

chandise. The first arguments advanced in our Congress for a tariff dwelt on this fact—wages were so high here that men with money could not engage in manufacturing unless the prices of imported goods were brought up to the cost of producing them here. In other words, a tariff was needed for the protection of capital! The cry has changed to the much more popular demand for protection of labor, and the "American standard of living," but the real reason has not changed.

Why should any class seek advantage by class legislation? God is just, and nature hath an alchemy by which such advantage is neutralized and nullified. Special advantage for one is disadvantage for others.

### "DOWN WITH SPECIAL PRIVILEGE"

Protection has been misnamed. It is only a senseless obstruction to the commerce and prosperity all the nations might otherwise enjoy. Take the maps of Europe and the United States. Take the trade barriers that rest on the European boundary lines and in imagination set them down on our state lines. What would become of our interstate trade? What would the trade of Europe become with those barriers removed?

—STEPHEN BELL in *The Farm Journal*.

## Farmers and the Land Problem

THE mortgage debt on the farms of the United States was \$1,726,000,000 in 1910. It is now more than \$4,000,000,000. Other debts owed by the farmers bring the grand total to \$14,000,000,000. The National Grange, ultra-conservative farm organization, is responsible for the figures. Not a very promising showing for the Nation's basic industry.

So far as the mortgage debt is concerned, it is largely due to speculation in land. Agriculture's problems will never be permanently solved until the farmers bravely face the land question and solve it in the interest of the men who live by tilling the soil rather than in the interest of the speculator.

So far as we know, only one farm leader of national prominence ever had the courage to suggest a fundamental remedy. The late George Hampton, for many years director of the Farmers' National Council, was a follower of Henry George and believed the Single Tax would drive out the speculator and relieve the dirt farmer of much of his burden. Hampton preached that doctrine to the day of his death and won many converts.

Of course the mere mention of the Single Tax will cause bankers and politicians to see red, but the farmers will never get anywhere so long as they look to bankers and politicians for guidance. They must organize and study their problems from the grass roots up. If they do that, they will soon discover the evil effects of land speculation.

—*Labor* (Organ of Rail Unions.)

## Adam Smith on Taxation

ADAM SMITH, sometimes called the "father of political economy," was a Scotchman. He studied at Glasgow and Oxford. He was professor of moral philosophy in Glasgow university.

He resigned his professorship in 1764 to teach the young duke of Buccleuch and take a two year trip on the continent. While on this trip he stopped at Paris and it was there that he became acquainted with Quesnay and his disciples and was a frequent and welcome visitor at the apartments of Quesnay in the palace of the king.

The work which made Adam Smith the founder of political economy was "An Inquiry into the Nature and Causes of the Wealth of Nations." He started this investigation after he returned home from his continental trip. Adam Smith had the leisure to do this, being in receipt of a liberal pension from the Duke of Buccleuch.

Henry George contemplated an edition of the *Wealth of Nations*. It is to be regretted that he never entered upon even the preparatory steps of such a task, so far as his posthumous notes reveal. This work would have been of inestimable value, for Adam Smith will be read long after a great deal of the so-called political economy is forgotten.

Smith fell into many errors even when treating of land rent and its varied relation. But there is so much of value in his general discussion of the subject of taxation that we venture to quote the following extracts from the *Wealth of Nations*. They do not greatly differ from the teachings of the present day Single Taxer.—Editor LAND AND FREEDOM.

"The rent of a house may be distinguished into two parts, of which the one may very properly be called the building rent, the other is commonly called the ground rent.

"The building rent is the interest or profit of the capital expended in building the house. In order to put the trade of a builder upon a level with other trades, it is necessary that this rent should be sufficient, first to pay him the same interest which he would have got for his capital if he had lent it upon good security; and, secondly to keep the house in constant repairs, or, what comes to the same thing, to replace within a certain term of years the capital which had been employed in building it. The building rent, or the ordinary profit of building, is, therefore, everywhere regulated by the ordinary interest of money. Where the market rate of interest is four per cent. the rent of a house which, over and above paying the ground rent, affords six or six and a-half per cent. upon the whole expense of building, may perhaps afford a sufficient profit to the builder. Where the market rate of interest is five per cent. it may perhaps require seven or seven and a-half per cent.

"Whatever part of the whole rent of a house is over and above what is sufficient for affording this reasonable profit, naturally goes to the ground rent; and where the owner of the ground and the owner of the building are two different persons, is, in most cases, completely paid to the former. This surplus rent is the price which the inhabitant of the house pays for some real or supposed advantage

of the situation. In country houses, at a distance from any great town, where there is plenty of ground to choose from, the ground rent is scarce anything, or no more than what the ground which the house stands upon would pay if employed in agriculture. In country villas in the neighborhood of some great town it is sometimes a good deal higher, and the peculiar conveniency or beauty of situation is there frequently well paid for. Ground rents are generally highest in the capital, and in those particular parts of it where there happens to be the greatest demand for houses, whatever be the reason for that demand, whether for trade and business, for pleasure and society, or for mere vanity and fashion.

