

# TAXATION

*A Journal of Economic Justice*

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Vol. I

February, 1920

No. 2

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War Problems of Taxation

Louis F. Post

Mr. Kahn Points the Way

Texas Landlords and Tenants

Discriminating Against the Poor

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EDITOR: STOUGHTON COOLEY  
 BUSINESS MANAGER: JAMES R. BROWN  
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“WHENEVER Canada wishes to make America jealous,” says the *New York Evening Post*, “she can call attention to the success of her land settlement scheme for soldiers.” And the editor notes the fact that 33,496 soldiers, or one in ten of those returning from foreign service, have qualified for Dominion assistance in farming, while another 10,000 have filed applications. But the real test will come, the editor thinks, when the first enthusiasm is spent, and the men face the inevitable hardships of the frontier. But the Canadian government has tried to choose experienced men; and those lacking experience have been given special training, which may be continued through the early years of settlement. “While our Congress has done nothing,” says the *Post*, “Canada has at once rewarded her fighters, brought millions of acres under cultivation, and contributed to the reduction of food cost.” But the fact should not be overlooked that Canada did not have a President to be humiliated and a Presidential campaign to be launched.

WILL history repeat itself in the experience of Ireland with proportional representation? It may be recalled that it was many years after Thomas Hare announced to the world a scientific method of electing representatives before the system had a practical demonstration. John Stuart Mill and many other eminent men took up the idea, but no country was willing to try it. In the Swiss Canton of Ticino the racial conflict grew so keen that the people lashed themselves into a state of civil war. The Swiss Government introduced proportional representation into the Canton and it not only restored peace to the

distracted people but it gave such satisfaction that it spread to the other Cantons, and finally to the whole federation. A similar experience followed the adoption of the reform in Belgium. Who knows but what a similar result may follow the use of proportional representation in Ireland. Had the Irish election been conducted under the old system the Sinn Fein would have had nearly all of the representatives south of Ulster and the Unionists would have had practically all the Ulster representatives. As it was neither faction has a majority and each has a goodly number of representatives in the other's territory. Neither will have the power to ride rough shod over the other, and each will be compelled to consider the rights of his opponent. From this close contact it is to be hoped will come the peace and harmony that followed the introduction of proportional representation in Switzerland and Belgium.

STATE income tax blanks that have been coming in the mails lately are fine propaganda for better revenue methods. When the weary tax-paying citizen has made up his budget for the coming year—including regular taxes, special assessments and Federal income tax—he feels hurt at receiving from the officials of the State this reminder that he still owes it a part of his income. A Federal income tax we shall probably have to bear until we have recovered from the effects of the war. But this State income tax is not in any way related to the war. It is simply laid on the citizen for the support of civil government in time of peace. This is entirely unnecessary. There are still, untaxed, vast values that have been made by, and are dependent upon, the service of the gov-

ernment. Until these have been taken as public revenue, there is no excuse for a State income tax.

**T**HE great outstanding fact in the railroad discussion is the lack of understanding on the part of Congress and the public. Walker D. Hines, Director General, in his report on the conditions of the roads, sets forth facts in connection with their administration that show how the public mind has been misled by a systematic campaign of misrepresentation. The same means and the same kind of men that blacken the character of all political opponents and distort their acts has been used by owners of the stocks and bonds to influence public opinion against government ownership of railroads. Congress should reject the pending bill and extend government operation for at least two years for the following reasons: (a) The net earnings on which the government based its rental are now known to have been got by withholding necessary improvements; (b) the roads were so depleted of equipment that they actually broke down at the beginning of the war; (c) the government took over a bankrupt concern, put it on its feet, and saved the country; and (d) having restored the railroad system to a state of efficiency, Congress now proposes to return the roads to the men who wrecked them—with an incidental gain to the owners of several billion dollars that will have to be made good by the public in higher rates. If Congress is so deaf to all pleas to extend the present management it is to be hoped that the President will veto the pending bill.

**S**OLVING the slum problem by raising wages was thought by some persons to be merely an attempt at factitiousness, but anyone who will give the matter a little thought must realize that it is the bare truth. The emigrant, ignorant, illiterate, and not even knowing the language when he arrives at Ellis Island, naturally moves into a slum district because it is nearest at hand and is cheapest. But he stays there only as long as he lacks the means to go elsewhere. As soon as his wages warrant better quarters, he moves into a building that is light and airy and has sanitary conveniences. This is confirmed by a statement of the Legisla-

tive Rent Profiteering Committee. Prizes having been offered to architects for the best plan for rebuilding old slums, the committee says: "A few years ago the buildings would have been rented without question. Nowadays, with longshoremen earning \$50 a week and willing to pay proportionate rents, the so-called uninhabitable buildings are not in demand." The moral seems to be that if all people receive \$50 or more a week, the slums will disappear for want of victims.

**I**N welcoming the delegates of the second Pan-American Financial Conference at Washington, Secretary of State Lansing said: "The Americas stand for certain political and social ideals, which permeate our very existence as a nation since we declared and achieved our independence. Of these, the most important is the orderly development of political institutions based on the supremacy of the popular will and the equality of economic opportunity unimpaired by special privilege or class distinction." Though this is true theoretically we have not tried it fully as yet in practice. Aside from the special privileges of the protective tariff and public utility franchises there are special privileges under our regular tax laws. Many owners of land receive from the government more service than they pay for in taxes, the remainder being made up by taxes on production. It will be a great day in this country when some future Secretary of State can use Lansing's words in very truth.

**T**HAT the tenant pays the taxes is the conclusion of the *Baltimore News*, which says: "Where apartment tenants make a definite effort, as some did last summer, to have the assessment increased to reduce the landlord's profits, the landlords have in some cases had a clause inserted in the leases that will completely cover this increase. Thus the tenants are only giving more money to the city and not reducing or impairing the earning revenue of the properties." It is to be feared that the lawmakers of Baltimore did not realize their full opportunities—nor did the tenants. Had the increased tax been laid on the owners of vacant land it could not have been passed on to the tenants. There are no tenants on vacant land.

