

human life and human comfort and wellbeing, as far as natural law is concerned, be as possible as ever.

The question is, Shall we go on treading in the footsteps of Rome, assuredly to meet Rome's fate, or shall we be wise enough to abolish monopoly and privilege by discarding Rome's quiritary system of land tenure and secure for countless future generations the right to liberty, fair play and equal opportunity as envisioned by the nineteenth century "Prophet of San Francisco"?

## The Tax Cannot Be Shifted

SOME disappointment may be felt at the fact that the tax will not begin to operate until two years hence, but it is evident that the Chancellor has made up his mind to have actually in existence an effective valuation of the land before the tax begins to be collected. It may be observed also that the mere anticipation of it is already beginning to have an economic effect. A few days after the Budget statement, I met a prominent London Estate agent, who complained bitterly about the Land Value Tax and how it was going to raise rents. In the next breath he told me that he was dealing with a site for which owners had been asking £800,000 and that the Budget had knocked £50,000 off its value. I suggested to him that if the purchaser paid so much less he would not require to charge any higher rent in spite of the Land Tax value, and in fact would not be able to do so.

Alderman F. C. R. DOUGLAS in *London News*.

## Land Value Taxation In Britain

IN fulfilment of his oft-repeated promises Mr. Snowden provided, in his recent budget proposals, for land values taxation. The proposal, 1d in the £, is very small indeed, but it touches the "Ark of the Covenant," and will create a firstclass row. If any one has doubts about the fact of the Land Question being at the root of all social problems, the very tap root of Privilege, let him ponder on the rumpus that will take place on these taxes, and ask why the whole of the agencies of privilege should lash themselves into such fury over 1d in the £ on land values. They will rumble and growl for a little while, but they will swallow any other taxes. But not so with land value taxes. Tax the people's food and clothing and any other vital necessities, and the privileged classes will shout hooray. But crape a paring off their privileges and they will have paroxysms of frenzy, during which they will resort to anything to retain their grip. We may expect shortly to hear of another Zinovieff letter, or something of that nature. However, if the privileged classes want fight the "land for the people" and "publicly-created values for public purposes" is a first-class issue for a Labor party and a Liberal party to take to the country. Later on we shall be able to supply information to our readers on the great issue, free from the Tory taint of cabled news and the distorted views of special correspondents of the Tory press.

Sydney, (N. S. W.), *Standard*.

## Causes of Depressions

BY CHARLES G. MERRELL

A FEW weeks ago, at a druggists' meeting, one of the members finished his talk for the day with a rather sad picture of the unemployed during the last year. Here we are, in a land of plenty, of natural resources and of accumulated wealth beyond the dreams of our forefathers, and yet we have on all sides distress that, if it were laid bare for all to see in its fullness, would shock the hearts of the strongest men. And yet, when he came to a consideration of what was to be done about it, he threw up his hands in utter despair and knew not even what to suggest.

The noted economist Roger Babson, at about the same time, evidently felt a depression of mind and spirit and tried to express it by copying in one of his reports a few verses by Marion L. Ulmer, originally published in *The Congregationalist*:

### THE UNEMPLOYED

His thin face haunted me—my mind said "Why?"

Yet something in my heart made me ashamed

That I was warmed and fed and safely housed,

While he, disheartened, cheerless, sought a "job."

The unemployed—but we are not to blame.

Or are we not? Aye, well we know our guilt

Is strong upon our soul, that any man,

Wanting and willing, hungers still and needs.

Lay on our hearts, O Father Life of All,

The burden of these men, until we feel

Their helpless wings abeat 'gainst prison walls

The greatness of our social structure raised.

For not in any canting words of creed

But in the fibre of our life we feel

The pain of every sick, disheartened soul—

The price and glory of our brotherhood!

And yet in all of his reports I have yet to see from Babson, or any other economist of note, an explanation of the situation, or a remedy for it. He does warn against increasing the load of taxation, but how to bring this about with decreasing returns from the usual sources and increasing needs for relief work is something he does not attempt to answer.

### "OVERPRODUCTION" VS. "OVERPREDICTION"

We hear on the one hand that overproduction is the cause of our present difficulties, and on the other hand that the demonetization of silver in India and other countries, together with the scarcity of gold or its proper distribution, is somehow the explanation of all the trouble. In between these major causes (as explained by our publicists) are numerous other explanations for the greatest depression in the history of our country and the unemployment situation that is a disgrace to those who attempt to guide the destinies of this great nation.

