But Mrs. Lindbergh tells us we must scrap all that. "The wave of the future is coming and there is no fighting it." No doubt Hannibal tried it out on the recalcitrant Roman Republicans. And Napoleon certainly used it to good effect until he ran point blank against some skeptics who looked askance at his inevitable "new order," and won a victory that released the whole of Europe from bondage, and opened the door to the latest phase of the great advance we call "the industrial revolution."

Yet there is one thought that demands serious attention. That is Mrs. Lindbergh's cry for reform—the plain, unqualified statement that some kind of readjustment is necessary. That is true; it is self-evident. We cannot go on with depressions and wholesale unemployment, periodic wars, and wide-spread poverty. Remedial measures are necessary, and quickly.

The trouble with Mrs. Lindbergh is not in her demand for reform but in her insistence that a particular kind of reform, totally unsuited to the economy to which we are irrevocably committed, must willy-nilly, sweep over us.

That it *may* sweep over us if we do nothing about it, is true. And if it does; if England goes down, and America and China (whether from without or from within), then it is likely that our civilization will go as Rome went. For the ways in which a modern authoritarian state maintains itself are so much more powerful, its weapons are so deadly that successful revolt is well-nigh unthinkable. A scythe may stand some chance against a sword, but a fowling piece will not avail against a Bren gun. And though the citizens might occasionally rise up to "face the machine guns on the barricades," the charnel piles of their own dead would soon prevent their progress. They would succumb, and accept, and find their relief in circuses. Then, from the core out, like a puff ball, our civilization would rot, until, lightly tapped by a new tribe of Huns, it would burst all at once, leaving a ruin to be gazed on curiously as we now look on the pyramids or the debris of ancient Rome.

This is what we will come to if we accept the "wave of the future." To prepare ourselves to accept it is not merely to carry coals to Newcastle; it is, in a fit of absent-mindedness, to leap into the furnace.

Wilson—A Follower of Henry George

S. J. WOOLF'S latest interview, printed in the *New York Times,* was with Henry Morgenthau, Sr., venerable father of the Secretary of the Treasury. Mr. Woolf reported Mr. Morgenthau as saying the following of Woodrow Wilson: "Mr. Wilson had but one prejudice. That was against wealth; he believed that no man could honestly amass a million dollars in a lifetime. At heart he was a follower of Henry George and strongly objected to private profit accruing through the increase in land values."

Assessing Land on Gross Value

By HERBERT T. OWENS

THE efforts of Georgeist reformers have been directed towards a change in the incidence of taxation. That is to say, we have urged in the municipal field the exemption of improvements and the transferring of taxation to land values. We have succeeded to an encouraging extent in having this done. In places where it has been done, the phenomenon has been noted that assessed land values in many cases have continued to rise whereas the intended purpose of land value taxation is to reduce—eventually to remove entirely—the selling value of land. One reason for the continued rise in land values is that there has been industrial expansion, and population has continued to increase, and there have been land booms which have kept land values increasing.

In New Westminster, B. C., there has been a more static situation. Although many B. C. cities which formerly exempted improvements 100 percent have reverted to the taxation of improvements, New Westminster has continued up to the present to exempt buildings entirely. One reason which led municipalities to revert to the taxation of improvements in B. C. was the enactment of a statutory limit to the mill rate on land. When a municipality found that it could not raise the amount of revenue required on its land value assessment, without violating the provincial statutory limit, it was forced to tax improvements. That is not to ignore, of course, the pressure of land speculators against a system that interfered with their profits and the general ignorance on the part of the electorate of the merits of collecting economic rent.

In the case of New Westminster its Council is faced with the fact that assessed land values have declined in the last ten years from $15,000,000 to $7,000,000 and it has stretched its mill rate to the statutory limit. To avoid having to tax buildings, it has used such means as poll taxes and fees for garbage collection to increase civic revenues. It is questionable if it can hold on much longer under the condition of declining assessment and a statutory limitation.

Now, although New Westminster is a case in point, it should be borne in mind that any city on the land value taxation basis will meet a corresponding situation. That is to say, as land value taxation gets in its beneficient work of taking the selling value out of land, assessed land values based on selling price will go down, and along with them civic revenues will fall.

When states, provinces and national taxing authorities levy on land values, the decline will be accelerated. There is need therefore of a formula which will bridge the gap during this evolutionary process. Such a formula has been evolved by a Canadian Georgeist, Mr. E. S. Woodward, economic consultant of Vancouver, B. C., and it seems to this writer that Mr. Woodward's formula meets the situation admirably. It would handle New Westminster's problem, and that of any other municipality where land value taxation has begun to take selling value out of land.