Nor could the tax be added to the price of vacant land because there are no purchasers at the present price. The only way the owner can get rid of the high tax on his vacant land is to reduce the price. That would be an encouragement to building, and the competition of new buildings would tend to reduce rents. The Baltimore tenants meant well—possibly the lawmakers also meant well—but they did not understand all the factors in their problem.

**T**HAT closer co-operative effort is needed to meet the labor situation, is indicated by the demands of the bricklayers and plasterers of El Paso for a \$1.00 a day increase in wages. As an excuse for demanding \$8.00 a day the statement is made that the average number of days' work in a year is only 170, which would make an income of \$1,360 a year, or a weekly wage of \$26. If it be assumed that the remaining 130 days are spent in enforced idleness it must be recognized as a waste. With wages forced to the highest point employers use labor only under the most advantageous conditions and seasons, and with this short season labor feels the need of the highest wage. It would seem that a mutual understanding between contractors and men should lead to an agreement by which the building season could be extended over a longer period. By confining building operations to a short season with high costs less building will be done and the cost of living will be advanced. By lowering the building cost, through a longer season, more employment will be given and the cost of housing will be reduced.

**I**T would seem that no country has a monopoly in the gentle art of tax dodging. Dispatches from Tokio tell how Japanese employers, by giving bonuses to the employees instead of increasing their salaries, have by that means defeated the income tax law. An employee receiving \$150 must pay approximately 8 per cent. on his "estimated" income for the ensuing year. Corporations, therefore, pay small salaries on which the tax is levied, and large bonuses which are not taxed, because of the pleasant fiction that the recipients cannot estimate their yearly bonuses. As men getting \$150 a month receive bonuses as high as \$12,000 a year the saving in the individual's

tax is considerable. In this country a similar result is attained by investing in land, rather than in a wealth producing industry. The land continues to increase with the growth of population, but is not subjected to the income tax unless it is sold. There is one tax that cannot be dodged or evaded. That is a tax on land values.

## Discriminating Against the Poor

**A**MONG the various examples of how-not-to-do-it one of the most remarkable is the proposal to lay a tax on sales. The most common excuse given is that a considerable revenue can thus be raised from the whole public in a way that will not be felt. The proposal is aimed particularly at those consumers who, owning no property and being below the income paying class, are supposed to pay no taxes at all.

The National Retail Dry Goods Association opposes the bill in its present form, which lays a tax of 1 per cent. on sales of 50 cents and up, to 5 per cent. on sales over \$500, and urges that the tax be collected directly from the dealers' books. "It is our belief," say the officers of the Association, "that a flat per centum tax—not necessarily a 1 per cent. tax, a half of 1 per cent. may be sufficient to raise the necessary amount of revenue—should be uniformly applied to all business which could be collected from the books of each business concern and added by each concern to its business and in that way be distributed back to the consumer."

Much has been said by the dealers about the method of applying the tax, but no one raises the question of the justice of such a revenue measure. The sponsor of the bill, Representative Isaac Bachrach of New Jersey, and those acting with him would have one infer that this sales tax is something new. As a matter of fact all taxes except those on incomes and on privilege are sales taxes. The statement of the officers of the Retail Dry Goods Association shows how it will be "added by each concern to the cost of doing business and in that way be distributed back to the consumer." Is that not the way of all taxes paid on goods and on anything connected with their manufacture and handling? Tariff taxes, building taxes, taxes on materials and supplies are "all added by the

concern to the cost of doing business," and are paid by the consumer.

So far therefore is the non-property owning, non-income tax paying citizen from being exempt that he is already paying a sales tax on every purchase large or small. The poorer consumers indeed, are paying a larger proportion of their incomes in taxes than are many of their richer brethren.

The people of this country elect the men who make the laws, and the poorest man has just as much voting power as the richest. If the voters want this kind of a law they can have it. But one cannot repress the thought that it seems strange that a Congress in need of revenue should lay this additional tax on the backs of the poor when it has not levied one cent on the idle natural resources that have increased so much in value since the beginning of the war.

Democracy offers the people the opportunity to have wise and just laws, but the laws are not likely to be wise or just until the people demand them.

## National Roadbuilding

**B**EFORE the development of the railroads there was a necessity for great national highways—post roads—to accommodate the country's traffic. Great canals were also constructed. With the development of the iron road the importance of these highways diminished. With the coincident congestion in railroad traffic and the development of the automobile and the auto truck the highway again looms up as one of the country's important arteries of trade.

Therefore the United States Government has undertaken through its Federal Highway Commission to encourage the extension and improvement of highways by aiding the States that appropriate money for this purpose; and in consequence there is at the present time what may fairly be called a stampede of the States to take advantage of this aid. Among the programs for road building at the present time may be mentioned Arkansas, with a stupendous plan calling for the expenditure of \$100,000,000; Alabama, \$4,000,000, with a bond issue of \$25,000,000 shortly to be put before the voters of the State; Georgia, \$12,600,000;

Maryland, \$30,000,000 for extension of roads on which the same amount has already been expended; Mississippi, \$15,000,000; Missouri, whose counties have already voted \$18,112,000 for this purpose, with pending projects calling for \$15,000,000 more yet to be voted on; North Carolina, with a \$15,000,000 program; Oklahoma, \$7,000,000; Tennessee, \$11,000,000; South Carolina, between counties and State, \$8,500,000; Texas—gigantic Texas, one-fourth larger than Germany before the war—\$125,000,000; Virginia, \$12,000,000 and West Virginia \$15,000,000.

These are what may be called Southern States, in the territory to which the *Manufacturers' Record*, from which the figures are taken, devotes its chief attention. The Northern States are already ahead of the Southern tier in highway development, and their present activities, while probably greater than those mentioned, are not so spectacular.

The railroads are already keenly feeling the inroads of the auto truck on their freight and express traffic. The redistribution and increase of land values which has been so prominent a feature of the development of the automobile in the North, where roads have always been better than those of the South, will doubtless be duplicated. These increased values are usually far greater than the cost of the improvement.

