

THE STATEMENT OF L. D. BECKWITH TO THE FINANCE COMMITTEE OF THE U. S. SENATE

Question by the Chairman.* "Are you one of those invited by this committee to be heard with respect to the tax bill?"

L.D.B. "Yes, Sir. I received a telegram from the clerk of the Committee notifying me that I was being scheduled for appearance here on May Sixth."

Ch. "Please state your name, address and business."

L.D.B. "I am L. D. Beckwith, of Stockton, California. I am the owner, publisher, and editor of two papers, a local weekly, and a national, or international, bi-weekly."

Ch. "Whom do you represent, Mr. Beckwith? And what is the nature of your interest in this bill?"

L.D.B. "I am here as a taxpayer and represent no one but the readers of my papers; I am a free lance, and I am here to offer you my help in solving the finance problem."

Ch. "Do you appear for or against the bill, as drawn?"

L.D.B. "I appear here as a scientist. I am a man without a party. Science is non-partisan. We have no mathematics party, no chemistry party; we shall never have an economics party."

Ch. "Does that mean that you oppose the theory of planned economics?"

L.D.B. "Yes, Sir! And that for the same reason that I reject the idea of planned astronomy."

Ch. "But do you not believe that it is necessary for us to take steps to regulate economic conditions?"

L.D.B. "There is no more need for human regulation of conditions in the field of economics than there is for human regulation in the field of astronomy, or chemistry; furthermore, it is as impossible for us to interfere with economic processes as it is for us to interfere with the movement of the planets."

Ch. "Then you do not believe that we can by law regulate wages, or prices, the rate of interest, or rents?"

*I received such a telegram from Clerk F. M. Johnston; but could not go to Washington. I am stating here what I would have told the committee, if permitted. Of course the questions are imaginary.—L.D.B.

L.D.B. "Such things are as much beyond our control as the tides."

Ch. "But the tides do not depend upon the behavior of men; does not our conduct affect our economic status?"

L.D.B. "Economic conditions are governed by the natural laws of economics, just as tides are governed by the natural laws of physics. There is nothing that we can do in the matter—except to understand these laws and take advantage of them."

Ch. "Are these natural laws of economics of which you speak known?"

L.D.B. "Yes, they have been discovered, fully stated, and carefully checked. But, as yet, they are not recognized as natural laws by our schoolmen; and so they are not taught in the schools."

Ch. "Are they taught any where?"

L.D.B. "I publish two papers devoted exclusively to the teaching of these laws."

Ch. "Do you mean that you discovered these laws?"

L.D.B. "By no means! One of them, the law of rent has been known for a hundred years; the law of wages and the law of interest were discovered and stated fifty years ago."

Ch. "You say these laws are not yet accepted by educational authorities generally; what makes you so sure that they exist, and that they are as you imply as dependable as the laws of physics and of chemistry?"

L.D.B. "We know this the same way you know when you have a correct answer in mathematics."

Ch. "But that is theoretical. To be convincing, these laws must be tested out in actual life."

L.D.B. "This depression and the World War and the present threat to the peace of the world are real enough; and so was the decline and fall of Rome."

Ch. "Do you mean that the fall of Rome demonstrates the truth of these laws, as you teach them?"

L.D.B. "I do."

Ch. "Do you mean that this country is exposed to the fate that befell Rome?"

L.D.B. "Exactly. That is exactly what I mean.

Member of the Committee. "But are not our conditions very different from those which prevailed at Rome? So much different that we are stopped from concluding that what happened then in Rome will happen here in our time."

L.D.B. "Just as the law of gravity is the same in all ages and in all climes, and as other natural laws are the same everywhere, all the time; so are the laws of economics the same. Like causes produce like results."

Ch. "Do you mean to say that if Rome had known and obeyed the laws of economics that you teach Rome would not have declined and fallen?"

L.D.B. "I do."

Member of the Com. "And that if we had obeyed the natural laws of economics that you teach that we would not have suffered a depression?"

L.D.B. "I do."