Will Rogers once made the pertinent remark that what this country was suffering from was not overproduction but "overprediction," and so I am not going to add to the



suffering of my fellow men by making more than one prediction, which is that unless there is a marked change in the course upon which the ship of state is sailing, the next depression will be worse than the last, as has been the case in each instance over the past twenty years; and while it is about as dangerous to one's reputation for sanity, in these days of organized mass psychology, to point out errors in the existing order as it is to make predictions for the future, I am going to give myself the satisfaction of doing this very thing.

Now let us consider this great problem of unemployment. In a normal state of affairs how can there be any such thing as unemployment? In the final analysis what is employment but the application of labor to land? From such application all wealth is produced. It may be true, in a spiritual sense, that "the harvest is ready but the laborers are few," but when we talk of unemployment, does anyone even suggest that the starving millions are unwilling to work? No, the great cry is, "There is no work," and at the same time there is no bread for those who have not the money to pay for it. And yet there are millions of bushels of grain for which there is no market. How can such a paradox be?

Let us examine this problem carefully. Man is born on earth, and as he cannot live in the air or in the sea, he must live on the earth as long as he lives in this world. Our forefathers used terms more in their original sense: A freeman was not only one who was not a slave or a serf but a freeholder of the land he lived on and worked for his living, and only such a man possessed the right to vote.

We in this great country of ours delight to expatiate on the fact that all men are free and all can vote, even the women. What an anomaly! All men can vote, but all cannot work for a living!

#### FREE TO VOTE, BUT NOT TO WORK!

Let us put certain facts in juxtaposition and see if it throws any light on the problem: starving men on one side, unused grain on the other—idle men and idle acres. Let a child tell the answer. Bring the starving men to the unused grain, put the idle men on the idle acres. Is not that the obvious answer? But this cannot be done just because of one thing: the land on which the grain was grown and the idle acres are no more free than are the idle men who have produced the grain and are starving today.

All wealth in its final analysis is produced by the application of labor to land. That which we call "capital" is no more nor less than the stored and unused products of "labor." Millions of people who are now out of employment are willing to work. If you had gone with me into the Western country years ago you would not have found a single individual not earning his own living.

Now, just what was the difference in the West forty years ago and the conditions we find here in Cincinnati today? I read in the *Cincinnati Post* not long ago of a panic that occurred here, back in 1840, in which Jacob Burnet,

after whom an earlier popular hotel was named, lost his entire fortune of \$80,000. He went out in the woods with an ax to cut cord wood at \$1.50 a cord, kept his family alive and afterward re-established his fortune. Now, who could do that today? Just imagine anyone of us going out fifteen or even a hundred miles from Cincinnati and cutting cord wood off any piece of property! You know as well as I do that anyone who tried it would simply add one more to the population of the county jail. Or suppose one of these unemployed today might have read about the Irish people having lived on potatoes for years, and thought last spring that that would be a good thing for him to do to tide his family over a hard winter. I live only ten miles from the city, and on my way home I pass acres and acres of unused land. Suppose such a man had come out to some of these unused acres last year with the idea of planting potatoes to keep his family from starving. How far do you imagine he would get with his plowing?

The ownership of the earth today is concentrated in the hands of a very few men to whom the unemployed must go for permission to use the land, or even for their very existence. The Creator made the whole earth; man never made an acre nor did he individually create a dollar of the enormous value at which the land of this country is held today. The value of land is made by the community and in fact the value attaches not to the land itself but to the site which it occupies.

#### "SITE VALUE," NOT QUALITY OF LAND

The value of a single acre of land in New York City is about \$40,000,000. This is possibly not as good land as some up the State which can be bought for \$200. If you could remove the ten million people from Metropolitan area that acre of New York City land would probably be less valuable than the acre of farm land up the State. So it is not the *quality* of land that determines the price but it is the *site value* which is made by the community.

When Jacob Schmidlapp as president of the Union Trust Company put up the building at the corner of Fourth and Walnut Streets—the first skyscraper in the City of Cincinnati—every citizen was proud of the fact that at last Cincinnati had come into its own and was beginning to progress. And when someone expressed this thought to Mr. Schmidlapp, he replied, in effect: "That is very nice but you people have fined me \$200,000 for doing this. On the opposite corner with practically the same advantage of location as mine is an old rattle-trap of a building which you are ashamed and yet the owner is rewarded by low taxes, \$150,000 less than I must pay. This old building occupies a corner just as important and as valuable as the one on which we have erected the new building. If the taxes had been on the land value only and we would cease placing a penalty upon putting up attractive buildings in the city, the owner of the old building would have been compelled to erect a building appropriate to the site which he occupies, or sell to the Emery Estate, which



wanted to extend the Mercantile Library building to Fourth Street. Instead of that, our system of taxation encourages this land owner to hold his land out of use and to profit by an increased value which was made by his fellow citizens and which he had done nothing to create."

