

## The Keynote Convention Speech, 1940

By HON. B. A. PARTMAN

### A Story of Tax Relief for Land and of New Deal Prosperity

By HARRY GUNNISON BROWN

Author of "The Economic Basis of Tax Reform"

(Concluded)

IT is true that some of the business men and landowners and owners of natural resources did not like to have their production restricted. But these were easily mollified by the benefit payments given them for holding their land out of use. And nearly all of the truly practical men felt that the output of their competitors ought to be restricted, in order that prices might be kept high enough and that land values might be kept high. So it was not merely or even chiefly academic advisors who supported these measures but influential business men and landowners,—the really practical men of affairs. Indeed, many of the narrow-minded and theoretical academic economists were so wedded to their outmoded ideas of competition that they were unable to comprehend the advantages of the new policy.

Special measures were necessary to control the output of oil and to raise the royalties of owners of oil wells. In this industry, merely withdrawing a part of the land from use was not enough, because the oil flowed underground and, by drilling on some land, oil could be drained from beneath other land. Much was made of the importance of conserving the oil resource of the nation for future generations. A few critics of the restriction policy suggested that something could be done by removing the tariff on oil brought from foreign countries, so that our resources could be saved for posterity. But this, of course, would not have met the need, for it would have kept down the price of oil, whereas what was wanted was to have a high price of oil and high royalties to the owners of oil wells and high values for oil-bearing lands and, therefore, greater general prosperity. Various restrictive devices were adopted under the provisions of the National Industrial Recovery Act, to realize these ends. Of course, recovery was thereby greatly promoted.

To make especially certain that there would not be too large a production of coal or too many jobs mining coal or too low a scale of royalties for coal mine owners or too low a value of coal mines, Senator Y. introduced a bill providing for the appropriation of \$300,000,000 of Federal funds to buy up some of the poorer coal mines and withhold them from use.

Although Senator Y. appears not to have publicly announced these aims, it would surely be a gross insult

to his intelligence to suppose him unfamiliar with the President's principles of the manifest consistency of his own bill with these principles.

Unfortunately, some of the most important New Deal legislation was declared unconstitutional by the Supreme Court. Certain opposition conservatives were delighted at this, saying it meant the end of restriction and regimentation. But the outstanding liberal and progressive leaders of our great party of the common people rightly pointed out that the Supreme Court was standing in the very path of progress, that it was applying the outworn legal interpretations and principles of the horse and buggy era to an age of steam and electricity and gasoline, an age when it was superlatively important that a sufficient amount of land and sites and natural resources should be held out of use so as to decrease production and hold prices up and maintain and increase land values and give the common people more employment and make the nation more prosperous. The constitution should be changed, therefore, to permit the Federal government to do anything which might be necessary to accomplish these ends and, especially, to preserve and increase the high land values which are the only sure foundation of prosperity. The common people quickly came to realize the overwhelming importance of this and the constitution was accordingly modernized.

Of course almost everyone understood by this time that the more land that was withdrawn from use the less goods could be produced, and that the prices of goods were thereby increased and the competition to use land intensified and that land rents and land values were thus raised and all the people made more prosperous. But now there began to be noted a most amazing phenomenon which neither the brain trusters nor the practical politicians nor even the substantial business men were able, for a long time, to explain to the common people, although some of the literary intelligentsia said they had understood it all along. Since the people were more prosperous, they could have more to enjoy and more goods had to be produced for them. Thus, the more land was taken out of production and the more the output of goods was restricted thereby, the more goods were produced. The common people, so to speak, enjoyed and produced more because they produced less, as well as because they paid more of this less for less space on which to produce less and thus have more. Some sceptics said that all this could not possibly be true. But Prof. G., perhaps the most eminent of American mathematicians, worked out a series of equations by which the phenomenon could be beautifully and clearly explained, at least to all those who could understand the equations.

\* \* \*

As the people of the nation became more and more intellectually acute through contemplation and admiration of the New Deal policy and of its marvelous con-



sequences, it became possible to extend this policy in ways that before would have been impossible because the people would not have been intellectually capable of understanding their advantages and, therefore, would not have supported them. So now the President began planning a further application of the great principle of raising the value of land. After a series of conferences with officers of the National Real Estate Board and with leading landowners and with the eminent academic authorities on taxation and finance, Prof. L. and Prof. S., and with Dr. Z. and Senator X., the President made his new plan public and explained its significance.