A Member of the Com. "And that we would have had no World War?"

L.D.B. "Correct! We would have had no World War; or any wars abroad; nor any class war here at home."

Ch. "Then you do not believe that our present economic conditions are the result of the war; but that they and the war are all the result of our ignorance of economics?"

L.D.B. "Correct!"

Ch. "Will you state one of these laws?"

L.D.B. "It is a law of nature that every cause has a result. In economics production is a cause and the product is the result; and it is a basic law of economics that the product belongs to the producer."

A Member. "That is no law; that is plain horse sense."

L.D.B. "Nature is like that. She is a very sensible Old Lady."

Ch. "Let's get on! Do you mean that this is one of the laws that we have violated; and that we are suffering a penalty for violating this particular law?"

L.D.B. "I do. We violate that law every time that we impose a tax."

Ch. "What's this? Do you mean that taxation is a violation of a law of nature?"

L.D.B. "I mean just that."

Ch. "But how could we run a government without revenue?"

L.D.B. "But I am not objecting to revenue; I object to taxes."

Ch. "What is the difference, Mr. Beckwith, between taxes and the revenue you have in mind?"

L.D.B. "The difference between justice and injustice."

Ch. "How would the government derive its revenue, under your plan? How could it get what you call a just income?"

L.D.B. "The same way that any other business concern gets revenue justly. The government is a service institution and sells service."

Ch. "What service does it sell?"

L.D.B. "Postal service, agricultural service, service in combatting insects, wild animals, the service of the G-men in combatting crime and rounding up criminals, service in the field of transportation rendered through the improvement of rivers and harbors, and many others."

Ch. "Am I to understand that you would have these various services sold for a price; and that the government would depend upon the receipts from these sales?"

L.D.B. "My point is that these services are now sold for a price, but the government does not get the money."

Ch. "Where do you get the idea this service is sold?"

L.D.B. "From seeing the sales of this service made, and seeing payments made by the purchasers."

Ch. "Please explain what you mean when you say that the government services are bought and paid for."

L.D.B. "To get the benefit of anything this government offers our people, whether that be the distribution of free seed, or the protection of the G-men, one must be here in this country. To be here to enjoy these things one must either buy or rent land here; and whether he buys or rents, he must pay all the traffic will bear—which includes all the free seed service is worth and all the protection of the G-men is worth. There is no secret about it. Indeed, one of the reasons the government is spending so

much on the G-men is that the situation had become so alarming that people were beginning to go abroad for security. Naturally, a condition like that hurts the market. Something had to be done; something was done—and well done. And this like any other condition affecting the market is promptly reflected in prices. In this case the conditions are reflected in rent. To the extent that we are safer as a result of the activity of the G-men, this country is a better place to live and do business. And to the extent that this has been brought about, rents are higher. To get this government service, one must live in this country—and that means that he must pay rent, or that he is out the use of the money tied up in the purchase of land. Speculation in these rights to enjoy this government service accounts for much of our activity, as one may see by watching the real estate sections of our newspapers.”

Ch. “Then when you say that these government services are bought and paid for; you have reference to the rental market? It is there that this government service is bought and sold?”

L.D.B. “Correct.”

Ch. “But do you object to that?”

L.D.B. “Not at all. That is in accordance with natural law.”

Ch. “Then what is your point? What is wrong?”

L.D.B. “I object because the government does not get the money.”

A Member. “Then you would confiscate the rent?”

L.D.B. “It is not confiscation to collect what is due one for service rendered. That would be collecting a bill.”

Member. “If you were a land owner, you would know that landowners are paying now all they can afford to.”

L.D.B. “I am a landowner; and because I am, I know that landowners pay not one cent for anything the federal government does for them; and in California landowners pay not a cent for what the state does for them.”

Member. “You are an exception to the rule, if you find it profitable to own land; most land owners would be glad to get out of their land what they have put in it.”

