. Thus, his message is more than cold, empirical economic theory; it is highly ethical in spirit.

It should also be noted that George's "Progress and Poverty" appeared only a few years after Karl Marx published his materialistic "Das

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Kapital" and that George specifically took issue with Marxian socialism. His philosophy is in direct contradiction with Marxian materialism.

George believed that the gravest expression of inequity in the laws and governmental policies of his time was in the status of land and of land taxation. Accordingly, he laid great stress upon those aspects of economics.

Hence, in fulfilling the spirit and letter of the stated purpose of the Lincoln Foundation, the Board of Directors has determined that its concern in distribution of the income of the Foundation should be in the related fields of land ownership and taxation, as well as in removing restraints upon individual initiative and enterprise and production which exist in many other forms of taxation.

#### IMPLEMENTATION OF POLICIES

Administrative policies, in the nature of things, must grow and change with experience. But the Board of Directors decided shortly after its organization that the Foundation should be a granting, rather than an operating institution. Thus the Foundation should select grantees with care and, within certain stated limits, permit them discretion in the actual operation of teaching, research and promulgation of the results thereof. It has not and does not at this time plan to operate directly in teaching, research or in the promulgation of information. Hence it has been able to conduct its affairs with a minimum of administrative overhead and thus to use its resources to the fullest possible extent upon its grants.

It has supported projects in the related fields of teaching and research. In teaching, it has supported not only adult education, but higher education in colleges and graduate schools. It has stressed the desirability that appropriate research in its specified fields shall be closely related to classroom instruction. It intends also to support and encourage public enlightenment through the publication of the results of the research it has supported, as well as the application of such results in economic instruction in schools at all levels.

#### ADMINISTRATION

In these early years of its operation, the Board of Directors is limited in its annual resources to the extent that it has seemed advisable to operate, so far as possible, without a staff of fulltime employees. The officers have to a large extent carried on the work of negotiation with prospective grantees, as well as the maintenance of the financial man-

agement of available funds. Raymond Moley has assisted in an advisory capacity since 1952.

## *Projects—*

### ADULT EDUCATION IN ECONOMICS

There is abundant evidence that the public generally is greatly in need of extensive education in the simple facts of every-day economic problems. This has become increasingly significant since so many basic economic decisions profoundly affect the nation as a whole. The government's economic policies and its decisions made at the various levels of government also become a matter of public interest and debate. Public opinion, wisely informed, is the nation's best protection against unsound trends in government as well as in private businesses and in labor unions.

The Foundation has supported several quite varied approaches to adult education.

#### *The Henry George School of Social Science of New York*

The first of the Foundation's grants was made to the Henry George School of Social Science of New York. This grant has been continued on a yearly basis since.

This school, located at 50 East 69th Street, New York City, has been in existence for twenty-five years. It offers a program of courses in economics based upon the theory, policy proposals, and philosophy of Henry George. The basic course, "Fundamental Economics," utilizes "Progress and Poverty" as a textbook, and the second course applies the theory in line with George's "Protection or Free Trade" and "Social Problems." A variety of advanced courses are offered either in the classroom or by correspondence. This curriculum is available also through many branches of the Henry George School throughout the United States and several other countries, including three locations in Canada. The New York school makes a number of small grants to those schools. The school, under the direction of Mr. Robert Clancy, provides a number of related educational activities.

In 1957, in the New York school there were 1,484 enrolled in the basic course in "Fundamental Economics," and 669 enrolled in advanced courses. In that year 578 completed the basic course; and 378, advanced courses. A total of 343 completed correspondence in basic and advanced courses.

In the branches of the School in the United States and Canada,



outside New York (but not including Chicago) there were 706 graduates of the basic course.

*Report on Adult Education*

In 1952 the Board engaged Richard S. Rimanoczy of the American Economic Foundation to make a survey of the status of adult education in economics in colleges and other schools. His study was also concerned with the receptivity by industry to the extension of such educational efforts in representative American companies. The major points proved by the research conducted by Mr. Rimanoczy indicated that there had been a notable neglect, by schools offering conventional instruction in economics, and also, of the need for extension of this work into industry itself. The report then indicated that representative industries were very favorably inclined toward such educational efforts within industry, and that, therefore, the field for such instruction was a fruitful and extensive one. The Rimanoczy report was published by the Foundation and given wide distribution.

