

The term "unearned increment" cannot be too widely used, or the principle it represents, of taking the community values for community purposes, be too strongly endorsed for the good of the cause. "Names are things." Get the people into the habit of using correct terms, and they will think correctly. Single Taxers have done far more and better work in this respect than most of them realize.

Thirty years ago, when I became a convert to the Georgian economy, the people in general were unfamiliar with the term "unearned increment," as with most of the terms used in that economy. The catchwords of Socialism were much more in vogue. Yet, owing to persistent education by Single Taxers, joined with the inherent and easily understood truth in their doctrines, and the appeal to the moral sense in their economic terms, these latter are generally accepted, while Socialistic terms, such as "class consciousness," "surplus value," etc., have dropped back to the position of shibboleths of a narrow school of economic thought, and are rarely heard outside of such connection. Now acceptance of terms leads inevitably to acceptance of the doctrines involved in them. From the propagandist standpoint, therefore, we should fight for the retention of that logically apt and rhetorically effective term, "unearned increment," and even try to broaden its meaning to present all phases of its essential principle. As used by its coiner, John Stuart Mill, and by economists since his day, it applies only to the increase of the capitalized value of annual economic rent. We should strive to have it apply also to economic rent itself, an unearned increase of wealth to the landowner, in which case the objection of those who would oppose the moral implication in the present use of the term by asking, "How about the unearned decrement?" would appear as palpably absurd as it is really so, since the "decrement" would be clearly seen to be a minus quantity, and the term would resolve itself into an "Irish bull."

THE GROWTH OF HOUSTON, TEXAS, UNDER PARTIAL APPLICATION OF THE SINGLE TAX PRINCIPLE.

(*For the Review.*)

By **W. E. WALTER**

(The following article is by a new man in the movement, a close student and one who has traveled widely. Mr. Walter is a resident of Rutherford, N. J., and this article is therefore interesting as the impressions of an outsider).

With banking statistics equalling or nearing those of Atlanta, Houston is pressing close in second place for financial honors of all southern cities. The figures of but four cities are used in making the comparison in the Reserve Bank organization committee report, which are as follows:

GROWTH OF HOUSTON UNDER PARTIAL SINGLE TAX 151

National Banks.	Capital and Surplus	Loans and Discounts	Individual Deposits
Atlanta	\$8,600,000	\$26,038,000	\$24,348,000
Houston.....	7,125,000	24,182,021	21,252,959
New Orleans	6,730,000	17,285,000	16,857,000
Dallas	5,900,000	18,622,000	18,851,000

For the past ten years the reports show Houston has taken the greatest strides in finance. Houston shows a 220% increase in loans and discounts against 210% for Dallas, 165% for Atlanta and 41% for New Orleans. Houston is far ahead in percentage of increase of individual deposits showing a 233% increase for ten years against 220% for Dallas, 140% for Atlanta and 24% for New Orleans. Only in the matter of increase in capital and surplus does Houston give way to Atlanta, but presses close in second place, yet far ahead of New Orleans and Dallas.

Houston shows the greatest percentage of any southern city in southern loans, being 1.83% ahead of Atlanta, 1.94% ahead of Dallas and but .12% difference with New Orleans, yet with \$3,914,000 more southern loans than New Orleans.

Conclusively is shown Houston's superiority in table showing bank and trust company credit balances with the National banks in some of the principal cities of the United States; also showing amounts loaned by the National banks in the same cities to their corresponding banks; also bought paper and collateral loans to non-customers of the lending banks, securities owned and cash reserve in vaults, as of cities named:

Cities.	Amount on deposit from all banks, etc.	Amount loaned all banks on bills payable, etc.	Percent. loaned banks	Bought paper, etc., made by banks
Houston.....	\$12,616,553	\$1,865,678	14.79	\$1,685,948
New Orleans.....	7,229,470	1,134,102	15.70	1,234,109
Dallas.....	6,237,357	1,385,687	22.21	587,558
Atlanta.....	4,436,974	892,612	20.12	865,180

Also

Cities.	Bonds and securities held by banks	Reserve in vaults
Houston.....	\$1,366,532	\$3,596,044
New Orleans.....	5,587,233	2,830,769
Dallas.....	1,293,061	1,855,927
Atlanta.....	1,408,350	1,855,427

The above table is taken from the official table containing 31 cities and shows Houston seventeenth on the list, New Orleans twenty-third, Dallas twenty-fourth and Atlanta twenty-seventh.