But first he reminded the people of the country, and especially the common people, that the essence of his entire programme was the raising and maintaining of the price of land, that, as had often been stated, high land values are the foundation of prosperity, that land values had been made higher by reducing, in all of the States, the taxes on land, so that the owners of land could now keep for themselves nearly all of the community-produced rent of land instead of having a considerable fraction of it taxed into the public treasury, and that land values had been further raised by giving landowners, out of the processing taxes, large benefit payments for withdrawing land from use. In short, the rest of the people, under the new system, were paying each year larger sums than ever before to the owners of land for permission to live and to work in the United States, and especially in those parts of the country having great situation advantages due almost wholly to community growth and development. Obviously, if ways could be devised by which the rest of the people might be made to pay still more to the owners of land for permission to live and to work in the United States than they were now paying, this would make the land values of the nation higher than they already were and so would make the nation yet more prosperous.

So the President said he thought it would be a logical extension and improvement of his system, to increase the processing taxes and the taxes on sales, on motion pictures and on incomes earned as salaries and wages by the labor of the people and incomes from constructed capital accumulated by the people's thrift, and to give the extra revenue received to the owners of land as a bonus. The States should co-operate by removing all remaining taxes on land. His specific proposal was to give every landowner, out of taxes, one additional dollar for each dollar he was already receiving.

The only vocal objection to this proposal, which seems worth mentioning, came from some landowners who thought it would make the nation still more prosperous to give them, instead, two dollars for every dollar they were now getting and thus increase the value of their land by two hundred per cent instead of only one hundred. But the President felt it better not to risk

getting ahead of public opinion and, therefore, did not ask Congress to go so far.

An administration measure providing for the one hundred per cent landowners' bonus was quickly introduced into Congress. Some of the members of Congress, as it happened, did not at first support the President in his proposal but, when a bonus army of landowners was organized and began to march on Washington singing the Marseillaise, the opposition capitulated and the measure was enacted into law.

One of the splendid and, probably, unanticipated results of this latest New Deal enactment was pointed out, several months after the passage of the law giving a bonus to all landowners, by Mrs. W., a prominent clubwoman and a well known patroness of art. The President's policy was bringing about, she said, the greatest esthetic development the nation had ever had. Landowners were receiving such large rents that they could not spend their incomes in the ordinary ways to which they had become accustomed, so now they were purchasing paintings and statuary for themselves and, indeed, of themselves, and endowing art galleries in which even the poorest citizens could acquire taste and artistic discrimination; and the demand for works of art was stimulating an interest among young people in providing such works. Also, the palatial homes that the recipients of these large rents were building were often models of architectural beauty and were thus ideals to be aimed at by the common people when they bought land and built for themselves. So the President's New Deal policy had not only tremendously enhanced the material prosperity of the nation but had furthered the development, as well, of the things of the spirit.

Although Mrs. W. confined her comment to art, it is perhaps worth mentioning that universities and colleges were also endowed by the now superlatively prosperous landowners, in which the young people whose privilege it was to attend them studied not alone art and architecture and literature, but history and sociology and economics as well. In their classes in economics they learned to understand the President's economic policy and how it made the nation prosperous. Many of the poorer people of the nation, even yet, were not intellectually keen enough to see how the New Deal policy made them more prosperous, but the graduates of the universities and colleges endowed by the wealthy landowners and by the big stockholders of the giant corporations that owned the mines and power sites of the country, were usually able to see this.

It is true that once in a while the trustees of a college would discover a professor of economics whose teaching seemed to lead students away from the truth and to cloud their understanding. This, when it happened, was most regrettable. Of course all of the colleges maintained the great principle of academic freedom. No professor



was dismissed merely for holding unpopular opinions. Indeed, on a number of occasions, university presidents of great distinction went out of their way to defend professors who were being assailed for their opinions. For example, there was the case when President B. of Landonia University received a letter from an Alabama cotton cropper criticizing the attitude of a professor on the land question as being unfriendly to tenant farmers. President B. issued an immediate denunciation of the protesting farmer as being a menace to the principle of freedom of thought and teaching in academic walls. President B's. courageous remonstrance against this minous threat to freedom of research has since become one of the glorious memories of the American academic tradition.