"Let us suppose, for example, that a particular person judges that he can afford for house rent an expense of sixty pounds a year; and let us suppose too that a tax of four shillings in the pound, or of one-fifth, payable by the inhabitant, is laid upon house rent. A house of 60 pounds rent will in this case cost him 72 pounds a year, which is 12 pounds more than he thinks he can afford. He will, therefore, content himself with a worse house, or a house of 50 pounds rent, which with the additional 10 pounds that he must pay for the tax, will make up the sum of 60 pounds a year, the expense which he judges he can afford, and in order to pay the tax he will give up a part of the additional conveniency which he might have had from a house of 10 pounds a year more rent.

"If the tax indeed was very high, the greater part of people would endeavor to evade it as much as they could, by contenting themselves with smaller houses, and by turning the greater part of their expense into some other channel.

"Ground rents are a still more proper subject of taxation than the rent of houses. A tax upon ground rents would not raise the rents of houses. It would fall altogether upon the owner of the ground rent, who acts always as a monopolist, and exacts the greatest rent which can be got for the use of his ground. More or less can be got for it according as the competitors happen to be richer or poorer, or can afford to gratify their fancy for a particular spot of ground at a greater or smaller expense. In every country the greatest number of rich competitors is in the capital, and it is there accordingly that the highest ground rents are always to be found.

"Both ground rents and the ordinary rent of land are a species of revenue which the owner, in many cases, enjoys without any care or attention of his own. Though a part of this revenue should be taken from him in order to defray the expenses of the State, no discouragement will thereby be given to any sort of industry. The annual produce of the land and labor of the society, the real wealth and revenue of the great body of the people, might be the same after such a tax as before. Ground rents, and the ordinary rent of land, are therefore perhaps, the species of revenue which can best bear to have a peculiar tax imposed upon them.

"Though in many different countries of Europe, taxes have been imposed upon the rent of houses, I do not know of any in which ground rents have been considered a separate subject of taxation. The contrivers of taxes have probably, found some difficulty in ascertaining what part of the rent ought to be considered as ground rent and what part ought to be considered as building rent. It should not, however, seem very difficult to distinguish those two parts of the rent from one another.

"In Great Britain, the rent of houses is supposed to be taxed in the same proportion as the rent of land, by what is called the annual land-tax.

"The first tax of this kind was hearth-money; or a tax of two shillings upon every hearth. In order to ascertain how many hearths were in the house, it was necessary that the tax-gatherer should enter every room in it. These visits rendered the tax odious. Soon after the Revolution, therefore, it was abolished as a badge of slavery.

"The next tax of this kind was a tax of two shillings upon every dwelling-house inhabited. A house with ten windows to pay four shillings more; a house with 20 windows and upwards to pay eight shillings. This tax was afterwards so far altered, that houses with twenty windows and with less than thirty, were ordered to pay ten shillings, and those with thirty windows and upwards to pay twenty shillings. The number of windows can, in most cases, be counted from the outside, and, in all cases, without entering every room in the house. The visit of the tax-gatherer, therefore, was less offensive in this tax than in the hearth-money.

"This tax was afterwards repealed, and in the room of it was established the window-tax, which has undergone too several alterations and augmentations. The window-tax, as it stands at present (January, 1775), over and above the duty of three shillings upon every house in England, and of one shilling upon every house in Scotland, lays a duty upon every window, which, in England, augments gradually from twopence, the lowest rate, upon houses with not more than seven windows, to two shillings, the highest rate, upon houses with twenty-five windows and upwards.

"The principal objection to all such taxes is their inequality, an inequality of the worst kind, as they must frequently fall much heavier upon the poor than upon the rich. A house of ten pounds rent in a country town may sometimes have more windows than a house of five hundred pounds rent in London; and though the inhabitants of the former is likely to be a much poorer man than that of the latter, yet so far as his contribution is regulated by the window-tax he must contribute more to the support of the State."

## Getting Rich Without Working

**T**WELVE hundred per cent. in five years on a single real estate investment is regarded by B. V. Johnson, secretary-treasurer of the Walter Gehrke company, 215 Majestic building, as about the best return he has heard of in Detroit or elsewhere.

Johnson reports a client of the firm who bought a corner lot in 1919 through the company at John R. street and East Lincoln, paying \$12 a front foot. Saturday he was offered and refused \$150 a front foot for this property, standing just as it did when he purchased it.

"This represents a profit of more than 240 per cent. a year during the time the man has held the property," said Johnson. "This is not unusual in Detroit, either. We just happened to have this instance brought to our attention. Scores of realtors could report hundreds of cases, yes thousands, where real estate investments in and around Detroit had paid profits of anywhere from 50 to 200 per cent. a year."—Detroit paper.