L.D.B. “I am not discussing the question whether or not landowners are making money; I am merely saying

that they are not called upon to pay a cent for all that the federal government does for them; and that in California they do not pay a cent for what the state does for them. I was asked by one of you a few minutes ago how a government could be financed without taxes. My answer was, and is, that the rent is for that purpose and that it would finance this or any other government; for it is the market value of the occupancy right of the site and is therefore the market value of the conditions maintained there—including those maintained by the government."

Ch. "Then your solution to our problem is to collect the rent instead of taxes. Is that why you named one of your papers No Taxes?"

L.D.B. "Yes."

Ch. "Then you do not believe that the support of the government should be apportioned to those who are best able to pay?"

L.D.B. "Certainly not! The government is not a charity ward. To grant that, would be equivalent to admitting the we, whose agent the government is, are on charity."

Ch. "I think you said you consider the government a business enterprise; and hold, I think, that it should be run as a business?"

L.D.B. "Correct. The government is the manager of our service repartment. The service we furnish is a marketable product that is selling readily on the open market. We should have whatever that service sells for. If we do not get this revenue, we are confronted with a deficit, and have to levy stock assessments on the stockholders—that is, on the citizens. That is what taxes are. They are stock assessments—and they are evidence of bad management."

Ch. "Suppose a case in which the owner rents to another a residence property, and suppose the total monthly rental is \$35, and that the location is worth \$5.00 and the improvements are worth \$30. Do that you mean that the government would take the \$5, or \$60 per year, and the \$30, or \$360 per year, would go to the owner?"

L.D.B. "Correct."

A Member. "Then the owner would get nothing for his investment in the lot."

L.D.B. "Nothing at all! If the lot is worth \$5 a month, it is because the conditions maintained by society at that

site are worth \$5 per month; and that means that it is costing us, everything considered, \$5 per month to service that site. Unless society gets the \$5, it loses money and must levy stock assessments (taxes) upon the citizens."

Member. "Isn't the owner of the lot entitled to a return on his investment?"

L.D.B. "How can the owner of a lot be entitled to a return from a lot that he does not use? Where could such a return come from? There is no such thing as something for nothing! He can't get more rent than the conditions at that site are worth; and, as society maintains those conditions, society is entitled to what those conditions are worth—to the rent. If society does not get all of the rent, society loses money. If the owner of the lot makes any thing that way, he gets it as an unearned increment that others earn but do not get. By what right are they despoiled? And why, for example, should I be taxed by the City of Stockton on my printing machinery and on my gas by the State of California and by the federal government to finance highways and river and harbor improvements that reduce freights and so reduce the value of my machinery, when the land that is raised in rental value by those improvements is taxed no more on the \$100 than my machinery and is not taxed for the highway nor for the river and harbor improvements either by the State of California, or by the federal government?"

A Member. "But what about the investor who puts money in a lot? Suppose a case in which a man owns a lot, an unimproved lot, and leases it to an oil company for a service station. Let us say that he gets \$100 per year from the oil company and that his taxes are \$28 per year. Let us say that the lease is an old lease and that I buy the lot with the expectation of getting the net rent of \$72 as my return on my investment. Am I to understand that you would have the government claim the entire rent in that case, and take the \$100; So that I would make nothing at all? Is that your plan?"

L.D.B. "Yes, that is the plan. You would get nothing."

Another Member. "Who do you imagine would buy land under such a plan? Who would want land?"

L.D.B. "The oil company would still want that lot. It would make no difference to the Company who gets the \$100. The site is worth \$100 a year to the Company and it would continue to pay that amount for it."

Member. "But who would buy land under that plan?"

L.D.B. "No one! Land would have no selling price; for the selling price of land is the capitalized value of the net rent. If the government took all the rent, there would be no net rent to capitalize and hence no selling price."

Ch. "And land would be free?"

L.D.B. "All unused land would be unclaimed land and could be had without buying; but rent would be paid."

Ch. "Then the government would own all the land?"

L.D.B. "No; no one would own land. No one would sink money in land purchases. People would occupy land just as they occupy seats at the theater—by paying for the show. They would not buy the "chairs"; nor would they be charged more because of what they have in their pockets, or in their homes, or in the bank."

