

# \*The La Follettes, Feudal Lords of Wisconsin

By J. CRAIG RALSTON

LIKE our forefathers, we will use every power of government to open the frontier of this age. We will build stockades and forts to protect industrious producers from raiding squads—we will use its might to cut through the modern underbrush of worn out debts. We will use without hesitation its authority to suppress the modern counterpart of the savages—those stupid people who deny others access to materials that they themselves do not know how rightly to use."

In these brave words, Gov. Philip F. La Follette of Wisconsin, proclaimed the goal to which he and his brother Robert, the Senator, will lead the National Progressives of the La Follettes' new political party. He has not said what road they will take. The La Follettes, however, are not new-comers. They have traveled a long trail. It is possible to sight along the milestones that mark their course, and determine how near they will come to the point they set out to reach. So let's look at the milestones.

The La Follettes are income taxers. They believe in taxing the rich—taxation based on "ability to pay," as they understand the phrase.

Long years ago the elder Senator La Follette purchased the well known 60-acre Maple Bluff farm, on the outskirts of Madison, for \$30,000. With Madison's growth, the farm became urban residential property, and grew up to grass and unearned increment. After the old Senator's estate was settled, some of the choice sites were sold. They yielded more than \$50,000. The remaining acreage is assessed around \$90,000, but it will probably go on the market for more—provided pump-priming gets values back to where they were. The unearned profits of that land do not shock the La Follettes. Were a utility stock boomed to five times its original worth, it might intrigue them, and even become a campaign issue, but not the five-fold increase in the farm. Their attitude is that of the typical business-minded American landlord,—the land has "increased in value"—which is of course a good thing for the owners.

To the country generally, the La Follettes are best known for zeal in politics and reform. The milestones which thickly stud this field point to the well established La Follette faith in regulation, socialization and benign government.

La Follette taxes, and La Folette tax relief, must be analyzed together.

\*Cheap land values and lower taxes made America more prosperous than Europe. The La Follettes have reversed this formula with higher prices for land and higher taxes. Mr. Ralston shows how it works. Besides this, and as a consequence, Wisconsin government is a maze of bureaucracies. This is the kind of society to which the La Follette party is heading.—Editor LAND AND FREEDOM.

The show piece of the drive to wipe out property taxes and replace them with other revenues, is the income tax. It applies to both corporations and individuals. Who really pays the corporate tax is a matter of some contention, on which the state tax commission has not hazarded extensive opinion. Under a Supreme Court ruling, utilities charge their taxes up to operating costs. This is merely partial recognition of the fact that the public eventually pays all tax bills in the form of a consumers' price payment.

The up-and-coming Wisconsin youth who gets his first job pays on all income he makes in excess of \$15.38 per week. When he weds, he pays on all over \$23.27. These have always been Wisconsin income tax levels. In recent years, Senator La Follette has sought to embody them in Federal schedules.

The income tax commands the greater share of public applause, but it does not yield as much replacement revenues as other taxes—taxes not based on "ability to pay."

Pre-depression 1929 State revenues amounted to \$47,400,000. Of this sum, income taxes produced \$21,500,000. Other large items were gasoline tax (two cents per gallon), \$8,000,000; motor vehicle licences, \$12,000,000; railroads, \$7,000,000. After four depression years, the State, in 1935, raised \$46,800,000. Income taxes yielded \$9,000,000. Other important revenues were gasoline taxes (increased to four cents per gallon), \$15,000,000; motor vehicle licences, \$10,000,000; railroads, \$4,500,000. In both years transportation paid more than incomes.

Income tax enthusiasts hope to improve the showing. Prof. Harold M. Groves, University of Wisconsin economist and La Follette braintruster, shares the hopeful outlook of other addicts to the income tax.

"Its proponents," to quote Prof. Groves, "say that as administration improves and other states adopt income tax statutes, the income tax will replace the property tax as the major source of State and local revenues. They point to European countries to show that this can be done."

Without question, the Wisconsin law is the most successful state income tax so far enacted. In its first experimental year, the income tax yielded \$1,631,000. Through changes in the law and increased industrial earnings, it rose to the 1929 \$21,500,000 peak. Under stress of hard times, incomes stopped and so did revenues. Bolstered by our sur-tax levies, it attained the 1935 \$9,000,000 level—except for reinforcements it would have dropped to \$7,000,000. As a depression tax, it is somewhat of a failure.

