

TAXATION

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MERE theorists generally receive scant attention from the "hard headed" business man; but when the business man speaks he commands attention. When Francis S. Whitten, president of the Columbia Graphophone Manufacturing Company, at a dinner given him in Baltimore, commented on the relation of the tax rate to business he made "every one take a second breath." What Mr. Whitten said to startle his audience was that the difference between Baltimore's tax rate and that of competitor cities is so heavily in Baltimore's favor that under the present rate his concern in Bridgeport, Connecticut, would save enough taxes to pay two-thirds the cost of its plant in Baltimore in twenty years. The \$8,768,226 plant in Bridgeport is taxed \$82,414. The same plant in Baltimore would pay a tax of only \$25,662. The difference is due to the tax exemptions allowed in the latter city. The suggestive thing about the incident and the one that business men are considering, is that if a city that exempts improvements tends to draw to itself industries from other cities that do not, will not tax exemption in all cities tend to create new industries?

GOVERNOR COOLIDGE'S annual message betrays a high moral conception when he says of the industrial problem: "Industry must be humanized not destroyed. It must be the instrument not of selfishness but of service." He makes an unfortunate slip, however, when he says: "It is impossible to escape the conclusion that high taxes make high prices. So long as the cost of government is high the cost of living will be high." Had the Governor given the matter a little more consideration he would have seen that taxes on some things have the

opposite effect of taxes on other things. Thus, whereas taxes on houses increase their price and add to the cost of living, taxes on unused land—by compelling its use or sale—decrease its price and lower the cost of living. This fact, recognized by all economists of note, must be well known to a man of the Governor's scholarly attainments. Doubtless, since it is a matter of great importance, he will correct the error when it has been called to his attention. Men aspiring to political leadership cannot be too careful when considering a question of such vital interest as taxation.

THOSE super-cautious persons who hesitated to give women the ballot lest they prove to be unfit to use it must look back with amazement upon their own misgivings. The Woman's Municipal League of the City of New York, which the New York State Reconstruction Commission directed to survey a block of tenements, has rendered a report that shows not only that its members can grasp realities, but that they can distinguish between the false and the true remedies proposed for the cure of bad housing. The committee found the houses on the block investigated "old, dark, dirty, and not fit for human habitation." Four of the remedies that have been suggested—less severity in the tenement house law, raising a building fund by popular subscription, exempting certain buildings and mortgages temporarily from taxation, and lending State credit at a low rate of interest—are condemned as futile or temporary. But of the fifth proposal, "that we remove the tax on buildings and tax unused land, or that the city purchase in advance cheap land sufficient to house its future population," they say, "conserving the increment of land

value for the benefit of the community creating it is an essential element in the solution of the problem."

THE virtues of exempting improvements from taxation as a means of solving the housing problem are sometimes sung by strange and unaccustomed voices. Readers who have looked upon the *New York Tribune* as a reactionary journal, must have been surprised to see in its columns the editorial on housing, in which the futility of arbitrary laws to regulate rent was set forth. More houses, the editor declares is the only cure; and to get more houses, the builders must be given a chance. "As things now are," he says, "as soon as a man constructs a house, assessors come around and say the first thing the builder must do is to pay over 2½ per cent. on the yearly value of his building. If money is worth 6 per cent., the builder must see an 8½ per cent. return to be warranted in going ahead. We do not lay a consumption tax on wheat, but we do on houses, something of equal necessity. A lifting of the tax which paralyzes home building would populate urban lands." Who will say the *Tribune* is not up and coming? If some of the progressive and radical papers would only do as well.

TAXES, taxes, and ever more taxes is the cry at Washington, at the State capitals, and at every city, town, village, and hamlet. More than five billion dollars is needed for the Federal Government alone in 1920. And when this has been provided there will be left the housing question, the good roads question, the school question, and many other things that must be done if the country is to realize its ideals. Noticeable in the Federal budget are the items for the army and navy. We fought the war ostensibly to end war and preparations for war, and are now told we must have an army of over three hundred thousand men. A league of nations has been devised in order that the peoples of the world may disband their armies and settle international disputes by reason, yet our military strategists now say we must have the largest navy afloat. With the seas to protect us from invasion, and with a foreign policy that keeps us from assuming mandatories over new territory we are called upon to spend more on our military establishment than any other

nation in the world. Is it not possible to take ourselves a little more seriously, and cut down these needless expenditures? More and better schools are sorely needed, so are good roads; so many other things are needed more than a big army and navy.