152 GROWTH OF HOUSTON UNDER PARTIAL SINGLE TAX

Of the 37 cities that asked to be designated as Federal Reserve cities, Houston shows the largest individual deposits and loans and discounts per capita. This includes even the largest cities of the land. The estimate was based on 1910 United States Census. Selecting the four cities—Houston, New Orleans, Atlanta and Dallas—as the basis for comparison, they appear taken from the table as follows:

Location	Population	Banks	Capital	Per Cap.	Indiv. Dep.	Per Cap.
Houston.....	78,800	6	\$7,125,000	90	\$25,013,951	317
Dallas.....	92,104	5	5,900,000	64	18,551,847	201
New Orleans..	339,075	4	6,730,000	20	16,857,832	50
Atlanta.....	154,839	6	8,600,000	56	24,348,912	157

Also

	Loans and Dis.	Per Cap.
Houston.....	\$25,923,087	\$329
Dallas.....	18,622,564	202
New Orleans.....	17,285,254	51
Atlanta.....	26,038,731	168

The policy to which Houston is committed towards making the city the manufacturing and industrial center of the South also bears on the tax problem. It takes the unique stand that it is better to seek the enlargement of going industries than to launch new ones. In other words, while it seeks to attract new industries, its principal intent is to aid the established industry towards enlarging its facilities and business. This is an absolutely sound policy but can only be carried out successfully in cases where tax payers are entirely satisfied with their tax system.

The successful industries are the best advertisement for a city and as industrial failures are the worst possible advertisement, it is therefore safer to aid established industries in enlarging their facilities and business than to launch a new industry which might prove a failure.

In offering a resume of last year's industrial activities, the following matter contains new industries, enlargements and improvements for the year, and considering the period covered and the section of the country, this is a most remarkable showing.

Houston Show Case M'fg. Company has spent \$50,000 for extensions and plant additions. Gulf Refining Company is expending a half million dollars building oil terminals. Armour Fertilizing Company has constructed a twenty thousand ton fertilizer plant. The Fidelity Cotton Oil & Fertilizer Company has made extensions and enlargements. The Houston Packing Company has erected a new fire-proof plant to house their fertilizer industry. The Watkins Medical Company has completed plans for the construction of a \$250,000 branch office. A Mr. J. R. Sturgill has purchased eleven and one-half acres of property for the construction of a \$30,000 saw mill. The Mon-

crieff-Lenoir M'f'g. Company has completed a new \$50,000 tinware manufacturing plant, which company has moved to Houston from Knoxville, Tenn. The Houston Crate & Box M'f'g. Company opened its new plant during the year. The Scyrus Scott M'f'g. Company, overall manufacturers, increased its capital stock \$200,000. The South Texas Cotton Oil Company expended \$25,000 in constructing a new brick building and adding new machinery. The Hogan-Allnoch Dry Goods Company increased its capital stock from \$150,000 to \$250,000. The Star Engraving Company increased its capital stock from \$6,000 to \$15,000 and constructed an entirely new plant. The Industrial Rice Milling Company rebuilt its plant following a fire at a cost of \$50,000, installing additionally \$25,000 worth of machinery. The Houston Electric Company is expending an appropriation of \$1,379,201 in street paving, track extension, equipment and other materials. The Nelms-Kehoe Company is constructing a large cotton sorting shed. Jones Bros. have made plans for the construction of a fig preserving plant. The Otis Elevator Company has purchased additional ground for extensions to its plant. The Magnolia Storage and Warehouse Company has constructed a wharf to accommodate cotton freighters. The Texas Metal Company has purchased acreage for the erection of a factory to manufacture metal beds.