## Foreign Exchange

**I**T would appear that some of our financial experts have become needlessly confused over the question of foreign trade. Gold appears to be at the root of the trouble. We have much more than the normal quantity of gold, and European countries have correspondingly less. This makes the dollar worth more in francs, marks or pounds, and tends to prevent the buying of American goods.

But is this really the explanation? All legitimate trade consists of exchange of goods for goods. When goods are exchanged for money, the money or credit is merely an intermediate step to be completed later by the return of the money or credit for goods. It is not that the mark has fallen to 1½ cents that represses trade. A yard of French cloth or a German jack knife would exchange for a bushel of

American wheat just the same as when the franc and the mark were at par. The difficulty lies in the fact that the French and Germans lack the cloth and the jack knives to trade. Neither France nor Germany nor any other war-racked country can trade with the rest of the world until it has goods to give for those received, or until people in other lands having goods are willing to sell them on credit.

Extending credit to these countries requires great discretion. Common humanity dictates that the food shortage be relieved at once, but after that every effort should be made to start up the native industries. Instead of withholding raw materials for manufacture, and closing our markets by raising the tariff rates, every effort should be made to start the wheels of production. Europe has the labor and the need, but the materials with which to work have been consumed in the war. These must be replaced at the earliest possible moment.

The only payment that European countries can make for what they owe us is goods, and they never can make that payment unless they are able to begin production. Banks may adjust credits and facilitate loans, but the thing the world is now so much in need of is the statesmanship that will set industry upon its feet. The stricken countries must have raw materials to work with and markets to sell in.

## Regulating Prices

**P**PRICE regulation has proven to be a delusion and a snare. After trying all manner of boards, commissions, and committees the truth is gradually dawning upon the people that there is nothing that will adjust prices equal to competition, or what Adam Smith called the higgling of the market. But the higgling of the market presupposes certain conditions. Higgling will be useless unless the market is free. But given a free market buyers and sellers will come to an agreement themselves better than through any outside medium or government agency.

In wartime, however, conditions are different. Industry is stricken with sudden disaster. Whereas high prices in time of peace call more labor to production, thus increasing the supply and reducing prices, in war the labor that would

have responded to the stimulus of high prices is engaged in conducting the war; it is destroying instead of creating goods. The chief effect of war prices is to make quick profits for those who have goods on hand.

As war is an abnormal condition in which the individual is sacrificed for the sake of the mass, and as the mass, acting through the agency of government, arbitrarily assigns the individual to the fighting forces, there is no logical reason why the same agency should not take charge of the commercial forces. As it was, producers advanced prices because of war scarcity as they would in time of peace, and wages had to be raised to meet the higher prices. Labor, capital and monopoly finding their purchasing power the same as before, instead of restraining their desire for goods that are scarce have gone on purchasing the same quantity as before, which has caused prices to mount as the supply has diminished.

Ultimately the supply of labor products will overtake demand, and prices will tend downward; but one of the prime factors in production, land, will not be subject to this force. The supply being fixed the price will continue to advance as long as the demand grows. Buildings may become cheaper, as well as goods in the buildings, but not the land.

Here is where our governing bodies have been remiss. To defray the cost of the war stupendous taxes have been laid upon the production of wealth, but not one cent has been taken from the owners of land. The man who used his land to produce the things so sorely needed has been heavily fined for his industry; but the man who has held his land idle has escaped scot free. The business man who put money into manufacturing was levied upon by the Federal Government for taxes and for super-taxes. But the speculator who put his money into land to be held out of use while its value grows, has not been touched by the Federal Government.

Is this a rational policy? Do the victims of the high cost of living expect to see a speedy reduction in prices while the Government continues to fine industry and reward idleness? Industry will persist in spite of this handicap, and people will go on living after the manner of the past; but would it not be the part of

wisdom, both of businessmen and consumers to reverse this upsidedown system by taxing the idle speculator, and exempting the industrious producer?

## Brazil's New Capitol

**A**NNOUNCEMENT is made that Brazil is planning a new capital on the high plateau in the State of Goyaz. This is suggestive of the Federal capital of Australia, the building of which was interrupted by the war. The Brazilian capital will be made to order complete in all its detail and presumably will be an ideal city. Nothing is said in the dispatches, however, regarding its economic foundation. If it be based upon the present system of land tenure, by which those who get in first levy toll upon those who come after, and take advantage of the expenditures of the state, they will merely repeat the experience of Washington and other capitals; but if the Brazilian government bases its action on modern economic science and adopts some such plan as that of Canberra, the Australian capital, the new city may be an example to the world of what a city should be.

The millions and hundreds of millions of dollars poured into Washington by the American government have not all been expended in building the city. Vast sums have gone to the men who owned the plantations upon which the city is built, and to their heirs and successors. This is no moral reflection upon the men who took advantage of the opportunity. This was and is the custom. George Washington himself is said to have profited richly by the increase in the value of land, and no one would accuse him of taking unfair advantage of his country.

By this enormous expenditure the Federal Government has made Washington an attractive place, and people go there to take advantage of the service the Government renders. To do this they must pay to private owners for the privilege, and the Government taxes them a second time for the services already collected by the land owners.

Had the Government bought the land comprising the district before the city was laid out, all these values would now go to the city, and the volume would be sufficient to pay the expense of the city government. The Government today, in spite of the great sums expended in Washington, would be warranted in following the example of Australia and Brazil in moving the Capital to a new site. The increase in land value alone would soon be sufficient to pay the cost of removal.

The same could be said of such examples of town building as the Illinois University, if it were moved to a new site where the State owned all the land. The increase in land values due to State expenditures, and the expenditures of the students, would eventually pay the cost of running the school.

But it is not necessary to abandon the improvements already made. By transferring present taxes from buildings, improvements and personal property to land values made by the community the people will secure eventually a similar result. But people are slow to adopt these ideas. They will in time accept them, but they must think over them long and approach them slowly. This makes it the more incumbent upon those who would now build a city to start right.