The La Follettes have probably surpassed other statesmen in the "relief of real estate." They have created a



"tax free state"—a state supported by special and indirect taxes. Wisconsin real estate taxes are levied only by city, county, and local boards.

The State's shift to income and other special taxes is reflected in a comparison of Wisconsin's general property levy with similar levies in neighbor states. The Wisconsin general property tax is lower per capita than in Illinois, Indiana, Michigan, Minnesota, New York or Ohio. If all taxation be taken into account, however, Wisconsin taxation is higher per capita than in any of these states except New York. The difference goes into the "relief of real estate."

Real estate includes both buildings and land. When buildings are "relieved," they will not respond in a speculative way. Land will. Its privileged tax position will produce an accession of "unearned increment."

Sales taxes afford a clear illustration of "tax relief for real estate." In Arkansas, the share cropper pays a sales tax. This exempts the property of his landlord. The landlord's land absorbs the exemption benefit. It becomes more valuable, and the share cropper will eventually pay a higher rental for the use of more valuable property. To the share cropper is therefore shifted two new burdens—the sales tax, and higher rent.

A trifle more indirectly, the Wisconsin tax system produced like results—or, if it was not wholly responsible for their production, it did not prevent them. For a third of a century—throughout the whole La Follette era—farm land values, farm mortgages and farm tenancy have steadily increased.

In 1900 Wisconsin had 169,795 farms, comprising 19,862,727 acres, the land (exclusive of the improvements) valued at \$530,542,690. The mortgage debt was \$55,304,696. Of the farms, 77,490 were mortgage free; 65,589 mortgaged.

In 1930, the State had 181,707 farms, comprising 21,874,155 acres, the land alone valued at \$985,549,246. The mortgage debt was \$355,029,993. Of the farms, 55,509 were mortgage free, 86,680 mortgaged. The total mortgage debt had increased more than six fold.

In 1900, 55 farmers out of 100 owned mortgage free farms, 45 had mortgages. Of 100 farmers in 1930, 41 were mortgage free, 59 mortgaged. Between 1900 and 1935, farm tenancy advanced from 13.5 to 20.6 per cent.

The La Follettes are ambitious to do more.

"When the schools are financed mainly by the income tax, and the roads mainly by a gasoline tax, very little property tax problems will remain," says a current platform. There have been hints that the La Follettes would like to harness their public ownership and tax programs tandem to "relief for real estate" and trot along more rapidly.

*The Progressive*, the La Follettes' political weekly, extols public ownership cities which charge enough for light, water or power to pay the cost of government. This, says *The Progressive*, demonstrates "the soundness

of the principle of public ownership from the standpoint of the public welfare." Public ownership will be thus utilized to shift tax loads to consumers, and its benefits will be transferred to our landed gentry.

The La Follettes proceed with tax and tax relief programmes on the hypothesis that these instrumentalities will promote the more equitable distribution of wealth, or that they will open doors of opportunity to people who are on the hunt for the doors. There is nothing in the picture to indicate a successful climax for either aim.

Mr. Otto Cullman, chairman of the Manufacturers and Merchants' Federal Tax League of Chicago, says the great American landlord now possesses unearned increment amounting to \$180,000,000,000, whence he derives a daily income of \$20,000,000. Mr. Emil Jorgensen, Mr. Cullman's associate, estimated recently that 10 per cent of the people of the United States are most of the landlords—they own 90 per cent of the \$180,000,000,000. Forty per cent own 10 per cent of it, and the remaining 50 per cent own none. On the basis of these figures the crusade to "relieve real estate" will succor a relatively small and wealthy portion of the population. Its effect will be to sweeten the \$180,000,000,000 jackpot. It will exempt from taxation monopolists who control iron, coal, copper, and other raw materials and their sources, and enable them to tighten their clutch. It will also enhance the value of the La Follettes' real estate. It is doubtful if the La Follettes are even dimly aware of this fact. They probably believe that rising land values reflect newly created wealth to which possessors of the land hold the best title.

Sighting down the milestones that mark La Follette economic theory, one cannot see that they point the way for the National Progressives' new crusade.

The La Follettes are governmentalsists. A survey of recent La Follette platforms yields these remedies for the public's ills.