A PROPOSAL comes from Argentina to cheapen food by making trade in it free between nations. In view of the present high cost of living it seems strange that this step has not long ago been taken. But notwithstanding the difficulty many people have in making both ends meet, and in spite of the data gathered by the Children's Bureau at Washington showing the large number of underfed children, nearly all countries fine the importer of foods as though he were a public enemy. In contrast with the Argentine proposal a movement is on foot at Washington to put wheat and other food stuffs on the dutiable list. Rather should the suggestion from the antipodes be enlarged by the removal of all taxes on food, both from abroad and at home. It is hard enough for the average citizen to buy food, without paying taxes in addition.

THAT tax exemption as a means of stimulating business activities is growing in popularity is apparent from the statement of the savings bank section of the American Bankers Association. Not only have many State, municipal, and Federal bonds been exempted from taxation with a view to inducing investment, but the same course is urged as a means of aiding industry. "The United States Chamber of Commerce," the statement of the Bankers' Association says, "has proposed a tax exemption for the merchant marine. Mr. Filene of Boston has proposed a large corporation to finance foreign trade, with tax exemption preferment for its securities, and in the *Annalist* of last week we find the inevitable proposal to extend the Federal farm loan plan to another class through the establishment of a chain of Federal export banks, each authorized to issue tax exempt securities to finance foreign trade." Just how serious this course has become may be inferred from the Association's conclusion that "any person sufficiently informed to advise of tax policies must appreciate the evident fact that any extension of public subsidy through

tax exemption can lead to no other end than the single tax on real estate, with the possible addition of a tax on income from personal service."

SOME of our impatient critics from overseas who think us so far below our ideals that only a revolution will meet the demands of liberty and justice may do well to reflect occasionally upon conditions elsewhere. Canada, one of the most enlightened of countries, held an election at Ottawa in which only property owners were allowed to vote. The question at issue was a change in the methods of taxation, which was of vital interest to all the people, yet citizenship was not sufficient to enable one to vote, nor was tax paying. Only ownership of property could qualify for the franchise. The citizen may have been drafted into the army, and may have served his country at the ends of the earth, but that would not enable him to vote on the tax reform law. Yet the caustic critics who have been entering this country through Ellis Island, though possessing no property, and lacking the ability even to write their own names, have been granted a citizenship that entitles them to vote on any question. Possibly if some of these discontented men and woman were to use intelligently the rights they already have they might better aid us in achieving our ideals.

What's in a Name

TO those who look upon political economy as the "dismal science," taxation savors of the doctrine of despair. But though this may have been true in Carlyle's day, it is no longer. Much of the economy then taught was dismal to the last degree. No distinction was made between land and capital. Wages were supposed to come out of and depend upon capital. It was thought that protective tariffs promoted industry, that monopolies enriched the country, and that taxes should be laid upon consumption.

But a new order has come. It is now recognized that land and capital are two primary factors in production, that wages come from product instead of from capital, that protective tariffs prevent citizens from doing what it is

to their interest to do, that monopolies limit production, and that taxes should be laid upon the citizen in proportion to the benefit conferred upon him by government. A condition in which a few surfeit and the many starve is no longer looked upon as inevitable; nor is the Malthusian doctrine accepted as the will of God. The new political economy teaches that until the resources of the earth have been exhausted the more people, the better all will fare.

The difference between the old and the new political economy, however, is not of a kind that calls for a revolution to make the change. The transition is not to be brought about through a soviet government, nor the practice of sabotage. It is not necessary even to make laws that will take from the rich to give to the poor. All that is required is the repeal of a few antiquated laws that impede industry and limit production.

The greatest single force bearing upon industry is taxation. By removing taxes from capital, business will expand, more labor will be employed, the markets will be filled with goods, and prices will fall. To shift the taxes so removed to land values—and particularly to idle land—means the opening up of new opportunities, and the further production of goods.

It is to teach people how simple, how effective, and how just this new system of raising revenue is that this magazine has been started. What more natural than to call it **TAXATION**.

The prevailing system of taxation is partly right and partly wrong. There is already a strong and increasing tendency throughout the world to eliminate the wrong and to expand the right features. This is seen in the pleas of even conservative business men for the exemption of various forms of credit and enterprises from taxation. It is seen in more striking form in the rapidly increasing number of men and women who look upon taxes as payment to the government for service rendered by the government to the people.

This new school of economists has analyzed taxes, classifying them according as they burden industry and aid monopoly on the one hand, and as they aid industry and destroy monopoly on the other. The former were part and parcel of the dismal science. They are associated in men's minds with all that is evil and disagree-