## War Problems of Taxation

By Louis F. Post

*Assistant Secretary of Labor*

**W**E are emerging from a world war in which we fought for the principle of right as opposed to mere might. Shall we be true or false to that principle in dealing with the problems of taxation which the war has left us?

Let us not lose sight of the big facts in a clutter of little ones. It is important to specialize minutely, but it is equally important to generalize broadly and deeply.

When the war came upon us we adopted two methods of financing it—taxation and bonds.



By taxation we paid for part of the war as it went on. For that part the books are closed. Not so the bonding part. The bonds must be paid off.

Paid off with what? With money? No. money cannot pay them off. They must be paid off with human work. And not work of the past but of the future. Consider, then, how much future work will be necessary.

The debt, in terms of money, is approximately twenty billions. That is \$180 per capita; about \$900 per family. In terms of human work it means the future work for 300 days a year for thirty years of half a million \$5 a day men. Somehow, then, this enormous amount of future work must be confiscated in order to pay off the war bonds. By what process shall the confiscation be done? By taxation, of course.

Now, there are different kinds of taxation and each kind produces its effect. There is indirect taxation. It falls upon the processes of production and increases prices. It promotes profiteering. It tends to check production by increasing cost to consumers.

Then there is direct taxation, which takes from the taxpayer the value of his work after he has done it. This is unfair confiscation if the taxpayer is a worker. But it is a fair method to the extent that it confiscates only the value of privileges.

Here, then, we have a suggestion as to how the war bonds should be paid. They should be

paid with the work that workers have to give to vested interests for the privilege of working. The greatest of those privileges is ownership of natural resources. These are measured in money terms by what we call land values. This source of taxation has not been tapped at all for war purposes. Yet it commands human work to an enormous extent. The aggregate value of natural resources in this country is probably not less than \$2,000,000,000 annually. In terms of work at \$5 a day that would equal approximately the work of 1,250,000 men for one year. Allowing lavishly for interest on the war debt, the whole debt could be paid off from that source alone in less than twenty years.

Who would lose? The land grabbing corporations, the privileged who are allowed to live on the earnings of others. No one would lose anything he earns. If we conscripted men to die in the trenches, why should we not conscript land monopolists to pay the bill?

On the other hand, think of the gain. Workers would not be taxed twice, once by land monopolists for the privilege of working and then by the Government on what they have left of their earnings. Another gain would be the putting to use of lands now unused, thereby increasing production. It would abolish unrighteous vested interests, it would silence socialist agitation and it would make "Americanism" a word to conjure with wherein the world suffers from the sins of special privilege.

## Texas Landlords and Tenants

By Johnathan Wickwire

**T**HERE are three Texas counties in each of which over one-half the area is under one ownership. In one of these the proportion is slightly above four-fifths. Nine counties have over twenty-five per cent. of their areas under single ownerships; and in thirty-six others there are individual holdings of more than 100,000 acres; in forty-four, above 50,000; and in fifty-three, above 25,000. One individual holding, scattered through ten adjoining counties, approximates two million acres, and there are a number of landed estates in the million-acre class.

According to the Federal census of 1910 there were 195,863 Texas farms operated by the owners, while 2,332 were operated by hired managers. A little above ten per cent. more than the combined total of these two were farmed by tenants. There were 219,575 farms operated by tenants, most of them under the share system. Tenantry and hired management both showed big proportionate increases over ownership during the two preceding census periods. Texas has no State census and, as the legislatures of the past nine years have carefully cut out every proposed appropriation for

the gathering of statistical information by the agricultural department, no exact figures for the intervening period can be obtained. State officials in position to know something of the trend shake their heads when questioned and change the subject.

That the gravity of the present situation has obtained recognition in high quarters may be taken as proved by the hard fight made by the present Governor, W. P. Hobby, to obtain the adoption of a constitutional amendment that would permit the State to purchase land and re-sell it to actual settlers on long-time payments at low interest rates. The fact that scarcely one-third of the electorate turned out, and that these gave a small majority against the amendment indicates that the danger in the present condition has not yet penetrated the popular consciousness.

The land problem of Texas had its genesis long ago, in the methods adopted for the original disposition of the public domain. The land area of the state is 167,924,720 acres. Of this amount, almost one-fourth, or 32,000,000 acres, was given the railroads as construction bonuses. Well above four million acres were given as inducements for the location of industries along these railroads. Less than five million acres were allotted free for actual settlement. There were a number of smaller allotments, including one of over three million acres for the building of the State Capitol. The State must be credited with having made magnificent provision for its educational and eleemosynary institutions. For the support of the public schools alone, 52,000,000 acres of land was ceded. Most of the remaining land was distributed to the university, agricultural college, normals and various institutions. Less than two million acres of this remains unsold, most of it rough mountain land. Unfortunately the limit of eight sections of agricultural land and an equal amount of grazing land fixed as the maximum sale allowed to one person, with no restrictions as to settlement or development—together with the long time payments and low interest rates on deferred payments—led to the prompt absorption of most of these lands by speculators. The existence of one big county today having but four owners, five

tenants, and three scholastics, is one of the results of the system.

There may be European states where the problem of land distribution and taxation is more acute than in Texas. For one thing, there is no general congestion of population here. Based on the latest estimates of population, there are forty-four acres of land, all of it, true, under private ownership, for each man, woman and child resident in the State. Even though held for speculative sale prices, much of this is available at low rentals, compared with those of other States. Herein lies both danger and hope for the future. The opportunity for immediate profit, especially at the present prices for cotton and corn, tends to lull the renters into a sense of false security. This prevents any wide development of community sentiment and consequent organization such as appears to be sweeping the Northwestern States. On the other hand, with their profits in cash ready for investment, there is much resentment among tenants at their inability to buy any of the land upon which, through long occupation, hard work, and many improvements, they feel they have established a moral lien. One or two bad crop years, with consequent losses, may serve to crystalize this sentiment.

