

DEFENDS CARNEGIE IN FIGHT ON TAXES

Henry George, Jr., Says Action
Is a Justification of the
Single Tax Theory.

CALLS IT A PUBLIC SERVICE

Asserts That Millionaire Was Within
His Rights in Swearing Off \$10,-
000,000 Worth of Bonds.

Special to The New York Times.

WASHINGTON, Nov. 16.—Representative Henry George, Jr., of New York City, son of the late Henry George, of "Single Tax" fame, said in an interview with the NEW YORK TIMES correspondent to-day that he sympathized with the position taken by Andrew Carnegie in swearing off the taxes he has been paying in New York City on \$10,000,000 of personal property in the form of bonds.

Mr. George thinks that Mr. Carnegie is entirely right in complaining of this personal property tax. Commenting on Mr. Carnegie's statement yesterday of his position, Mr. George said that Mr. Carnegie's conclusions were a justification of the single tax idea.

"Mr. Carnegie," said Representative George, "was well within his legal rights in swearing off the taxes he has been paying for years on \$10,000,000 of personal property in the form of bonds."

"There are two laws that come into play here. One is a local law, which lays a tax of approximately 2 per cent. on personal property, and bonds are classified as personal property. It will be seen that a 2 per cent. tax means, as Mr. Carnegie says, one-half the income from 4 per cent. bonds, and more than one-third of the income from 5 per cent. bonds.

"Up to two years ago the assessors credited Mr. Carnegie with \$5,000,000 worth of such bonds, and John Rockefeller with \$2,000,000, and so assessed

them. But in 1910 the local authorities doubled these assessments, assessing Mr. Carnegie for \$10,000,000 and Mr. Rockefeller for \$4,000,000. Apparently the assessors had no means of ascertaining how many bonds either of these gentlemen possessed.

"That is one of the gravest faults in a tax law. It does not fall equally. It bears heavily upon some, lightly upon others, and not at all upon some. As Mr. Carnegie has stated: 'Hundreds of millions of bonds escaped taxation because only a few holders are actually taxed, and then only upon a fraction of their bonds.'

"The other law that comes into play respecting these bonds is a State law. It lays a tax of one-half of 1 per cent. on mortgages, and the bonds Mr. Carnegie speaks of are mortgage bonds. The payment of the mortgage tax exempts such bonds from other taxation within the State and so exempts them from the approximate 2 per cent. New York City's personal property tax.

"Apparently this drove Mr. Carnegie to take the simple course of paying the one-half of 1 per cent. State tax on a great mass of bonds—presumably \$300,000,000 worth—to have those bonds stamped in proof of such payment so that they became legally exempt from the local tax. He was therefore this year within his lawful rights in 'swearing off' the \$10,000,000 personal property assessment on these bonds.

"And Mr. Carnegie is further entirely right in complaining of this personal property tax. He is no tax dodger. A man who could give away more than a hundred million dollars for libraries and other forms of public beneficence could scarcely be thought capable of dodging tax burdens of a few score thousands yearly.

"And his very riches qualify him to command attention when he speaks in respect to the taxation of personal property. It is a matter of common notoriety, as Mr. Carnegie says: 'This unwise law drove many of the wealthy people to take up residence outside the city limits where the confiscatory tax is rarely levied. Hundreds of millions of bonds have thus escaped taxation.' Why then should such a tax be levied? The prevalent idea is that we should tax riches, tax wealth, and that personal property constitutes a part of such wealth.

"Perhaps Mr. Carnegie, being one of the richest men on earth is best qualified to talk about the nature of wealth. He has said in his 'Essay on Wealth,' published in a collection of his writings, 'the greatest growth of wealth, from any one source in our times, comes from the increased value of real estate upon which little or no labor is bestowed, the increase of population raising values.'

"Mr. Carnegie cites as illustrations the growth in value of little farms on the island of Manhattan which the increase of population raised from hundreds to millions.

"Now," says he, "who or what made this difference in wealth? Not labor, not skill, no, nor superior ability, sagacity, or enterprise, nor greater public service. The community created the millionaire's wealth while he slept. It grew as fast as when he was awake."

"Mr. Carnegie concludes that a just system of taxation would appropriate for public use a progressively increasing share of the value of a rich man's possessions at his death, the tax to go as high as one-half of all he leaves. This is an adaptation of the death duties idea which is applied in Great Britain with some success.

"But, what is more important, it is a justification of the single tax idea, fast gaining adherents over the world, and finding its entering wedge into British politics through Lloyd George's famous budget tax of 1909-10. The single tax means taxing land values only, and those values—excluding the value of private improvements, and including only that value that attaches to land by reason of social growth and social improvement. It appropriates into the public treasury for public uses, by means of a tax, what John Stuart Mill calls 'the unearned increment' of land.

"That is to say, applying these ideas to New York City, the personal property tax should be abolished, and the taxation of ground values, exempting improvement values, should be increased. This would do justice to all men. Since the rich, like Mr. Carnegie, have need for the most valuable land, they would pay the heaviest tax; while the poor, using little land, would pay little tax. All would pay according to his possession of that natural element which was made for all equally. This, and this only, would do exact justice in taxation. The effort to tax 'personal property,' or 'wealth,' or great fortunes, inevitably leads to great confusion, tax-dodging, and injustice.