But a professor might quite properly be dismissed for incompetence, and it was obvious to President B., as to the trustees who employed him, that a professor of economics who could not see and appreciate the truly impressive economic advantages of the New Deal policy of raising land values, was incompetent and no fit teacher of youth. So most of such professors were allowed to find other jobs.

Since, in spite of the high and increasing rents and land values and the great prosperity of the more substantial citizens, there seemed still to be some poverty among the working classes, a number of the more sympathetic among the wealthy felt that research was needed to discover the causes for this poverty in the midst of such superlatively favorable conditions. So research foundations were endowed and professors of economics, sociology, of statistics, of psychology, of biology and of history were drawn from the universities to direct the researches and to discover the individual and family and sociological and psychological and biological causes of poverty.

One or two voices were raised to say that it was easy enough for any one with horse sense and an open mind to discover the principal cause of poverty, that a horse—or even a jackass—never offers the horse flies that live from his blood an additional drop of blood for every drop they can extract without help but, on the contrary, switches at them with his tail as effectively, not to say viciously, as he knows how. But the critics who so spoke had obviously had no training in the technique of research.

The new endowments provided interesting work for many sociologists, economists and statisticians, and the researches led to the conclusion that there ought to be more attention paid to social work, including individual and family case work; and that higher sales taxes should be levied to pay for such service. So higher sales taxes were levied for this and also to raise money to train more students in economics, statistics, sociology, etc., so that the nation might have a still larger number of intelligent

and technically trained leaders in seeking the causes of poverty and the path of prosperity.

\* \* \*

When all the people—except a few of very low intelligence quotients—came to realize fully how greatly their prosperity had been increased by reducing and, finally, abolishing, taxes on land and sites and allowing all of the rents and royalties from sites and natural resources to be enjoyed by private owners for giving others permission to live on the land and make use of these resources; and when they realized how the property values of the nation had been still further increased by the processing taxes and by using the money to make special rental payments to landowners for holding more land out of use than they were already holding; and when they saw how giving a bonus to all landowners on all of their land, to the extent of one hundred per cent of the rent they were receiving, had raised land values to even greater heights; efforts were made to work out further extensions of the plan, which would enrich the nation even more.

At first, no one, not even the smartest brain truster, could think of anything which promised any further accession of prosperity. At length, however, a scheme was worked out in conference by the President, Senator X. and Dr. Z., which seemed likely to bring to final fruition the series of reformist and prosperity-building measures that the President and his cabinet and administration leaders had sponsored. The idea was, to extend the principle of private and corporate collection of land rent from those permitted to work and to live on the earth and to enjoy community-produced situation advantages, and make it apply likewise to the use of the oceans and of inland lakes and rivers. Because of the difficulty of getting an international agreement on the matter, no charge could be made for the use of the oceans beyond the three-mile limit, but arrangements were made that far.

To begin with, of course, it was necessary to get sections of the oceans, lakes and rivers reduced to private and corporate ownership. The method selected for doing this had the further advantage of saving the government expense. Those who were being paid by the government for holding land out of use or who were receiving bonuses, were given the option of being paid their benefits or their bonuses wholly in money or partly in tapering ribbon-like sections of ocean (or lake or river) leading to a port. If they accepted the latter alternative—and many did—they could thereafter, besides collecting from industry and commerce for granting permission to use the earth, also collect from commerce for granting permission to use these ribbons of ocean.

Special electrical devices were invented whereby it became possible to know what routes vessels followed to port after coming within the three-mile limit, and each ribbon owner was allowed to make his own charge to ships coming into or leaving port over his ribbon of ocean.



This wise enactment enhanced still more the property values of the nation. For now there was added to the value of the land, due to the fact that owners could charge users for permission to live or to work on it or otherwise enjoy its advantages, the value of the ribbons of ocean resulting from the fact that private owners could henceforth charge others for permission to sail over or ship or receive goods over their ribbons.

