

was not enough difference in their views and aims to warrant the separation.

Miss Charlotte Schetter, of New York, then rose to say that there was a real difference; that the Commonwealth Land Party believes the question should be put before the voters at the polls now, while the United Committee still works on a programme of education only.

After this discussion the invitations to the next Congress were presented. Mr. LaTaste, of Dallas, Texas, offered the invitation of the Mayor and the Chamber of Commerce of that City to the Congress for the meeting in 1929. Mr. Gaston invited the Congress to Fairhope. A personal representative of the Mayor and the Chamber of Commerce of Saint Louis extended a most urgent request that the Congress meet there. Mr. Carl D. Smith put forward the offer of Pittsburgh. Mr. Atkinson here made a motion that at the next Congress Marien Tideman and John Monroe should be the first speakers on the programme, as none had better sounded the keynote of the spirit of the work than they. Mr. White seconded this motion, and added that Kansas City be the seat of next years Congress. Mr. Evans announced that all these invitations would be considered carefully.

The motion made by Mr. Atkinson was then voted upon and carried unanimously.

Mr. Williams then presented the resolutions, which were read, debated, amended and voted upon as they appear in this issue.

The Third Annual Congress of the Henry George Foundation had come to an end and all those who participated were enthusiastic over the three days' proceedings. Every minute of the time had been enjoyable; the East had met West; the union was cemented, and the great army for emancipation will now move forward to occupy an advanced post a little nearer the enemy's breastworks.

## Protecting the House Owner

**F**OUR HUNDRED mortgages were foreclosed in Baltimore during the months of June and July. This was no more than the normal number. There are more to come. Taxes on improvements, exorbitant ground rents and inflated prices make the burden too heavy for many home owners to bear. Abolition of taxes on improvements and on all other labor products would relieve the situation but since this would give offense to the gentlemen in charge of the Real Estate Board the legislature has so far refused to act. Consequently the foreclosures will continue. Every time the Real Estate Board has succeeded in preventing ameliorative legislation of this kind it has proudly announced in its organ that it is "protecting the home owner."

WHATEVER one may think of the Interstate Commerce Commission it cannot be denied that it tries to make each decision more fare.—*Commonwealth*, Ardmore, Pa.

## Honest Farm Relief and Fair Taxation

PROF. HARRY GUNNISON BROWN, HENRY GEORGE CONGRESS, MONDAY, SEPTEMBER 10

**T**HE economic system under which we live, as contrasted with a caste system and with various proposed systems of communism and socialism, is a system of freedom of choice for each person as to lines of industrial activity. The needs of the community are supplied because the demand for the goods wanted keeps up their price and makes it profitable for some to choose each necessary industry. If any one industry is, for a while, much more profitable than others, more people go into it and their competition cuts down wages and profits. If any industry is, for a time, much less profitable than others, because it is supplying more goods than the public is willing to pay for at a profitable price, some of those who are in it become dissatisfied and withdraw, competition becomes less intense, and an approximate equality with other industries is restored. Meanwhile, whether in the temporarily, more or less temporarily, profitable industries, the efficient, hardworking and thrifty gain most and the inefficient, lazy and thriftless gain least.

This is what our economic system is supposed to be, by its conservative defenders. This, in part, is what it is. But the qualifications are numerous and important. The system is full of imperfections that make it rob some persons to profit others. And while a few of these imperfections may be the result of historical accident, involving no purposeful chicanery, others are the consequence, in some degree, of deliberately selfish political machinations. That is to say, one group or another uses its votes or political influence to work the economic structure to its own supposed advantage. Most of us, the farmers included, suffer from these imperfections and warpings, with the consequent unfair advantage or special privilege of the favored groups.

All such special privilege, whether accidental or otherwise, should be abated as inconsistent with our professed ideals of equality of opportunity, as contrary to the ideals of democracy, as alien elements in an economic system which exists to reward service. Legislative relief of any class, and perhaps of farmers most of all, should be directed to the abolition of all those forms of privilege which abstract from them their hard-earned wealth, to the correction of all those imperfections in our economic system which enable some to profit at the expense of others.

But what, in fact, do we find? Those who are most vocal in the movement for alleged farm relief are, almost without exception, advocates not of the abolition of privilege but of its further extension. Not only is it a fact that the farmers of the great grain-growing states, who are now said to suffer from but in no way to be benefited by the high tariff, have, in effect, voted for that and similar

tariffs during many decades. It is also a fact that the scheme which appears now to be the only one having large support among them is one which has all the viciousness of the worst kind of protective tariff, if not some special viciousness of its own besides. The only excuse for it—and this excuse comes with poor grace from those farm leaders who have always supported the high tariff on the plea that it helps the farmers—is that if the manufacturing population is to steal from the farmers then the latter are going to attempt some stealing on their own account. If the stealing were merely from those who in turn steal from them, the proposal might not be so bad. But there are other millions who are already robbed by the existing tariff system, which artificially raises the cost of much which they must buy and to whom an artificially induced scarcity of wheat, corn, cotton, etc., would be a still further injury.