"I think Mr. Carnegie has performed a great public service in calling attention to present municipal taxation evils, and I hope he will stimulate a discussion that will quickly lead not to the discouragement of personal property, but to its encouragement."

CARNEGIE RIGHT, SAYS PURDY.

Tax Department Head Supports Laird in Bond Tax Contention.

Lawson Purdy, President of the Tax Department, in discussing yesterday the workings of the general property tax as applied to bonds, supported the contention of Andrew Carnegie that in practice it amounted to confiscation, inasmuch as the price of bonds was regulated largely by the demand on the part of institutions in whose hands they were not taxable, and that a holder who happened to be taxed was a victim of inequity.

THE TIMES showed yesterday that if all bonds listed on the Stock Exchange actually paid the city tax at the rate of 1.63 imposed last year, their market value would be reduced by \$4,200,000,000.

"I read with interest the article in THE TIMES on the taxation of bonds," said Mr. Purdy, "and it recalled the decision of the United States Supreme Court—Chief Justice Marshall wrote the opin-

ion—by which it was decided that no State could tax bonds of the United States, because to do so would be to impose a tax on the power of the United States to borrow money. The great Chief Justice clearly realized that to permit the States to tax the bonds of the United States would be in effect to concede to the States the power to destroy the credit of the United States.

"A good illustration of this principle is presented by the law and custom in Pennsylvania. The law provides that a tax shall be imposed on all mortgage debts, including bonds issued by Pennsylvania corporations. In the case of the latter it prescribes that corporations shall deduct the tax when interest payments are made. In practice it is the custom for Pennsylvania corporations to sell bonds bearing a statement to the effect that they are exempt from taxation in the State of Pennsylvania. The corporation assumes the obligation to pay the tax itself in respect to all bonds held by residents of Pennsylvania.

"It is evident that in this case the tax upon the debt falls upon the borrower. It must be clear to any one who considers the matter in the light of reason that any tax so imposed on debts that it can infallibly be collected in every case will oblige the borrower either to increase the rate of interest by the amount of the tax or assume part of the tax itself. The same statement must be true in the case of any tax upon any class of indebtedness wherever it is certain that the tax can be collected in every case. A tax so imposed, while generally unsound from an economic point of view, has the great merit that it affects equally all those upon whom it is imposed and its economic effect is fully realized.

"The gross unfairness of our ordinary general property tax, when imposed upon debts, is due to the fact that it cannot be imposed equally upon all, and therefore its economic effect is not what it would be if the tax could be enforced equally.

"It would be competent under an income tax act for the United States to impose a tax which would fall with certainty upon income derived from all corporate bonds. If that tax were heavy the selling value of the corporate bonds would immediately decline. The burden would fall almost entirely upon those who happened to be the holders at the time the tax was imposed. Subsequent holders would pay a reduced price, and get the current rate of interest upon the investment in spite of the deduction of the tax.

"Under the general property tax some bonds are owned—and generally a very large percentage—by institutions in whose hands bonds are not specifically taxable, as, for example, the savings banks and insurance companies in this State. Other bonds are held by persons who may lawfully deduct debts from assets, and in whose hands bonds are not taxable. As a matter of fact, competition in the market for the purchase of bonds by corporations and persons who do not expect to

pay taxes on them keeps the price of such bonds at about the level of non-taxable securities. The result is that persons who happen to be taxed on their bonds pay an imposition which has not had the effect of reducing the price of the security they have bought. This is confiscation really, and not taxation, for taxation presupposes an equal burden on all persons similarly situated.

"This principle is being recognized to a greater and greater extent in many States, and in the past five years intelligent efforts have been made to amend the tax laws so that such injustices shall not be perpetrated. Minnesota has recently abolished the general property tax on money and credits, and has substituted a tax of about three mills, without deduction for debt. Iowa has adopted a similar amendment, but still allows deduction for debt. The State of Washington has adopted a better principle. It has acted on the theory that all taxation of debts is double taxation and has exempted all money and credits from taxation. There is an agitation of this subject in many States, and we may expect to see a great improvement within the next few years."

J. P. MORGAN & CO. TO MOVE.

To Occupy Offices Next Door While New Building Is Going Up.

After forty-two continuous years' occupancy of the Drexel Building at 23 Wall Street, J. P. Morgan & Co. will move next door into the Mills Building soon after May 1 next. The banking firm has arranged for the entire second floor, which it will occupy for two years or more while a new building is being erected on the site at the corner of Wall and Broad Streets. Plans for the new structure have not been completed, but it is expected that it will be only large enough to house the Morgan firm.

The Drexel Building was erected in 1871. For a number of years the present firm occupied only the corner office, Morton, Bliss & Co., with whom Temple Bowdoin, now a member of J. P. Morgan & Co., was associated, having the rooms in the rear now used by the Morgan partners. At that time the bankers had a force of thirty clerks. They now employ more than 200 clerks, and the need for more room has driven them to take extra offices in various parts of the Drexel Building, as well as half of the second and third floors of the Mills Building adjoining the Drexel block on the south. A doorway cut through the party wall separating the two buildings connects with the quarters used in the Mills Building.

To make more office room available, the famous entrance to the Mills Building, guarded by a wrought iron portcullis which is lowered every night, may be rebuilt. It is proposed to do away with the broad stone stairway leading from the street to the second floor, and to convert the generous open hallway into office room.