But there are other factors making more immediately for change, which ultimately should mean improvement over the present condition. The taxation system—if anything so unsystematic can be so designated—is so muddled that the resultant inequalities are setting neighbor against neighbor, county against county, and section against section. Individuals and corporations, urban, suburban and rural populations are at odds. Even the public school system, of which all Texans are immensely proud, is involved, many counties receiving more from the State in annual apportionments from the school fund than their entire contributions to the support of the State Government.

Adjoining lands of apparently equal value show differences greater than fifty per cent. in their assessed valuations. In some counties improved agricultural lands are assessed an average of \$75 per acre, in others as low as \$10,

while the general property assessment is seventy-five per cent. of market value in some places and below thirty per cent. in others. On personal property the variations are even greater. Cattle are assessed as low as \$12 per head and as high as \$27.50, horses as low as \$30, and up to \$75, according to the last report of the comptroller. Sheep range from \$1 in some counties, to \$7 in others; hogs from ninety cents in one county, up to \$11 in the highest. Many counties do not assess any of the above property and the people of those that comply with the law are resentful.

There are other items. For instance the three items, money of banks, credits of banks, and money of other than banks total \$15,000,000 on the State assessment rolls. Yet 152 counties make no return of the first item; 185, none of the second; and 150, none of the third. Among those not making returns are some of the richest counties in the State.

With such conditions existing and the constitutional limit of taxation reached, the present legislature has already appropriated for the two years beginning September 1, 1919, amounts footing up approximately one million dollars per annum more than the estimated revenues of the State for that period. The only legislation providing a new source of income enacted at any of these was a law levying a gross receipts tax of one and one-half per cent. on crude oil production. It is hoped this tax will bring in an annual revenue approaching two million dollars.

It has one advantage in that it will compel legislators and other officials to do a deal of thinking, and to some purpose, if they are to make explanations and offer a solution satisfactory to the people at the elections now only a little more than a year distant. It is conceded now by practically everyone that the prime issue of the next campaign will be taxation, with the opening up of land for settlement factoring largely. One gubernatorial candidate has already put out a tax equalization program as his platform. It is the old plan for a State board of equalization, with segregation of different classes of property for State and local taxation purposes, which has worked but indifferently in other States. The present governor has announced that, whether or not he be

again a candidate, he will try to secure the adoption of his plan for land settlement as a part of the party platform.

But there are other ideas afloat. William A. Black, a Bexar county representative, at the regular session of the Legislature last winter, introduced a joint resolution for the amendment of the State Constitution to limit tax levies to land values, incomes and inheritances. Though offered more for the purpose of getting the subject before the people of the State at large than with any expectation of pushing the measure at that time, there were eighteen votes for engrossment of the resolution in the lower house.

One thing, at least, seems certain, that there soon must be a thorough revision of the tax system in Texas. The exigencies of governmental financing and the intense dissatisfaction of all classes of the people with existing flagrant inequalities ensures this. There are many proponents of the land values tax here, in almost every walk of life and in almost every section of the State. Among them is an unusually large proportion of newspapermen. Their influence, only modestly asserted as yet, if backed at the proper time by that large body of the people whose discontentment with speculative land control is rapidly ripening, may serve to bring Texas to the adoption of a sane and logical system of taxation.

## Mr. Kahn Points the Way

THE publication in the metropolitan dailies of a personal letter from the Consul-General of Mexico in New York to a friend in Mexico City was received with tolerant amusement by the American public. The Consul-General expressed what seemed the naive idea that Mexico was blazing new trails in fiscal and economic reform along which the rest of the world was destined to follow.

Apparently we laughed too soon. No less an authority than Mr. Otto H. Kahn of Kuhn Loeb & Co., has arisen to support the Mexican's contention. That at least is one of the implications in Mr. Kahn's recent utterances on tax reform before the Newark Association of Credit Men. He advocated the abolition of the excess profits tax, and the substitution therefor of a

stamp tax on checks and "a tax of one per cent. on every single purchase exceeding two dollars." This sale tax, he suggested, should be paid by the consumer, and should "be made varying in its scale, say from one per cent. to ten per cent., or even twenty per cent., progressing according to the value (and possibly the nature) of the article purchased."

It is evident that Mr. Kahn, in addition to being an eminent financier, is also a close student of history. He appears to have learned that progress is by slow and painful steps, and that too sudden an advance is almost inevitably followed by reaction. That, at any rate, would seem to offer the most plausible explanation for his failure to recommend tax reforms along the line of heavier direct taxes on land and natural resources, such as Mexico has adopted under her present regime. He preferred rather to suggest a more moderate advance along that part of the path blazed by Mexico in her fiscal progress under Diaz.

In those halcyon days, which Mr. Kahn and other American investors in Mexican securities still dream of with regret, Mexico raised a very considerable percentage of her Federal, State and municipal revenues by the stamp taxes on checks and documents, and the taxes on sales which Mr. Kahn now proposes that we adopt. Lands, forests, mines and oil wells paid almost no taxes. These tax exemptions made it extremely profitable to acquire landed holdings for speculation without the necessity for putting them to productive uses. As a result the areas devoted to productive uses shrunk from year to year; and as no commensurate steps were taken at the same time to reduce the population, there was some overcrowding on those large farms and around those mines which continued active. That this should have tended to result in the reduction of wages to the minimum of subsistence is of course regrettable, as it very considerably reduced the purchasing power of the laboring classes, and thereby reduced the returns to the government from the tax on sales. However, all things considered, the government did very well. As a bushel of wheat often changed hands five times on its course from the farmer, through the commission merchant, the miller, the wholesaler, the retailer and the baker before it reached the

final consumer in the form of bread; and as each successive purchaser paid not only his own tax, but the previous owners' taxes, together with cumulative taxes on the successive taxes themselves, and the profits thereon, it is easy to see that while the government succeeded in extracting from the ultimate consumer no inconsiderable tax in spite of his low wage, that unlucky wight had to pay both the tax and the profits on the tax.