Inasmuch as taxing authorities, so far as the present writer's knowledge goes, favor selling value as a basis of assessment or what is called in Australia the unimproved capital value, it is assumed that that would be the starting point of any change in the system of untaxing improvements and levying on land values instead. Either that, or an entirely new valuation based on the capitalized taxation must be made. However, Mr. Woodward's formula has obvious merits, and it is time now to set it forth.

In Canada, Australia, New Zealand, etc., land is now assessed for taxation purposes on selling of market value or on the unimproved capital value. This, Mr. Woodward holds, is net value which is the owner's equity. The real value, however, of land is its gross value, *the value before the tax is considered.* The difference between the selling value and the gross value is the city's or state's equity. By his formula, where the owner's equity goes down due to an increase in taxation, the state's equity goes up—or vice versa. The result is that the gross assessment is stabilized, and municipal or state administrators will always have a more stable base on which to draw up their budgets.

Mr. Woodward demonstrates his theory as follows:

Actual Gross Value can be defined as the "sum of the equities." It is the city's equity, i. e., the annual taxation capitalized *plus* the owner's equity. Gross value is comparatively stable. It can be changed gradually by population trends. It cannot be changed or disturbed merely by tax fluctuations. To illustrate:

A parcel of land now assessed at (owner's equity)......$	500
And taxed at $25 capitalized at 20 years purchase (city's equity)	500
Has a gross value of	1,000
A change in taxation from $25 to $30 would reduce the actual sale value to (owner's equity)	400
And increase the City's equity to	600
But would leave the gross value undisturbed at	1,000

I shall show that the question I am raising is one of much importance to building trade revival and to the cause of securing needed tax reductions. Let me point out first its legal dangers. The present practice of using the net residuary value of land as the taxation base *makes it impossible for any assessor to defend the assessment roll in the appeal court.* If the assessment roll was correct before the new mill rate was struck, *it becomes automatically wrong after the new mill rate is struck.* If the privilege of acquiring title to a lot taxed at $25 a year is worth $500 cash, no assessor can argue that it is still worth $500 cash when the taxes are raised to $30 a year. Woodward's point that the present system induces numerous claims for adjustment in courts of revision which would be remedied by the adoption of the system of gross value is an important one.

Having some curiosity to find out what would be the effect of Mr. Woodward's plan if adopted in Canada, I have worked it out as follows:

Canada's peace time budgets for 1939-40 were about $900,000,000 for the three levels of government—municipal, provincial and federal. (The sources are customs, excise, sales tax, income, succession, gasoline, corporations, royalties, rents, improvements, land values, miscellaneous). From that figure should be deducted certain revenues that would likely be kept under any system for some time to come—such as super-income and super-inheritance taxes, fines, court fees, vital statistics fees, government services, liquor revenues, motor registration fees, etc., and that total would be reduced to say $700,000,000. Capitalized, that sum would give us a base of $14,000,000,000 as the gross value of land. With a population estimated at 11,000,000, the land values per capita would be $1,278—quite a moderate figure. As a check, Saskatchewan's land values per capita in 1936 were $1,002—these are the highest for Canada of any Province.

At present, assessed land values of Canada net are only about $4,000,000,000, so they would be stepped up 3½ times under the gross value formula. At present, I estimate that we do not take in economic rent more than $200,000,000. On the gross value of $14 billions, a rate of 50 mills (5%) would produce the $700,000,000 needed, and could probably be shaded owing to the simplification of the functions of government, the reduced cost of public aid and social services to the unemployed, etc.

Addendum

By WALTER FAIRCHILD

The formula presented by Mr. Woodward is a most important one. My associates and I thoroughly agree with it.

This problem of a declining market value or selling price of land in the face of an increasing land value tax rate when used as the tax assessing base was given considerable study by the Graded Tax Committee in preparing a graded tax bill for introduction in the New York City Council. The Committee worked out the problem in precisely the same way as did Mr. Woodward, with precisely the same result.

The same formula has been adopted by our American Association for Scientific Taxation, in the Legislative Framework for the Philosophy of Henry George. Our term "full value (of land) as though unimproved and free from tax" corresponds in meaning exactly with Mr. Woodward's "gross value." That is, it includes the selling price as well as the capitalization of the annual tax. These two added together make up the gross value, or full economic value.

We think the terms used by Mr. Woodward—"owner's equity" and "city or state equity," making up gross value—are particularly happy, and help clarify a problem that has puzzled many people.