And so we encourage idle men and idle acres, and inevitably at almost regular periods we have a business depression and the problem of unemployment. Instead of encouraging the proper use of land as against the land speculation of today, the tendency seems to be to reduce, if possible, the taxation on land values and thus encourage further speculation; to raise more and more taxes on industry and, like Pharaoh of old, lay heavy burdens, grievous to be borne, on thrift and honesty. Instead of encouraging industry and thrift we penalize these homely virtues and encourage speculation. And so we have the extremes of society, the idle rich and the idle poor, and a diminishing proportion of the middle class who are the bulwark of society.

#### LAND VALUE IS COMMUNITY-MADE

Our theory of taxation is fundamentally wrong. It is based upon the ability to pay instead of requiring payment by the individual for the privileges and services which he receives from the government.

Land value is a community made value, and an adequate rental for the use of the location belongs to the community by the same fundamental law that ought to make the property created by man through the labor of his own hands inviolable against taxation.

Let us see by illustration how unjust is the present method of taxing private property. Let us assume that "A" and "B" each earns a hundred dollars a week. One of them spends all of it and the other saves \$25,000 in the course of years. Now we fine, or tax, the thrifty man on his savings, but the extravagant man goes untaxed so far as private wealth is concerned, for he has none. By what right in equity or in common sense do we say to the one who has saved \$25,000, "You must support the government; your neighbor hasn't anything, so you must pay double to make up the deficiency. You are able to pay and he is not." Can anyone imagine that this plan encourages thrift and industry? And yet our Legislatures are today trying to devise schemes to lay heavy burdens upon those who have through thrift and industry laid by a little for "a rainy day." Is it not a natural sequence that we now have a demand for old-age pensions and other socialistic propositions? But if our taxing systems were correct and justice prevailed, there would be no possible argument or need for old-age pensions and similar schemes.

#### "TAX THE RICH!"

Tax the rich is a popular cry. Law making bodies respond to the cry by creating super taxes on incomes, etc. One is justified in asking by what right they do this. Does the fact that I have ten times as much wealth as you indicate that I receive ten times more public benefit? A proper

system of taxation should only levy taxes according to benefits conferred. When you receive benefits, this makes you a debtor to the one who confers the benefit—in this case "the taxing powers." All do not receive benefits alike. If they did, then a head tax, the same on all, would be a proper tax.

Now let us consider this question of taxation in connection with its origin and relation to its incidence. When Daniel Boone and Thomas Lincoln settled in Kentucky and built their log cabins near each other there were no taxes. There was nothing to spend them for. But when more people settled in the community and wanted a schoolhouse, a church, and then by degrees some of the other forms of community service, it became necessary to raise funds. It also became desirable to live near the center of the town where the schoolhouse and other conveniences were located. Rather than have his children walk a mile or more to school, a man would rather pay a little more than his childless neighbor. A man who lived five miles away, on the other hand, would not expect to contribute as heavily to the community programme as those who lived in close proximity. Hence there arose "land values" where there were never any before; but these were not intrinsic *land* values but *site* values. Now, it is a remarkable thing that as the community expenses grew these site values increased in almost direct proportion, in fact even in excess of the community needs, and if the actual rental of these site values had been taken from the outset, no individual would have lost a penny that was his by virtue of his own efforts, nor would he have contributed anything out of the products of his labor, and yet there would have been ample funds to support all governmental uses from the values created by the services rendered by the government. There would have been no taxation today in the sense that we now have it. The communal values would have remained and have accrued to the community, and each occupant of the site would have paid into the community the actual rental of that site and nothing more.

#### THE BUILDER PENALIZED TEN TIMES

He could have built a satisfactory home, could have added to it as his family needs increased: he could even have painted it once a year and he would have had to pay the builder or the painter and would not have to pay the government over again for the same house as we do today.