Member. "That is far-fetched. No theater management would charge his patrons upon that basis."

L.D.B. "No! Men are not that crazy in private business. It is only in public matters that we do such things."

A Member. "What things?"

L.D.B. "Charging men for their seats at the show all the show is worth and then charging them, in addition, for what they have in their pockets, or in their homes, or in the bank. That is what happens in public matters. We pay in rent all the show is worth, and then because the rent does not go into the public treasury, we pay in addition and for the same show a charge based upon our improvements and personal property."

Ch. "Then, if I understand you you object to the tax on improvements and on personal property. What is your objection? Why is that not a fair tax?"

L.D.B. "No, it is not! For one reason these taxes are imposed upon a flat rate, regardless of the location of our seats at the show. For example, I am taxed as much per \$100 for fire protection out at the edge of town as they pay who are in the very center of town where four or five fire engines could reach them in the time it would take for the nearest fire engine to reach my place. I get less protection per dollar of tax money that they get. The levies should be made upon the basis of rental value. That is the only fair method of apportioning the cost of government; for then men would pay according to the service they received."

A Member. "Then a man could put a million dollar building on a \$100 lot and escape with a tax suitable to a \$100 lot?"

L.D.B. "Yes, if he were crazy enough to put a million-dollar building on a \$100 lot. In that case he would pay \$100 per year."

Member. "On a million dollar building? Would it be fair to let him off for that?"

L.D.B. "If, as you say, the rent on the lot is only \$100 per year, it would mean that the man is getting only \$100 worth of service at that site; for that is what rent is—the measure of what the public is doing at that site. Of course, if society is supplying the man only \$100 worth of service, then \$100 is all that society can justly charge him. But it is idle to talk about million dollar buildings on \$100 sites. People are not that crazy—not in private business. A building like that would be put up on a good site; and the rent would be proportionately high."

Ch. "Then you think that under your plan, each would pay for all he gets, and get all he pays for?"

L.D.B. "That is why it is a scientific plan. All this would be automatically apportioned; there would be no lying to the assessor, because no one would be asked any questions."

A Member. "How would the assessor know how to assess us?"

L.D.B. "There would be no assessments, no assessor."

Ch. But some one would have to fix the rent."

L.D.B. Why so? No one fixes the rents today! The market does that. It would be the same then. There is no secrecy in the rent market. The amount of rent that is proper at any point is a matter of public knowledge. Of course I am speaking of pure rent, or location value, not the return on buildings that is mis-called rent."

A Member. Let's get back to my lot—the lot that I assumed I was renting to an oil company for \$100 per year. I am making \$72, net, on that; because the taxes are only \$28. Now what about the money I paid for the lot?"

L.D.B. "As I understood you, you did not buy the lot."

Member. (Tartly.) I told you the lot was under lease and I bought it as an investment."

L.D.B. "But the oil company has the lot and will have it until the lease runs out—and you knew this. You did not get the lot and you knew you could not get it. What you bought was that annuity of \$72, that net rent, that rake-off on the resale of the public service which society delivers at that site. You found that, owing to bad management in our public offices, you could buy \$100 worth of public service for \$28 and you invested the price of the lot (\$1,200, if money is worth 6%, or \$1,400 if money is worth 5%) in this chance at some easy money."

Member. "Would I get my money back?"

L.D.B. "No! You should be thankful that we do not ask you to repay the \$72 you have held out each year." all these years! If a man in public office were caught holding out on the public in that way, he would be required to make his peculations good—and might go to prison beside."

NO CHANGE NEEDED IN CONSTITUTION

Ch. "Would this not require a sweeping change in the Constitution?"

L.D.B. "Not a word of the Constitution need be changed. The fault is not with the Constitution. That document is up-to-date in every respect—and provides amply for all possible progress."

Ch. "What's this!"

L.D.B. "There is nothing wrong with the Constitution. Our trouble is that we have not defined its terms. And because we have not defined its terms, we cannot apply its provisions consistently. That is our trouble."

