

Late News---Important

THE Citizens Union of New York City have recommended to the Constitutional Convention now in session at Albany the following amendments:

"The Constitution should specifically permit lower tax rates on improvements than on land. This would encourage "says the Union," the proper use of land and tend to prevent its being held out of use for speculation. If the rate on improvements were reduced the present tax limit would permit a corresponding rise in the rate on land values, but would keep the aggregate tax for purposes affected by the limit within 2 per cent of the aggregate property assessment."

TAXATION OF LAND VALUE INCREMENT

TAXATION of increases in land values should not be subject to tax limits. Large profits, "says the Union," are often realized by owners of land because of public improvements or growth of the community for which they were in no way responsible. It seems reasonable to take for the community which created them a much larger part of such profits than present restrictions allow."

The Citizens Union of New York City are a group organized for the express purpose of bettering the conditions of the state as well as of the city. It is an unpartisan organization. The president of the Union is William J. Schieffelin.

Reactions and Results of Trade Restrictions

Extract from address of Bue Bjorner of Copenhagen at Fifth International Conference for the Taxation of Land Values and Free Trade, London, September, 1936.

STATESMEN of almost any country of the world are willing to tell you that all the evils, the sorrows and the dangers of the economic crisis have been forced upon their own country by other nations. The self-sufficiency desires of other nations are everywhere considered sufficient defence for joining the madness of national self-sufficiency and for undertaking such measures that are supposed to further the national self-supply. Foremost amongst these measures are naturally the restrictions on foreign trade, the tariffs, quotas, bi-lateral trade agreements, etc., which we can label with the name of Trade Restrictions.

If you live in a large country with a complex economic structure it may not be so easy to learn from the actual results of trade restrictions how they really work. It is my belief that we, who live in a comparatively small country, with a less complicated economic structure, may more easily find the touchstone by which to test the value of such trade restrictions. This is the reason why some observations on the Danish experiment of State-controlled foreign trade may be of interest at this International Conference.

For the last four and a half years practically the entire Danish foreign trade has been under the control of the "Foreign Currency Department" of the Danish National Bank. Exporters of Danish goods are compelled to put all payments for their export sales at the disposal of the National Bank (though they may deposit through a number of ordinary banks) and all importers of foreign goods must

apply to the Foreign Currency Department for import permits before they are able to declare or enter foreign goods into Denmark. You are not allowed to import an automobile or a pair of shoes, not a lump of coal nor a piece of soap into Denmark without the consent of this Department. (Valuta-Kontoret.)

When Great Britain went off the gold standard in September, 1931, Denmark decided to join what has later been termed the "Sterling Group." Certain measures were adopted by the National Bank in order to enable itself to control the foreign currency exchange, but the power of control of the foreign trade was not given the National Bank until January, 1932. At that time Germany doubled the import duty on Danish butter, thus endangering our butter exports to Germany, which at the time amounted to about £3,000,000 a year. The fear of the results of the alleged decrease of this comparatively small part of the Danish export trade (totalling for 1931 about £90,000,000) opened the road for the legislation which put the entire foreign trade under a State control, the likeness of which was only to be found in Soviet Russia or in the history of Mercantilism, of 150 years ago.

The import control of the Foreign Currency Department (Valuta-Kontoret) is intended to serve a triple purpose, namely:—

- (1) Safeguard the Danish currency.
- (2) Serve employment and production purposes.
- (3) Serve as an instrument for foreign trade policies ("active trade politics").

It was evident that a decrease in export sales would leave the nation with lessened means for purchases of import goods, but the novel idea was this: that under such circumstances there would be the risk that the foreign currency funds of the nation might be spent on an import of manufactured goods and "luxuries," so that there would be no adequate funds for payment of raw materials to agricultural and industrial enterprises. Lest this should happen or lest an overwhelming import should endanger the rate of exchange of the Danish currency, a Bill was passed giving the Minister of Trade and Industries the extensive power of control over foreign trade through the said office of the National Bank, at the same time furnishing an instrument by which to open the doors of foreign nations to Danish goods, by using Denmark's buying power as an equivalent.

A numbered list classified about 200 different groups of goods, comprised in 20 main groups, and the import of any goods in any of these groups was prohibited unless the office furnished an import licence for the goods under the said group. Import licences are issued three times a year for periods of four months each time, and the importer must, one month before the licences are issued, fill out an application stating the amount for which he intends to buy goods of any of the 200 groups during the next four (five) months, from which country he intends to buy them, and from which country the goods originate.

When all these applications have been collected from the thousands of importers and after they have been summed up, the Currency Control Board will decide how large a sum it will allow for any group and for purchase in the various foreign countries, and the amounts will be allotted to the applicants in proportion to the sums for which they have demanded import licences. The total sum for which import will be granted is fixed by the Control Boards in proportion to the supposed total amount of the country's exports for the same future period. The decision as to what kind of goods will be permitted, and the decision as to where the goods must be purchased, is made from a complex consideration of questions related to current trade agreements, the quotas of foreign countries, etc., and also of questions related to industrial protection and self-sufficiency. With some slight exceptions, the right to apply for import permits is limited to those importers who were importing in the year of 1931, and the import permits are given in proportion to their import during that year.

Said in a few words, this system sets aside some of the most im-

portant functions of the individual merchants and puts the whole import trade under control of an office staff with but little understanding of trade affairs. The importers can no longer purchase what they reckon the market needs, they can no longer buy the goods in the quantities they want, nor at the times when they deem it most profitable, and they cannot buy in those markets where they wish to buy.