Let us see how our present system works out. A street is planned as an extension from an existing roadway; people begin to build houses here and there along this roadway of, let us say, a mile in extent; let us assume that these lots sell for \$1,000 apiece and that the average house built costs \$9,000. In the one case the man who has a lot idle has a \$1,000 investment, and the man who improves his property by building a house has a \$10,000 investment. If the tax is 3 per cent, the one pays \$300, whereas the other pays \$30. The city then improves the street, lays down a sewer and water mains, extends police and fire



protection. All of these services are available equally to those who have built houses and those who have not, but those who have built houses and thereby improved the site value of all the property pay ten times as much for their service as those who have not built a house, and yet it costs the city just as much to run the sewer, water mains and other services past the unimproved lot as it does past the lot on which stands a house; in fact it costs the city twice as much if only 50 per cent of the lots are built upon, as these services have to run a mile instead of a half mile, which would have accommodated the houses that are now built. Even the services that are rendered by private companies, so-called public utility companies, cost twice as much as they should because there is no way of serving those who have houses without running these services past the vacant lots. Yet the fact that these services run past these vacant lots adds to their value, but those who have built houses have to pay most of the cost.

It may not be clearly seen how all this has a direct bearing upon unemployment and recurrent depressions, but it ought to be clear that our present system discourages thrift and industry, increases the cost of government out of proportion to the services rendered or actually used, takes from the thrifty and industrious a large share of what they produce, and gives to idle-land owners the unearned increment of site values which were created and belong to the community and which alone ought to be taken in taxation for support of government. Our present system encourages holding idle land out of use, depriving those who are willing to work of the opportunity. A living wage could be established, not as at present, on the bare cost of subsistence, but by what each man could earn by the application of his labor to land which would be acceptable to all, and no one would be compelled to work for another at a lower rate than he could earn by his own industry freely employed.

#### HOPEFUL SIGNS

It is a hopeful sign, therefore, to read in the daily papers that there are other factors to be considered ere we acquire stabilization of prosperity and an end of unemployment crisis: "It means long, hard study, the scrapping of much tradition, a new openmindedness on the part of industrial and political leaders. It is a challenge to the best brains and the highest courage of American industry. But it is a challenge that must be met. The alternative is disaster."

This sounds very like the following statement by Dictator Stalin of Soviet Russia, who was reported in the *New York Times* to have said: "The economic depression will get worse. It is not, however, the culminating crisis. Capitalism will recover, this time, but a second and worse crisis will thereafter develop, and then another, because the capitalist system is in progressive decay."

Although the similarity of the two statements is apparent, the first one, be it noted, is from the conservative *Cleveland Plain Dealer*. Another statement from the *Wash-*

*ington Evening Star* is along the same lines: "The knowledge that the worst is over is scant comfort if it means that the climb to another peak must be followed by a descent even more rapid, and to lower levels, than the past. The chief problem before the nation today is to fill up the swamps and morasses of depression in advance, and to prevent the repetition of such figures as those just revealed."

In my humble judgment neither Stalin nor these financial writers in the United States have found or are likely to find a solution to the problem. Stalin is against what he calls "capitalism," and our American writers are all for it. Even our recognized authorities on political economy use terms so indefinitely that their statements are very confusing. There is nothing wrong with capitalism if we use the term in its proper sense. Capital is essential to progress. As has been pointed out, it is nothing more than the stored products of labor. Many in industry, using capital as the basis of their business, have found to their sorrow that capital suffers with labor in these economic depressions. Stalin and our economists in this country both confuse capitalism with privilege resulting from our land system; but the two are distinct and indeed antagonistic. The interests of capital are the same as the interests of labor because they derive from the same source. There is no natural conflict between capital and labor; they should join hands to take away the burden which has been imposed upon both by land monopoly.

Only intense prejudice and economic blindness stand in the way. The hope of the future lies in enlightenment on the part of both capital and labor, whose common enemy is the land monopolist, and it is my thought tonight that the source of our difficulties can be overcome by a reform in taxation. This can only be instituted when the evils of the present system are recognized and there is a general desire for improvement on the part of those who are most affected.

"Why," you may ask, "do not more people see and desire the benefits to be derived from the taxation of site values only?" The answer is simply this: Those who think (whose thought influences the destiny of the country) have not suffered, and those who suffer cannot think!

Cincinnati, Ohio.

NEW York Socialists are organizing a party branch to consist entirely of deaf voters. Nevertheless Congressman Hamilton Fish has not yet joined.

"THE world will make a beaten path to the door of the man who makes a better mouse trap, though he live in a wilderness." What a fine thing that will be for the owners of land along that beaten path. They will get millions in unearned increment and the federal government will not think of putting a tax on the land value they grab. But the poor maker of a better mouse trap! How it will soak him with income taxes!