Government will establish a "planned economy" to guide the nation's life; it will see that every man and woman has a job "at a wage which the full productive capacity of society can afford;" it will finance public works; it will acquire and operate the railroads; it will own and operate utilities; it will own and operate water powers; it will manufacture war munitions; it will operate a government bank to lend the people money; it will provide social security in the form of varied types of pension benefits; it will classify lands and set some aside for farmers and some for forests; it will guarantee farmers and home owners against loss of farms and homes; it will control farm prices by means of publicity or co-operatively-owned exchanges where farm prices will be made; it will refinance farm mortgages at low interest rates; it will manufacture and sell farm machinery; it will regulate live stock and grain exchanges; it will make the distribution of milk a public utility, and regulate it; it will guarantee the farmer cost of production; it will



devise new ways to shift taxes from "real estate" to incomes and inheritances.

If the La Follettes pursue the line of march fixed by these programmes they will come to grips with no raiding squads, no out-worn debts, no "stupid people who deny others access to materials that they themselves do not know how rightly to use." Marauders of industry and "modern counterparts of the savages" will be safe for a long while.

## Henry George School

### NEW TEACHERS TRAINING CLASS

ON Monday evening, May 2, a new teachers training class was organized at the headquarters School in New York under the guidance of the Director of the School, Frank Chodorov.

All of these twenty-five students have taken the ten weeks' course in "Progress and Poverty," and have followed this with a six weeks' course in "Protection or Free Trade?" and another ten weeks' course based upon the "Science of Political Economy." Thus they have already spent twenty-six weeks in the study of George's books. A number of them have supplemented this formal study with the reading of other books and pamphlets by Henry George, and some have read George Geiger's "Philosophy of Henry George."

The teachers training course is of indeterminate length. Each student purchases a copy of the "Teacher's Manual." He is instructed to re-read "Progress and Poverty" in connection with the Manual, to question the validity of these answers, to discuss improvement upon the questions. The class is instructed to make notes in these Manuals of any illustrations, arguments or stories which come up in the course of the sessions, so that they can use this material when they become teachers.

A different student is assigned to become a teacher of the teachers training class at each session. Mr. Chodorov and other instructors take their place in the classroom. As each question comes up the class discusses it, and the object is to bring up such objections as would normally come up in a beginner's class. If the class itself does not bring up a sufficient number of objections, the trained observers in the class start sharp shooting. Of course, sometimes the temporary instructor of the class cannot handle the questions that come up, and in that case the director comes to his rescue.

Previous training classes of the School have taken from fifteen to twenty weeks to complete the course. Therefore, it is quite likely that these twenty-five will devote the entire Summer to this preparatory work. They will be given classes in October. The plans of the School call for one hundred classes this Fall in New York City. There are at present only forty-one trained teachers in the city, and this new training class will not turn out

a sufficient number to carry out this programme. It is therefore planned to open up another teachers training class in three weeks, when the present classes in International Trade will have completed the course. There are 120 students in this course.

Attendance in the teachers training course is by invitation only.

## New Courses for the Fall

FOR a long time the need for enlarging and rounding out the curriculum of the School has been recognized by the director and the trustees. Always the problem of space retarded the development and execution of these ideas. But during the summer a curriculum will be developed which will greatly increase the scope of the School.

A short course, probably not over six sessions, will be built upon "Social Problems." An experimental class or two will be started. Since Henry George suggested the reading of this book as preliminary to the study of "Progress and Poverty," the course will be given with that objective in view. It is believed that many students who enroll in our course entitled "Fundamental Economics and Social Philosophy," find the abstract reasoning in "Progress and Poverty" too difficult to encompass. A number of those who have dropped out of our classes during the first three lessons—where the dropping-out is greatest—have given the difficulty of understanding the book as a reason. Perhaps an introduction to this study through the reading of George's more popularly written book would ease the transition, make the study of "Progress and Poverty" less arduous, and thus increasing the number of those who complete the course.

The ten-weeks' course will not be abandoned. But one or two experimental classes, with "Social Problems" as a beginning, will be started this fall. By February, 1939, the results of this experiment may re-orientate our fundamental course.

To those who have completed the fundamental course will be offered six weeks on the "Principles of International Trade," followed by ten weeks of the "Science of Political Economy." Two other advanced courses are now being prepared. One is based on George Raymond Geiger's "Philosophy of Henry George" (eight weeks), the other on Harry Gunnison Brown's "Economic Basis of Tax Reform." The sequence of these various courses have not yet been determined upon; they will be open only to those who have completed the fundamental course. A small tuition fee will be charged for all advanced courses.

Other courses that have been suggested, but which must remain in the discussion stage until means and methods are devised, are these: Public Speaking, Theory and Practice of Assessments and Taxation, Current Events, Research Methods.

Ours is a rather unique experiment in adult education.