*The Henry George School of Social Science of Chicago, Commerce and Industry Division*

The Henry George School of Social Science of Chicago was established in 1936. It was considerably smaller than the New York school. For some years after its establishment, it carried on courses specifically dealing with Henry George and his ideas. Then, believing he could reach a larger audience, John Monroe, the director of the school, initiated what is called the Commerce and Industry Division. This projected educational work in various industrial companies, with courses on general economics aimed at workers and executives. Teaching was carried on without formal lectures and texts, but through conference sessions in which leaders selected by the school sought to bring out helpful information in economics through the participation of students.

In 1953, the Lincoln Foundation, believing this to be an interesting innovation in adult education, gave a fairly sizable grant for a period of three years. Since the expiration of that period, grants of smaller amounts have been made, mostly on a matching basis. Since industry itself is now expected to bear the expense of this instruction the aid of the Lincoln Foundation is terminated with the year 1958. By 1958 the participating companies in this program numbered 38. The conference groups numbered about 100.

The Commerce and Industry Division promotes luncheon meetings, to which the public is invited, which are addressed by leaders in business and in academic life. Recently, a TV program was added.

*Society for the Advancement of Management*

Based on the experience of the Foundation with the Chicago school, a grant was made in 1954 to the Society for the Advancement of Management. This was designed to support teaching and discussion courses in various cities in which there were units of the S.A.M. Robert H. Laws conducted these courses for two years. This grant was continued through the year 1957, after which the S.A.M. assumed full responsibility.

*University of Chicago, Industrial Relations Center*

The Foundation has approved a three-year grant, beginning in 1958, to the Industrial Relations Center of the University of Chicago, to enlarge a unique and carefully organized experiment in adult education. For several years now, the Industrial Relations Center has developed a program in basic economics for management and employees of major and small business firms designed to inform and stimulate individual thinking and participation in economic discussion groups. In addition, considerable research and application in education techniques has been carried forth and made available, not only to industry, but also to many cooperating colleges and universities.

An important part of this educational work is a series of eleven booklets covering many of the fundamentals of economic thought and analysis. Typical subjects included are "Competitive Prices in Action," "Capital, Key to Progress," and "Your Wages." A serious gap in the program is the absence of any specific and thorough treatment of taxation and its powerful and growing influence on the individual, community, and the problems of business management. Through the assistance of the Lincoln Foundation's grant, Professor Robert Burns of the Industrial Relations Center at the University of Chicago, has planned an additional text on the economics of taxation, including an analysis of the work of George; to further broaden this vital effort. The materials to be prepared on the "Economics of Taxation" will be integrated prominently with the program now available to groups in industry and teachers on other college faculties in industrial communities.

*Miscellaneous*

In addition to the above, grants on a matching basis were made to the Public Revenue Education Council of St. Louis for the years 1954, 1955, 1956, and 1957. A small grant was made in 1954 to the International Union for Land Value Taxation and Free Trade. Small appropriations were also made for purchasing and distributing a number

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of books. For a time, a "Lincoln Letter," signed by John C. Lincoln, was distributed to several thousand key people. This was discontinued in 1952.

### THE COLLEGE AND UNIVERSITY PROGRAM

The Foundation Board recognized from the beginning that a fundamental public understanding of economic problems, notably in taxation, requires not only direct education of the average citizen but an enlargement and improvement of teaching and research in colleges and universities. For in those institutions teachers at the lower levels of education are taught and other future leaders of public opinion get their training in economics. Consequently, the Board decided to offer grants, on an experimental basis, to a limited number of selected institutions to broaden their courses and expand research in taxation, notably in land taxation and other factors specified in the George Canons of Taxation.

As this program has progressed it has become more and more apparent that certain aspects of economic instruction, including the content of text-books commonly used, have taken for granted certain economic assumptions and theories which greatly need scientific testing.

There has also been a neglect of the notable economists of the past. They have been carelessly labeled "the classic economists" and dropped from consideration as outdated and insignificant in the light of modern economic developments.

In current economic teaching and research, the whole subject of taxation has also been neglected.

The Foundation's grants are designed to supply this deficiency and to reexamine the assumptions of current economic thinking.

The Grants have been made to Claremont Men's College at Claremont, California; University of Southern California at Los Angeles; the Graduate School of Business of New York University; and the new Graduate School of Business Administration of the University of Virginia.