Needless to say, the immediate result of such restrictions is an abolition of the natural price-quotations, as the result always will be when other factors than Demand and Supply are involved in the fixing of the price. A very moderate estimate last year showed the total of the overcharge paid on Danish imports to be somewhere between two and a half and five million pounds sterling, which is more than the total value of that butter export to Germany, which caused us to adopt the control system. Of course, the Danish consumer does not get off as cheaply as that. Besides the overcharge paid out to the producers in those countries where importers are permitted to buy, the Danish consumer must pay an overcharge to the importer and retailer, which is natural when the import quantities are curtailed, and the overcharge will, of course, be largest on these kinds of goods on which the restrictions are in reality an embargo. The further result of these overcharges is that the costs of the national production rise artificially, leaving the production less competitive in the international market. It is not quite clear how a procedure like this is likely to further the first purpose of the system: Safeguarding of the currency.

With regard to the second purpose of the system: Safeguarding national production and combating unemployment, the system has not been very different from others of those trade restrictions which are usually tried for the same purpose, such as protective tariffs. Naturally sound and competitive lines of production are putting some of those now employed *out of work*, and some new industries, which are established under shelter of the restrictions, are putting some unemployed *to work*, so that the employment is temporarily on the march towards lines of production which are naturally the weakest. At the end of the year 1934, those industries which had advanced as the result of the trade restrictions, employed some 20,000 people more than in the last normal year of 1930, while the industries that could not benefit from the restrictions had about 5,000 people fewer working. The net result of these revolutionary trade restrictions was so far to put about 15,000 people back to work (including 11,000 women workers, out of whom not less than 7,500 were absorbed by the clothing industry and who were mainly taken away from household work.) With a permanent unemployment in Denmark of some 100,000 workmen, the result is not overwhelmingly large!

For the furthering of national production—the self-supply ideal—the system soon proved to be a two-edged sword. In the beginning the Foreign Currency Department worked mainly with curtailing of the import of finished goods and a more liberal import of raw materials for the older and also for the new established industries, which was in accordance with the political assumptions for establishing the system. But in the long run this function of the system was doomed to conflict with the last purpose. The system as an instrument for foreign trade policies. Countries to which Denmark was connected by the bands of trade very soon showed reactions towards her way of bargaining: offering to buy raw materials only, in return for finished goods, industrial and agricultural. It is, however, the wish of almost any country haunted by the idea of self-supply, to import raw materials and to export finished goods. As long as individual merchants are more or less free to carry on the trade, such wishes will influence the direction of international trade very little, for not even the most determined desire to sell goods will lead to trade, if the corresponding demand does not exist. But when a government establishes a system, by which it is able to dictate the direction of the country's purchases, the selling desires of the most powerful groups of producers of other countries will soon be put forward through the respective governments and their commercial attachés;

and reluctance in meeting the selling desires will eventually result in further trade restrictions, with the view of closing the respective market for the other nation's export goods.

Miscellany

HOW MILK RIVER THRIVES UNDER SINGLE TAX

In 1929 the village adopted the 100 per cent single tax system, that is, eliminating taxes on improvements and placing "taxes" on land values. At that time the village was in debt to the bank over \$1500. Today, the village does not owe a dollar, with a surplus of \$2760 cash on hand. Hospitalization and indigents are promptly taken care of out of the treasury funds. They have the finest graded streets and drainage of any village in southern Alberta.

The civic authorities do not desire to accumulate a large surplus in the treasury year by year, but to give it back to the people who paid it in, by public improvements, labor and services without additional levy on improvements. It works and has been very successful and satisfactory to the ratepayers of this village.

Lethbridge, Alberta, *Herald*.

REP. BRUCE BARTON URGES TAX SHIFTS TO CUT IDLE RANKS

A thorough overhauling of the tax system in encouraging rather than destroying jobs was urged by Rep. Bruce Barton at an association meeting in New York City on April 21.

He said that 400,000 young people are looking for jobs in New York, and that "no social order is safe that fails to provide occupation for the energies and answer to the hopes of youth." He emphasized that "our whole tax system tends to hamper, strangle, diminish production, and force downward the standard of living." "It is a system that rewards non-production and penalizes production."

"It enriches speculation in unused land but it clutches tighter at the throat of any business that seeks to produce more wealth and provide more jobs."—N. Y. *World Telegram*.

THE NEW DEAL TAXES

One year Aunt Hester had a college boy doing general work about the farm. He was alert and willing and sure knew how to comb his hair. One day Aunt Hester had him string a new clothes line for her. Little Cerise, Aunt Hester's balmy boy, watched him perform the task and saw that he strung it directly over the chopping block. That afternoon, when the hired hand started to split up some wood he couldn't find the axe. Both he and Aunt Hester hunted high and low for it, but they couldn't find it until they brought a little pressure on Cerise, who admitted he had hidden it. Asked why he had hidden the axe, Cerise explained that once he tried to split wood under a clothes line. He said when he swung the axe it hit that clothes line then bounced and hit him on the cranium. "That's why I haven't got much sense," he explained. "Help's scarce, and I thought maybe you wanted to keep that hired man, brains and all." If Cerise were here today he'd know you can't string a line of state and county expenses over your head and then stand under 'em swinging an axe at taxes without getting into trouble.—*Pink Rag*.

REJECTS THE TERM CAPITALISM

The word "capitalism" is a counterfeit coin which has been circulating as legal tender in economic discussion. There is no such condition as capitalism. The reason for poverty in the midst of plenty is due to the fact that a certain few hold title to legal privileges by which they are able to assess the many of the improvements and advantages of civilization. It is not necessary to increase the functions of government to bring about justice; in fact, the less government the better. All that is necessary is to abolish privilege. Father Michel abhors communism, yet he uses the phraseology and reasoning