Ch. "What term, for example, have we not defined?"

L.D.B. "The term property. This is used in the Constitution; but we have never defined it. For that reason, we cannot apply with anything like consistency the clause respecting property rights."

Member. "Well, what is wrong with the word, property?"

L.D.B. "It is used indiscriminately for things that are wealth, or represent wealth, and for things that are not wealth or do not represent wealth. The result of this is the same that would follow if a student of algebra ignored the plus and minus signs. For example, the difference between 5 and 6 is 1; but the difference between 5 and minus 6 is 11."

Ch. "I remember that much of my algebra; but I do not see how you apply the idea to this matter."

L.D.B. "Nothing is wealth that does not add to the value of the total possessions of all mankind. A check is not wealth; for writing checks does not add to the value of the world's possessions. The check is an asset to the man to whom it is payable, but it is a liability to the man who signed it. The plus and minus values cancel out and the result is naught. This is true of a promisory note, and of a lease."

A Member. We all know that; now what has all this to do with that lot of mine. I want to know why I am not to be compensated, if you destroy the selling value of my lot."

L.D.B. "Your lease is an asset to you; but it is a corresponding liability to the oil company. And the \$72, net income, that you derive from the lot is made possible by the fact that you are permitted to buy \$100 worth of public service for \$28. The \$72 you make, the public loses; because the public must furnish \$100 worth of service, but gets for that service only \$28. This loss of the public must be made up by a levy of taxes. You capitalize your net rent of \$72, and if you figure money at 6% you put a value of \$1,200 on the lot. The public loses \$72 servicing the site for you for \$28; and that loss of \$72 is interest at 6% on \$1,200. It is the same as though the public had issued \$1,200 in 6% bonds and were taxing the people to raise money to pay the interest. In other words, your lot is not wealth; nor is the value of that lot wealth. No matter how much it increases in value, the world will be not a cent richer. This is because every dollar of land value is offset by a dollar of public debt on which the public is taxed to pay interest."

A SIMPLE MATTER OF DEFINITION

Ch. "Let us get back to the Constitution."

L.D.B. "Gladly! Because the term property has never been scientifically defined—or, rather, because the word is not used in a scientific sense, it is impossible to apply the Constitution with consistency."

Ch. "For example?"

L.D.B. "We apply it indiscriminately to plus and minus values, to things that are wealth or represent wealth,

and to things that are not wealth and do not even represent wealth."

Ch. "Is that your definition of property—things that either are wealth or represent wealth?"

L.D.B. "Correct. That permits us to list checks and money as property, even though they are not wealth."

Ch. "Then what is wealth?"

L.D.B. "Any natural product modified by Labor for use—providing that modification adds to the total value of the possessions of mankind."

A Member. "Then the landowner cannot claim the protection of the clause in the Constitution prohibiting the taking of his property without compensation?"

L.D.B. "That clause in the Constitution does not protect him—not in possession of that land value; but it does protect him in the possession of what is true property."

Ch. "Do you think that taxes are unconstitutional?"

L.D.B. "Yes, certainly! That is exactly my meaning! We have got ourselves in a jam by mistakenly applying the term wealth and property indiscriminately to things that are wealth and can be property and, also, to things that are not wealth and cannot be property. As would be the case with one who overlooked the signs, plus and minus, in algebra, we have got ourselves in a jam."

Ch. "And your remedy?"

L.D.B. "Merely to correct our understanding of the term property and apply the Constitution accordingly."

Ch. "You think that would solve our finance problem?"

L.D.B. "It would solve not only the finance problem of the government, but it would solve the industrial problem, the problem of honest government, the problem of commercialized vice, the problem of race prejudice, and the problem of the class war and of international peace."

Ch. "What! Do you claim all that for what you call the natural laws of economics?"

L.D.B. "Yes. Nature is like that! Mother Nature is a very wise Old Lady. But that, of course is a story for another day."

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(national and international bi-weekly) \$1.50 for 52 issues—two years.
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