It is hardly necessary to dwell upon the manifest advantages of such a fiscal system. The great estates in Mexico offer concrete evidence of its beneficent action. The country is to be congratulated that Mr. Kahn should have advised his fellow-citizens in matters of taxation. There will no doubt be some men, young and impetuous, who will object to Mr. Kahn's plan. Here and there, one may be found who may even ask querulously why we cannot at one bound place ourselves abreast of Mexico in the march of progress by imposing a direct Federal tax on land values. It would be strange, however, if the great majority of American citizens, believing as they do in slow and orderly progress, were now to range themselves under the leadership of Mr. Kahn for the purpose of moving up to occupy the position on the path of progress that the more impulsive Mexicans left behind them ten years ago. P. H. C.

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## WHAT OTHERS SAY

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### The Premier on Housing

TAKE the question of overcrowding. The land question in the towns bears upon that. It is all very well to produce "Housing of Working Class" bills. They will never be effective until you tackle the taxation of land values.—Lloyd George, address at Newcastle.

### Walking in a Tread Mill

Some years ago Henry Ford startled the world by fixing a minimum wage of \$5 per day and skilled labor in proportion. That must have looked good to Ford's people. But lo, and behold! the announcement had hardly been made until Detroit land owners had gobbled up all this wage advance. Mr. Ford soon learned that for the \$5,000,000 an-

nual increase in wages that he gave, land advanced \$50,000,000 to absorb it all. Another interesting fact in this connection is that all benefits of this kind are automatically absorbed by the land values. Here we are near the key to that vicious circle. Drive a peg in right here. The peg is intelligent use of the taxing power. If Detroit had taken all increment to land values for public use and had exempted what labor produced, Ford's workmen and others could have enjoyed all that Mr. Ford in his wisdom paid them.—*The Wage Earner, Temple, Texas.*

### There Is Nothing Else But Justice

In this God's world, with its wild-whirling eddies and mad foam-oceans, where men and nations perish as if without law, and judgment for an unjust thing is sternly delayed, dost thou think that there is therefore no justice? It is what the fool hath said in his heart. I tell thee again there is nothing else but justice. One strong thing I find here below—the just thing, the true thing. My friend, if thou hadst all the artillery of Woolwich trundling at thy back in support of an unjust thing, and infinite bonfires visibly waiting ahead of thee, to blaze centuries long for thy victory on behalf of it, I would advise thee to call halt, to fling down thy baton and say, "In God's name, no!" Thy "success"! Poor devil, what will thy success amount to? If the thing is unjust, thou hast not succeeded—no, not though bonfires blazed from north to south, and bells rang, and editors wrote leading-articles, and the just thing lay trampled out of sight, to all mortal eyes an abolished and annihilated thing. Success? In a few years thou wilt be dead and dark—all cold, eyeless, deaf, no blaze of bonfires, ding-dong of bells or leading-articles visible or audible to thee again at all for ever. What kind of success is that?—*Thomas Carlyle.*

### Overproduction

Generally speaking there is no such thing as overproduction. I suppose the best we have ever done is to produce enough wealth in any one year to have 10 per cent left over. Have you enough goods? Has anybody, except an infinitesimally small proportion of the population? The world as a whole has never been on Easy Street. Why do we export goods—I mean, in the long run? Simply to trade some of our wealth for another kind that the other fellow has. Commerce is only barter. If we can't trade we can get along with our own kind of goods. So it is conceivable that we could be prosperous and wealthy if the country were hermetically sealed up at the frontiers. . . . We have a home market of 110,000,000 people with tremendous buying powers, similar wants and tastes and without a single political or economic

barrier anywhere across its magnificent national estate.—*Frank A. Vanderlip, banker and manufacturer.*

### Discouraging Industry

The curse of the race is the vacant lot industry. It spreads our cities unnecessarily over a vast area, making the cost of government artificially high, and reducing the social service to the lowest point of efficiency. Vacant lots contribute nothing to any legitimate business; they buy no furniture, no groceries, clothing nor any other labor product; they but afford the owners an opportunity to get some easy money by gathering where they have not sown; in other words, to get something for nothing. We rob the citizen of his private property when we tax labor products, and we rob social property when we fail to take for social use all land values. We raise social revenue by taking from every man who can show tangible evidence that he has done something for himself, and at the same time we give millions every year of social value to those who cannot show that they have rendered any service whatever to themselves or to society.—*James R. Brown in address on taxation.*

### Why Teachers Resign

During a period of stress and strain for our political democracy, a period in which we are not only readjusting to fit in as a nation having definite international responsibilities, but also a period when our domestic economics are in a state of upheaval, teachers are leaving the school rooms, following the thousands who have left. In the great city of Chicago the anomalous condition is at hand of calling pupils from the high schools to do part time grade work. Chicago is short of the requisite number of teachers to man its system. . . . When bricklayers receive higher wages than college professors, and when milk wagon drivers' salaries make salaries of young men teaching in high schools look insignificant, there is plain and indisputable reason for thinning of the ranks. A white collar backed by a three thousand dollar investment in education will be unloosed and replaced by the soft collar representative of toil, if the owner of the white collar is forced below the income limit for having laundry work done.—*E. J. Bremner in Illinois Federation of Labor News Letter.*

### British Miners and the Coal Monopoly

It is because the miners declare for lower prices and the common good that their campaign makes for the highest interests of the community. The Coal Mines Nationalization Bill as drafted for the Miners' Federation, and supported by their representatives Mr. Smillie, Mr. Herbert Smith, and Mr.