#### *University of Southern California*

Beginning in the academic year of 1955, a teaching grant has been made to the University of Southern California to further the teaching of economics in general, and taxation and the ideas and program of Henry George in particular. Through the financial support of the Foundation, the theoretical and applied economics propounded by Henry George have strengthened several offerings at the College of

Letters, Arts, and Sciences. Along with enlarging the attention paid to his work in established basic, intermediate, and graduate courses in "Economic Theory" and the "History of Economic Thought," a "Seminar in Tax Theory, Literature and Research" has been added to the Curriculum.

This grant has been renewed for the three years 1958-1961.

*Claremont Men's College*

A three-year grant was made in September 1955 which financed both a teaching and research development at Claremont Men's College. Both an undergraduate and graduate offering in taxation resulted from this aid. In this way, students have been introduced to the scope and impact of George's writing, together with other creative thinkers in the field, in carefully designed courses.

President George C. S. Benson selected for this responsibility Professor Robert T. Patterson, who completed, in 1957, a study on "The Tax Exemption of Cooperatives." After a careful study of the origin and nature of the consumer cooperatives, the author traces the extension of the idea into various fields of business enterprise. Following this, an analysis is made of the background and evolution of the current tax exemptions accorded cooperatives, the policies of the Treasury Department, and the rulings of the courts. It is noted that a "double escape" of cooperative income exists through their ability "to allocate their earnings in such forms that they are not taxable income to their patrons." After estimates of the loss in revenues, primary emphasis is placed upon the deleterious effects on resource allocation and efficiency caused by the tax subsidy, and its influence upon competition in a free enterprise economy. The inequities and discrimination inherent in the exemption are also fully probed.

*New York University*

*Graduate School of Business Administration*

The grants to Graduate School of Business Administration over the period 1956-1958 have supported four different types of educational activity; an essay contest for graduate students; a grant to the Library Fund to provide a Lincoln Foundation Alcove in the building now under construction to house the Graduate School of Business Administration; inclusion of a new course in Economic Theory and Taxation in the curriculum; and the initiation of research in the Theory and Measurement of Land Rent, a preliminary report of which was submitted in November, 1957. Under present plans, this research project will be completed toward the close of 1959.

### *The Essay Contest*

During the Spring semester of 1956, the Lincoln Foundation, in cooperation with the Graduate School of Business Administration of New York University, announced an essay contest for graduate students of that school on the subject, "What Would Henry George Now Say About Land Value Taxation, Seventy-Six Years After the Publication of His 'Progress and Poverty'?" Three prizes were offered: first prize, \$1,000; second prize, \$750; and third prize, \$500. The announcement set the final date to submit papers as September 15, 1956. The papers were judged by a three-man committee appointed by Dean G. Rowland Collins. Professor Joseph S. Keiper was named faculty representative to assist in administering the contest.

In December, 1956, at a faculty meeting, Dean Collins announced the winners and made the presentations.

The prize-winning essays have been mimeographed, and are mailed upon requests that come in from time to time. Copies of each have also been placed in the library. In addition, a summary of excerpts of the best ten essays was prepared for distribution.

### *The Taxation Alcove Of The Lincoln Foundation*

An alcove in the Library of the Graduate School of Business Administration, now under construction, has been planned to provide the school's more than 4,000 graduate students with the works of Henry George together with other appropriate materials and volumes on economics and taxation.

### *Graduate Course In Economic Theory And Taxation*

Beginning in the academic year 1956-57, a graduate course in "Economic Theory and Taxation" was developed by Dr. Joseph S. Keiper and offered to qualified candidates for advanced degrees. The course traces the classical theories and canons of taxation, with emphasis upon Smith, Ricardo, and George. The proposals of George are then analyzed in the modern environment, and compared and contrasted with contemporary theory. Here the treatment of taxation primarily as a manipulative tool in an economy dominated by Keynesian economics and the National Income accounting approach is explored.

### *Research Project—Theory and Measurement of Land Rent*

During 1957, the Foundation supported an inquiry into the role of land rent in contemporary economic theory, the evolution of this process, and an appraisal of the technique employed by the U. S. Department of Commerce in measuring rent as a component in National

Income Statistics. The primary objective of this initial research venture into a broad and vital area was to examine the basis of the theory, technique, and measurement of land rent as it is treated today by government statistics, the learned journals, textbooks, and the majority of professional economists. Should the current position be shown to have been built upon dubious assumptions or logic, and the statistics leave much to be desired as a basis for theoretical projection and public policy, the possible means of making a constructive contribution will be explored.