An incidental advantage of the new scheme was that it hastened the disappearance of that lingering anachronism, the sailing vessel. Whenever the wind was unfavorable, sailing vessels were compelled to tack and thus had to sail over so many ribbons and pay rent to so many ribbon owners, that these vessels were utterly unable to operate at a profit. So the new plan furthered technological progress.

There was one temporary difficulty which, however, was soon overcome. In the case of some of the harbors, the ribbon routes by which ships could enter and leave were so numerous, and competition among the ribbon owners was so keen, that only very small rentals could be charged, and so the ribbons had only small value and could not add to the prosperity of the nation as much as they should have done. But as soon as this was noted, the President conferred with Dr. Z. on the matter, after which he had introduced into Congress an administration measure which provided that, in all such cases, enough of the ribbon strips should be withdrawn from possible use, with compensatory payment to their owners from special tariff duties and new processing taxes, so that the rents and sale prices of the ribbon strips would be raised to a reasonable figure. Then, as the brain trusters and the landowners had foreseen, there was a further increase of business activity and employment. For, as administration leaders hereafter stated the great New Deal formula and principle: high land values and high ribbon strip values are the foundation of prosperity.

\* \* \*

One other and final measure, rounding out and bringing to a fitting climax the truly great policies of the administration in providing a New Deal for the common people, certainly deserves to be explained. This was the provision by which all non-landowners should, upon meeting landowners or, at any rate, upon meeting the larger landowners, for the transaction of any kind of business or upon social occasions, remove their hats and bow very low three times. Of course they were to bow similarly to the owners of the ocean ribbons.

When this law was first proposed, there was some criticism expressed of it on the ground that it served no good purpose and that it was un-American and an aping of the aristocratic forms of monarchist nations. But both of these criticisms were unjustified, as the President pointed out in one of his intimate radio talks to the people. In the first place, he explained, the provision for respectful triple obeisance would serve a most useful and im-

portant purpose, indeed, the very same purpose as all his other measures, in that its enactment would make land more valuable and thereby vastly increase the prosperity of our great country. When landowners were treated with the respect due to their ownership, more people would want to be landowners than had previously wanted to, so many of them would go without other things and try to spend their savings in buying land. But there was no more land than before, and the fact that landowners who continued to be landowners could have all other persons bow three times before them on every social and business occasion, would make them unwilling to sell and to thus cease to be landowners, except at such prices for land as had never before been dreamed of. Thus, land must rise greatly in price or value and the nation must become even more prosperous than it had already become.

To the charge that the suggested new law was un-American, the President had an answer equally conclusive. The system he had proposed differed from the systems of old-world countries, he said, because those to whom honor was paid were not born irrevocably to this honor nor did they have it thrust upon them, but they must acquire it, or, at any rate, hold on to it; and in America, the land of equal opportunity for all, any one could qualify for the honor of being thus triply bowed to, merely by saving enough to buy a sizable piece of land. America could still be the country of the self-made man as much as it had ever been, and now land values would overtop all previous records. Besides, if it was good for the poorer people to have to pay landowners rent for community-produced advantages, and for permission to live and to work in the United States, and to pay taxes to construct roads and streets and public buildings, and to pay processing taxes to reward landowners for withdrawing land from use, and to pay taxes to provide money to give bonuses to landowners, all because the value of land was raised thereby, then certainly it must be good for them to do just a little harmless bowing and scraping if this would also raise the value of land, as of course it would. The President's logic was so forceful and convincing that Congress passed the desired legislation without debate and, indeed, with whoops of enthusiasm.

There was a little difficulty at first because so much of the land and natural resources of the country was owned by corporations, such as coal mining companies and steel companies and power plants and big retail establishments and real estate companies. The common people did not know whether to bow to the corporation buildings or to the officers. But this difficulty was most happily resolved by the Supreme Court which decided that ownership, like guilt, was personal and that if any individual owned enough of the stock or the bonds of a corporation which owned a great deal of land, then he was entitled to receive the prescribed triple obeisance.