Straker, as members of the Commission, is based upon the fundamental principle of the common right to the coal. The claim of the people to the people's coal is asserted, and no compensation is to be payable to landlord or royalty receiver. It is to be hoped that the miners will see to it that this great and essential principle is kept to the forefront in their campaign for nationalization. If they do so they will be the standard-bearers in the fight that is coming for the assertion of the common right to the land on the issue of which the fate of democracy hangs. . . . The Fabians are redoubling their endeavors to bring Laborism to nought in the hour of victory as they did with Liberalism. They are concerned to see that out of the great democratic revival nothing more comes than bureaucratic control of industry, and that land monopoly shall go unscathed.—*R. L. Outhwaite in The Commonwealth, London.*

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## NEWS

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### California

Gifford Pinchot, president of the National Conservation Association, makes the charge that 160,000 acres of oil lands in California Valley valued at \$500,000,000 have been abandoned to the Southern Pacific Railroad because of the refusal of A. Mitchell Palmer, Attorney-General, to carry the case to the Supreme Court. Mr. Palmer gives as his reason for this action that he could not win an appeal to the Supreme Court, and did not therefore feel justified in consuming the time of the officials of the Government. But Mr. Pinchot declares that oil lands were excluded from the grant to the road, and cites the Elk Hills case, involving 6,000 acres, which was won on appeal to the Supreme Court by former Attorney-General Gregory. "Case after case," Mr. Pinchot says, "within my own experience has been won for the people, against the lukewarmness and opposition of Government attorneys, on what seemed in advance a more slender hope than this."

The San Diego *Labor Leader*, commenting on the plea of the Los Angeles *Citizen* for the substitution of a tax on land values for the tax on buildings as a means of relieving the housing condition, says: "Why not put a good stiff tax on some of the many vacant lots that are, and have been held for many years, by real estate sharks, as investments. They are the ones who will reap the benefit of any wave of prosperity, that San Diego may enjoy, and consequently any raise in the price of real estate, and not the poor laboring stiff, who, God knows, has a plenty of calls on his pay check now, without the added burden of an occupational tax, which the proposers themselves admit will be paid by him."

### Illinois

The 1920 program of the Public Ownership League of America, Albert M. Todd, president, Carl D. Thompson, secretary, calls for public ownership of railroads, the nationalization of mines, postalization of telegraph and telephones, protection of natural resources, and municipal ownership of public utilities. The League now has a publication, *The People's Voice*, and is preparing for a vigorous campaign.

### Maryland

Baltimore is beginning to feel the effect of the law passed by the city council last spring exempting personal property used in connection with manufacturing, including raw materials and finished products in the hands of manufacturers. The Baltimore Board of Trade states that up to January 1, fifty-three new industries, aggregating a plant investment of twenty-five and a half millions, have been established since the law went into effect; and there have been two other immense concerns since the beginning of the year.

An article in the January number of the National Municipal Review entitled "Single Tax Progress in Maryland," by Charles J. Ogle, Secretary of the Maryland Tax Reform Association gives an instructive account of the tax reform movement in other parts of the State. Acting under the general law of 1916, permitting incorporated cities to determine the classes of property that shall be subject to taxation for local purposes, the towns of Perryville, Cecil county, and Capitol Heights, Prince George's county, abolished the taxes on improvements and personal property in 1917, and since that time have been raising their entire local revenues from land values. Hyattsville—which in 1892 abolished taxes on personal property and improvements, but was compelled by the courts to return to the former method—voted in a trial election three to one in 1917 to repeat the trial of 1892; but the city council has thus far declined to acknowledge the mandate. The suburban development of Roland Park has always levied for maintenance charges on land alone. Several Maryland towns are preparing to submit the question to their citizens.

### Minnesota

C. J. Buell has published "The Minnesota Legislature of 1919." This, with the histories of 1917, 1915 and 1913, together with Lynn Haines' histories of 1911 and 1909, gives the people of Minnesota a ten year perspective of their legislature such as probably the people of no other State have. It is significant that Mr. Buell after this long and intimate study of the legislature is optimistic. The tonnage tax bill, a measure intended to restore the rights of the people in some measure in the mineral deposits of the State, was passed by a large vote, only to be vetoed by the Governor. The House passed the royalty bill by a vote of 91 to 18, but

the Senate did not act. Mr. Buell recognizes that this decade has not brought the millennium, but he insists that it is ten years nearer.

### *Rhode Island*

On January 23rd, Frank E. Ballou, representative from Providence, introduced into the State Legislature and had referred to the House Committee on the Judiciary, an act providing that:

"The electors of any town qualified to vote on a proposition to impose a tax, or the City Council of any City, may by vote exempt from taxation, for a period of ten years and until otherwise voted, all buildings and other improvements on the lands therein, and during the period of any such exemption, the rate of taxation upon the ratable lands therein may be in excess of one and one-half per centum of the valuation thereof.

### *Minimum Wage*

Minimum wage laws for women have been adopted by Arizona, Arkansas, California, Colorado, Kansas, Massachusetts, Minnesota, North Dakota, Oregon, Texas, Utah, Washington, Wisconsin and the District of Columbia. The highest wage decree fixed by any wage commission is \$16.50 for women and girls in mercantile trades in Washington, D. C. The next highest is \$15.50 for women in printing establishments in the same city. California has set \$13.50 for all women workers. Washington State has fixed \$13.20. Massachusetts, the first state to establish a minimum wage commission, lagged behind the other states in its awards and has just decreed \$12.50 for candy workers.

Edward A. Filene of Boston, testifying before the Senate and House Committees on the minimum wage bill for the District of Columbia, said: "We have had the minimum wage in our concern since March 1, 1912, and the important thing about it is that, relatively, the cost of the wages as compared with other costs of running the business has not increased, but on the contrary has decreased. . . . We have found that there was an enormous advantage in adopting the minimum wage. . . . It is not a question of philanthropy; it is a question of good business." The report compiled by Mary W. Dewson, and issued by the National Consumers' League, New York, contains much interesting information regarding women's wages.

### *Alberta*

One of the chief recommendations of the special commission that has investigated the coal industry is the appointment of a permanent Government commission to regulate and control the coal mining industry in Alberta. The proposed commission will represent the owners, the workmen, the consumers and the Provincial Government. The commission is to have power to make working agreements and

provide for the settlement of disputes; to deal with living and housing conditions; to cooperate with the department of education in regard to better school facilities for miners' children; to pass upon the advisability of opening new mines and the amount of capital necessary; and to deal with marketing conditions. Mines have been operated only half the year. The commission believes that steadier employment for the men would mean cheaper prices to the consumer. The commissioners urge the Government to take immediate steps to secure control of the natural resources of the Province.