The research was conducted by a team of New York University faculty members under the direction of Dr. Joseph S. Keiper, Professor of Economics, Dr. Herman E. Krooss, Professor of Economic History, Dr. Ernest Kurnow, Professor of Statistics, and Dr. Michael Schiff, Professor of Accounting, all of the Graduate School of Business Administration. In November, 1957, this group submitted their findings and conclusions in a preliminary survey entitled, "Theory and Measurement of Land Rent." The four main lines of inquiry were: the current theory of land and rent, the measurement of land rent by the Department of Commerce and other investigators, accounting and tax considerations in estimating the share of land rent in the national income, and major historical aspects of land rent in the United States. Conclusions were summarized as follows:

"1. Current theory, assuming an admittedly weak measurement, ignores rather than answers historic questions surrounding land and rent.

"2. Conventional accounting practice conceals land rents on a grand scale.

"3. The serious discrepancy between the national income measurement of rentals and the theoretical economic concepts results in a widely misused and misunderstood critical statistic.

"4. Contemporary theory, leaning heavily on an easy acceptance of national income measurements, lends support to indiscriminate and ever larger taxation."

The preliminary survey also pointed to the value of retracing the path of land rent analysis from its early key position in economic theory to its dead end status in contemporary thought. On the basis of the 118-page analysis, the Foundation approved a continuation of this study directed at three objectives:

1. to test the dominant theory and widely accepted techniques of measuring land rent today;

2. to focus upon the distribution theory and statistics which form the rationalization for much of our tax policy and structure;

3. to deal with the elements of economic thought that are prerequisite to revitalizing and reinstating an outstanding American economic thinker, Henry George, to his rightful, influential spot in contemporary thought.

With these objectives attained, it may be possible to arrive at a reliable estimate of the total ground rent available in the United States today, a figure about which there has been a vast amount of conjecture but which has never been accurately arrived at. This estimate, the Foundation hopes to document and to publish.

*University of Virginia  
Graduate School of Business Administration*

The Foundation has made a grant to the Graduate School of Business Administration at the University of Virginia for three years beginning in 1957, to support both the development of research and a teaching program. Directly interested are Dean Charles C. Abbott and Professor Frederick Morton, who have the benefit of an advisory committee consisting of six members, including the Tax Commissioner of Virginia.

A survey of the literature in tax theory is in process, together with the preparation of a graduate course in taxation. To support this and similar tax courses, and growing out of the survey and compilation of a bibliography, the preparation of a book of cases in tax theory is under consideration. As yet no final decision has been made with respect to a specific research effort. Of many possible studies emerging from the meetings with the Advisory Committee, emphasis has been placed upon the following projects:

1. A compendium of the views of leading thinkers in the field of taxation. The compendium would consist of a list of readings and a summarization of the theories of economists and political scientists.

2. A series of cases of specific situations illustrating how particular taxes or tax policies have influenced business decisions, and hence business growth and development. These studies would examine:

- (a) taxes affecting the structure of industry (location, form of organization, capital structure)
- (b) taxes affecting internal investment and growth of the individual business unit (reinvestment of earnings, mergers)
- (c) taxes affecting business practices (depreciation policy, inventory valuation, retirement systems, fringe benefits, bad debt accounting, "affiliate accounting").

The advisability of making the same type of study on an aggregate historical basis, rather than a field study of individual decision-making in the business world is also being considered.

The research contemplated is of a nature that much of it might be utilized in various college and graduate tax courses.

*Cooperation Among College and University Projects*

It is the policy of the Foundation to promote freedom on the part of grantee institutions to conduct their teaching and research in the manner that their discretion dictates. The determination of whether the proposed project is within the broad terms of the Foundation's purpose, as interpreted by the Board, is made when the grant is made. And after that, the Foundation would regard it as unwarranted to supervise or censor the project or direct its research.

However, it is regarded as vital by the officers of the Foundation that some degree of cooperation among the projects be provided.

It is therefore intended to bring together the various people directing the projects from time to time to get acquainted and to exchange information and points of view on the many technical and policy questions involved.

## Financial Statement

*1957 Expense*

Adult education . . . . .	\$ 92,500
College program . . . . .	37,500
Administration . . . . .	10,000
	<u>\$140,000</u>

*Average Expense for 1955 and 1956*

Adult education . . . . .	\$153,500
College program . . . . .	16,200
Administration . . . . .	10,700
	<u>\$180,400</u>

*1958 Budget*

Adult education . . . . .	\$108,000
College program . . . . .	48,000
Administration . . . . .	20,000
	<u>\$176,000</u>