Such large owners of corporation securities might wear a special kind of mark on their clothing to distinguish them. If they neglected to wear this mark then they must not complain in case they failed to receive the proper obeisance. But, fortunately, there were quite a few cases where upstart chain-store and other corporations were doing business on land owned by and leased from old residents of their cities, scions of the finest and oldest families, and then all the employees of these corporations had to show proper respect whenever they sold goods to these old residents or paid rent to them or met them on social occasions.

It should be noted, in passing, that the obeisance law corrected an evil result of the previous tax relief and New Deal legislation which even the wisest statesmen and scholars and brain trusters had not anticipated. The common people, such as the cotton croppers and other farm tenants and city laborers, were becoming so fat and sleek from overfeeding, because they were now so prosperous, due to land values being so high, due to the high rents and taxes and bonuses they were paying for permission to work and live on the earth, that some of them were hardly able to sit down. But now the many and rapid obeisances that were constantly required of them, caused them to sweat profusely and lose weight rapidly, without having to consume dangerous proprietary anti-fat preparations, and so they regained their previous sylph-like forms and, indeed, even better forms. Thus the New Deal policy not only raised land values and increased prosperity and promoted art and architecture and the intellectual life and things of the spirit generally, but it gave the people more attractive and youthful-looking waistlines than they had ever had before.

There were a few conservative people who somehow failed to understand the full logic of the President's policy in this matter and who demanded that similar obeisance should be offered to persons not owning any land, provided they owned a sufficient amount of other property, e.g., valuable machinery, buildings or merchandise on land owned by and leased from others. Like the socialists, and the parlor pinks of the *New Republic* and other high-brow magazine variety, these conservatives stressed no distinction between community-produced land value on the one hand and constructed capital on the other hand. But administration leaders seemed clearly to understand this distinction, for they pointed out to the people that by giving special honors to the owners of capital the government could not, in any appreciable degree, raise the value of capital, since, even if people wanted more of it and were willing to buy more this increased desire could easily be met by increasing the amount of capital constructed. But the amount of space and natural resources, as distinct from buildings and improvements and other capital, could not be thus increased; and so, when more people wanted land

and wanted it more desperately, the value of land rose and the nation became accordingly more prosperous.

By the time the new law had been in effect a very few months, the people became at last thoroughly familiar with the President's New Deal principles, saw clearly the philosophy of the law, and bowed and scraped on every proper occasion, to the great gratification of landowners, and with a great increase in the desire to be landowners and in competition to buy land, and with a correspondingly great rise in the value of land and in the prosperity of the nation, and with a final and thorough discrediting of all those impractical theorists, such as Single Taxers, who would use the annual community-produced situation rent of land as a principal source of public revenue and who would untax, so far as possible, the earnings of labor, all buildings and improvements produced by labor, and the necessities of the poor.

It is, indeed, an inspiration to all understanding minds and hearts, on any morning or afternoon or evening, to see such assiduous bending and straightening on the part of so many people, in the stores, in the hotels, at teas and receptions and on all the highways and byways of the nation, and to realize that the impressive and courtly ceremonies of the past have not vanished forever from the earth, but are doing their significant part to increase the value of the land and, with it, the prosperity of our great country.

\* \* \*

And now, as this wonderful and extraordinary eight-year period draws to a close, we ask for the whole-hearted support of all the friends of labor and of the common people, regardless of previous political affiliations. This support we ask for in order that no backward step may be taken, in order that the sacred rights of property of those who have purchased land relying on a continuance of established policy may not suffer infringement, and in order that the splendid and prosperity-building American system of paying rent and still more rent, and of paying bonuses besides, to individuals and to private corporations for permitting us to use natural resources and community-produced advantages, and the great American ideal of keeping land values high, may never fade from the minds of patriotic American citizens but may go on to gladden the hearts of forgotten men yet unborn.

“SUPPOSING the entire habitable globe to be enclosed, it follows that if the landowners have a valid right to its surface, all who are not landowners have no right at all to its surface. Hence such can exist on the earth by sufferance only. They are all trespassers. Save by the permission of the lords of the soil, they can have no room for the soles of their feet. Nay, should the others think fit to deny them resting place, these landless men might equitably be expelled from the earth altogether.”—HERBERT SPENCER, *Social Statics*.