Houston claims to have more sky-scrapers than any city in the United States of equal population and has forty tall buildings of six stories and over to prove her claims. This is also one of the results of the Houston tax system.

The new Union Station and the Katy Station are architectural wonders and were items which in 1912 placed Houston at the head of all cities in value of building permits and presses close in second place last year. Last year Houston had a commanding lead in building permits over all Texas cities and for the first seven months of the year was \$1,090,449. ahead of the seven months of the previous year.

How Houston has steadily climbed in building operations is best evidenced by the record for a decade, which is as follows:

1908.....	\$3,269,139
1909.....	3,114,009
1910.....	3,491,532
1911.....	3,353,400
1912.....	4,685,075
1913.....	5,087,489
1914 (7 months).....	3,058,148

The above table shows best the effect of the Houston plan of taxation which went into effect 1912. The first six months of 1913 building permits amounted to \$2,636,425 as against \$1,702,905 for the six months of 1911, an increase of nearly 55%, and for the whole year of 1912 amounted to \$4,685,075 as against \$3,333,400, an increase of about 37%.

These were my impressions concerning the system and its practical workings. I will not at this time describe in detail the plan of taxation

which contemplates that buildings, machinery of manufactures and all other improvements upon land shall be assessed at only 25% of their value, land being assessed at its fair value, since your readers are already acquainted with it. But I wish to place emphasis on the Somers system of equalizing realty values in operation at Houston, which is the greatest benefit accruing to the property owners of Houston aside from the Houston plan of taxation. It is the only scientific method of taxing valuation on a fair and impartial basis.

As personal property such as cash, household furniture and evidences of debt are totally exempt from taxation, a perpetual bonus is offered to manufacturers and merchants for getting the full benefit for Houston from its industries and enterprises.

During my stay in Houston in a tax suit against the city the local court decided that the Houston plan of taxation is not constitutional and it is the judgment of the court that property must be assessed at 100 cents on the dollar. In accordance with the decision all property owned by citizens of Houston will be assessed for taxes this year. This will include credits, mortgages, personal property, cash on deposit and other property which has not been paying taxes during the past three years. Real property being assessed at full value. Although the court's decision has been appealed from to the higher courts, yet in the meantime property will be assessed according to the court's order.

The court's ruling will work an injustice not only upon the men who would develop the city but also upon him who has already developed the city. For instance, here are two adjoining pieces of property; a far-seeing, loyal and courageous citizen has erected one of the finest buildings in the city which has enhanced the adjoining property at least 300%, and now it is proposed to penalize or tax the citizen's effort by more than doubling his assessment in order to reduce that of adjoining property proportionately, the owner of which has realized an enormous increment without turning a hand or doing anything for the advancement of the city's welfare. For example, Houston has a collection of the best hotels in the South and in the Rice Hotel the very finest. This hotel is valued at \$3,000,000 and is now assessed 25% on the value of the building, \$2,200,000, viz.: \$550,000 and 75% on the land, \$800,000 at full value, a total of \$1,350,000. Under the new plan it will be assessed at \$3,000,000. This equally applies to the small property holder. Under the so-called Houston plan a \$3,000 house on a \$1,000 lot was assessed at \$1,700, now it will be assessed at \$4,000.

Under the plan in use since 1912 rentals have been based on the recent system of taxation when the small property owner could comfortably see a fair sky. Now he is confronted by an increased tax expense which he will suffer only long enough to meet the present existing leases and must then increase his rentals to meet the new existing conditions. The exemption of buildings from taxation to the amount of 75% of their value has not alone

had the effect of lowering house rents, but the increased number of buildings as a result of the operations of the plan has also caused a reduction of rents. It is estimated that rents have been reduced from 5% to 20% since the Houston plan has been in existence. Since about 80% of the people are renters a great majority of the people have been benefitted.

The 100% value taxation plan to be again introduced on encumbered property becomes a double tax. For instance, improved real estate valued at \$100,000 will be assessed on \$100,000. If there is held against this property by another party a mortgage of \$50,000 this will also be assessed so that there is in all \$150,000 assessment on property valued at \$100,000.