### *Brazil*

Dispatches from Rio de Janeiro announce that Brazil will build a new capital on the high plateau in the State of Goyaz. The law providing for the change gives two months for the publication of the plans, six months for the reception of competitive proposals, and five years from the signing of the contract for the completion of the new capital. The successful bidder, it is announced, will enjoy twenty years' monopoly of water, drainage, lighting, telephonic and urban traffic services in the new city. It is also provided that the Government shall construct the necessary railways to connect the capital with the rest of the country.

### *Ecuador*

M. B. Cueva Garcia of Quito, Ecuador, is translating into Spanish James R. Brown's "A Plain Talk on Taxation." The Spanish version is to be published in the "Revista" of the Juridic-Literary Society of Quito. This pamphlet has already had a circulation of 40,000.

### *France*

Albert Thomas, who was appointed Director of the International Labor Bureau, was confirmed at the three days' meeting of the administrative body at Paris. Until the seat of the League of Nations has been established the office will be in London. Mr. Thomas it is understood will retire from French politics and devote all his time to the Bureau. The German delegate at the meeting said that through this organization German workers would come to feel that they were a part of the world community. Great harmony is reported during the whole conference. The next general conference will be held at Genoa on June 15, to consider the hours of seamen and other matters.

### *Germany*

The General committee of the Prussian Diet, it is reported, has adopted unanimously a resolution requesting the state administration to prepare the draft of a law that will put an end to private mining rights. Under the provisions of ancient laws some individual landowners in Prussia still

possess the right to collect a royalty on each ton of coal mined. The general committee is of the opinion that this right should be taken over by the state, and that the royalties collected should form a special fund, which would enable the government to increase the benefits paid to the miners in the various forms of insurance.

### Great Britain

As was predicted by *Land and Liberty* the Select Committee of the House of Commons on the Land Values Duties was unable to agree because of divergent views as to the scope of its own powers. The Committee recommended that the evidence submitted to them be printed for the information of the House. The particular point at issue was a proposal to alter the land values duties so as to substitute for them a uniform tax on the value of all land. The opponents of land value taxation refused to consider the proposal.

The thirty-sixth annual meeting of the National Liberal Federation, held at Birmingham declared: "The Council believes that a thorough application of the principle of the taxation of land values would speedily bring land into use for housing, small holdings, allotments, and other matters of reconstruction, and regretfully calls attention to the fact that the professions and promises of the present Government in regard to land, housing, and reconstruction have not so far been followed by any practical achievement."

The *Westminster Gazette* complains that in the outskirts of London "a considerable number of substantial houses with the basement accommodation which the modern housewife views with disgust, owing, partly, to the difficulties of the servant problem, have been unoccupied for some time past." All attempts to convert these large houses into flats to meet the demand have been resisted by the ground landlords who pay no taxes on house or land while unoccupied. *Land and Liberty* suggests that "if the owners of the land on which these houses stand were obliged to pay taxation on the value of the land whether it is used or not, they would quickly find it did not pay them to stand in the way of development."

### Italy

Among the tax provisions provided in the Italian Budget may be noted: (a) The institution of progressive taxes on fortunes accumulated during the war. (b) An extraordinary progressive tax on fortunes. (c) Reorganization of direct taxation of incomes by the institution of a new progressive tax on total incomes. (d) Increase of the extraordinary tax on interest and dividends from bearer bonds instituted by the decree of November 17, 1918. On war profits, which means the amount added to the individual or corporate fortune previous to the war, the tax runs from 10 per cent to 60 per cent. The extraordinary progressive tax on

fortunes will be spread over a period of thirty years, and applies to the entire possessions of the citizen. The income tax is divided into three classes, (a) incomes derived from fixed capital and investments, which are taxed 18 per cent; (b) mixed incomes, taxed 15 per cent.; and (c) earned incomes, which are to be taxed at 12 per cent. A sales tax is provided, amounting to 2 per cent. on sales of 1 lira and upward, and 10 per cent. on luxuries. This tax does not include food, fuel, and articles subject to special taxes.

### Japan

Japanese manufacturers of soda and bleaching powder have petitioned the Government to place new tariff regulations on these commodities to afford protection against American and British competition. The manufacturers' plea is for a duty of 25 per cent.

The high cost of living is still a vital question. The estimated cost of food for a family of five is \$260, as compared with \$70 five years ago. The Japanese food problem revolves about the cost of rice, which is now put at 301 as compared with 100 in 1914. Rents have increased during the past five years from 100 to 400 per cent. A respectable residence that could be had for \$3.50 to \$5 now commands \$12.50 to \$25 a month. As the Government has been unable to lower the cost of living labor is demanding increases in wages varying from 40 to 150 per cent. The better working conditions and wages in Europe and America prompt the demands for similar conditions in Japan. The labor bill proposed by the Government recognizes unions in separate plants, which are to be incorporated, and of which the chairman must be the foreman or overseer of the shop. The workmen of one factory are forbidden to cooperate with the workmen of other factories. These limitations are very objectionable and are causing discontent.

### Lectures

James R. Brown lectured on taxation January 11, in Normal College assembly hall, Brockport, N. Y., 300 present, Dr. A. C. Thompson, presiding; January 16, Men's Club, Presbyterian Church, Holly, N. Y., 150 farmers and business men present; January 17, Proletarian Club, Detroit, Mich., poor meeting—consisting of 30 Socialists; January 18, Detroit, Open Forum conducted by F. F. Ingram, 500 present; January 20, noon luncheon at Zonta Club, Buffalo, N. Y., 100 present, Miss Marion de Forest, presiding; January 21, noon luncheon at Exchange Club, Buffalo, N. Y., George H. Wade, presiding; evening of same day, Hutchinson High School night classes, 200 present, W. T. Bushman in charge; January 23, Normal School, Buffalo, 500 present, Prof. Rockwell, presiding.