The court's ruling will also operate in this manner. If a man of good credit and account wishes to borrow money to build or enlarge his place of business offering a handsome security at 8% he will have considerable difficulty in obtaining this credit if the loan is assessed at from 2½% to 3%. It means that local funds will not be used locally and the money invested in buying foreign bonds which will build foreign property, etc. The wonderful growth of Houston will receive a set-back and certainly will demoralize the building industry of the city.

The people of Houston have repeatedly overwhelmingly endorsed the Houston plan of taxation, which is conclusive evidence that the people have been benefitted by the plan. Mr. Pastoriza, who devised and put into operation the plan, was twice elected to succeed himself as City Commissioner and received the highest vote of the Commissioners.

Based on my previous figures it is undeniable that Houston has prospered in the past four years. It is also undeniable that this prosperity must be blighted by "killing the goose that laid the golden egg." Not only will it apply to real property but to machinery of manufactories as well as raw material and finished products which will be taxed at full value. This of itself will destroy some of Houston's industries and will certainly prevent new ones from being established. It will be interesting to watch the effect on bank deposits and the report of the banks for this year.

To thwart the few large unimproved property owners who are the only opposers of the so-called Houston taxation system and who instigated the action decided by the court and its ruling, the Commissioners have submitted a joint resolution which is now pending in the House amending the constitution to enable the city of Houston to continue its tax plan, and in my opinion it is vital to the continued prosperity of the city.

A majority of the home owners and large business interests have signed a petition asking for the adoption of the resolution and among the signers are The Bering M'fg. Co., Otis Elevator Co., Ford Motor Co., Union Iron Works, Levy Bros. Dry Goods Co., S. H. Kress & Co., Waddells House Furnishing Co., S. F. Carter, banker, Magnolia Land Co., Texas Warehouse Co., Stowers Furniture Co., Houston Drug Co., Wilson Grocery Co., and others.

The Magnolia Park Land Co., which owns large interests in both the coun-

try and city, says the Houston plan of taxation is one of the city's biggest assets, and cites the fact as to the prosperity of Houston under the taxing plan and regrets that the legality of the Houston plan has been questioned in the courts.

ARE WE NOT BARBARIANS?

(*For the Review.*)

By A. J. MELVILLE

Have we not grown callous to the horrors of the European War? That we are prone to become so is evidenced by our indifference to those of an ever present war. The age-long war between the House of Want and the House of Have which in its noiseless, steady, grinding, relentless way is as awful and horrible as that now laying waste to some of the earth's fairest lands. It, as remorselessly, piles up its uncounted dead and maimed, brings ill health, poverty, fear, hate, starvation and broken hearts to the people of all lands, whether monarchies or republics. The cries of its suffering victims are unheard, though many are at our very doors or, if heard, we absolve ourselves of personal responsibility by resort to that comforting biblical assurance, so long the refuge of the self-satisfied and self-sanctified, "The poor ye have always with ye." That we have tried to pray away war is but a further evidence of our barbarism. We have inherited war and prayer from man in his lowest state. Civilized man will neither war nor pray.

The best among us have in all ages striven for civilization. It is a condition that fulfills the professed ideals of all men. But notwithstanding the wonderful advance in science and art of the last two hundred years, and despite the Church, education (so-called) and increased suffrage, our goal is still just beyond us; elusive as a will o' the wisp. Why?

Owing to an education which has failed to teach us to think, we are bound by a reverence for time-worn customs and precedent; we believe that our individual interests are best served by upholding the privileges of the class that controls our jobs or buys our goods. As this class is well satisfied with things as they are; we, the toady Tories, oppose all changes not favored by it. The flunkies of aristocracy uphold aristocracy that flunkydomy may flourish. The clerical and business forces of protected industries, land privilege, railroads and those businesses enjoying special concessions in no way differ from the flunkies. The toady Tories must be taught to think. They are the stumbling blocks in the path of progress.

Buckle, in his History of Civilization, shows that, while the enactment of some few fundamental laws have advanced us toward civilization, far greater advances have been secured by the repeal of laws. Man's laws are