For what is it that the advocates of so-called farm relief propose? It is to collect money to dispose of what they are pleased to call a surplus—as if the very existence of trade with foreign countries did not necessarily involve our having more of some goods than we ourselves want—in such a way as to create an artificial domestic scarcity and raise the price above a competitive level. To make the domestic price higher than it otherwise would be, through sending more of the supply abroad than would normally go abroad—and this it is proposed to do—will operate to reduce the foreign price. This means a loss on foreign sales, the loss to be covered by a so-called equalization fee or tax. In order that the producer should be benefited, the domestic price must be raised, by the scarcity artificially produced, not only enough to give him the coveted larger return on what he sells at home but also by a greater amount so as to offset the loss on what is sold abroad. And in order to benefit those farmers whose land is so poor or so unfortunately located that they really and greatly need relief, it compels consumers to pay a larger return equally to those farmers who are prosperous under existing conditions and to those owners of valuable agricultural land who would take the higher prices artificially brought about as a signal for charging higher rents to their tenants who do the actual work.

A few years ago it was common to hear complaints regarding some American companies, to the effect that they kept up the price of their output to home consumers, behind the tariff wall, while selling the same goods abroad for less. The idea was to avoid “spoiling the home market” from which the tariff shut out foreign competitors, while still producing and selling elsewhere a surplus. I wonder how many congressmen who recently voted for a so-called farm relief measure intended to enable the farmers to do what the wicked corporations are denounced for doing, used to be among the denouncers?

Let us face the facts frankly. The legislator or executive who uses his vote or his administrative power to advance measures favorable to his own financial ventures, the

corporation which employs lobbyists and makes campaign contributions that its financial gain may be maximized at the expense of the general public, and any group of people in a specific industry who force their representatives, often posing as “progressives,” to vote for measures artificially enhancing the price of their product at the general expense, are all in the same business, are all wearing cloth cut to the same pattern, are all participants in the discreditable game of seeking something for nothing, are all helping to betray the interests of the public.

However much we who have come together at this Henry George Conference may commiserate the condition of and sympathize with those farmers for whom a living is now so hard to obtain, I am confident that no arrangement for extending the domain of special privilege, for trying to create new kinds of special privilege to balance old ones, for thus making our economic system a crazy quilt of special privileges will meet with the approval of any of us. We are convinced, rather, that in abolishing special privilege, never in extending it, lies the true salvation of the masses, including therein those who make their living by their labor as farmers.

What are some of the imperfections and special privileges in our economic system from which the farmers suffer? Obviously tariffs which raise the prices of the things they have to buy constitute one kind of injury. Another injury is suffered from the fluctuating value of our money. It is certainly an injury to a man who has borrowed (say) \$20,000 to buy a farm, when he finds that he must pay back his debt, principal and interest, in dollars that will buy half again as much as the dollar he borrowed and that are half again as hard to earn.

But, to my mind, the greatest handicap that has to be met, alike for farming, for home owning and for industry in general, lies in our system of taxation. This system of taxation fails to distinguish between interest on capital and rent on land; it fails to note the difference between values produced by individual energy and thrift and those community-made values for which the individual is not responsible and which he can not properly be said to earn. Such taxation penalizes efficiency and thrift much as communism would; it lays an especially grievous burden on the owners of the more isolated farms far from the parallel streaks of steel and the concrete ribbons that make farming even now profitable to those whose location is most favorable; and it makes land so expensive that to get title to any but the poorest land a man must either first save a large sum of money or else he must burden himself with a mortgage which he cannot pay off for years, if ever. These are the conditions that demand relief, not the somewhat diminished returns to the well-to-do owners of the best located farms. Can it be the case that the noisiest advocates of so-called farm relief have actually no understanding of and no slightest interest in the evils that are really the fundamental ones?

A tax on community-produced land values, which is what we of this congress are urging, would not penalize thrift and industry; it would relieve especially those isolated farmers whose incomes are small because their locations are poor; and it would make easier the acquisition of land and so tend to lessen the evil of land tenancy and of prolonged mortgage debt.

I have said that our present tax system fails to distinguish between the individually-earned interest on capital and the community-produced rent of land. Let me emphasize this distinction for a few moments, because it is fundamental to all the practical conclusions which are to follow.

There is a widespread notion that the interest on capital is not earned as truly as are the wages of labor. The socialists regard all income from property as unearned and consider only the income from work as legitimate. The socialist is not necessarily a communist. He may not desire to have all incomes equal. He may not wish that the enjoyments of the efficient worker shall be decreased in order that the inefficient worker shall have more. His complaint is not that incomes from work are unequal—although he doubtless sometimes regards them as more unequal than they should be—but that many individuals receive income from *property*. The socialist would have the public own and operate industrial plants in order that individuals should not get income from investments but only from their labor. Yet the notion that interest on capital, as such, is unearned has not the least basis in logic. It is an utterly wrong notion. Capital can be brought into existence only by saving. To have capital we must produce more than we consume, i. e., save. By not consuming all of your income but instead investing part of it you really turn the use of the invested part over to laborers, et al., whose time is thus set free for the construction of capital—the tools and equipment of industry. If nobody saved, all the time of all laborers would have to be spent producing goods for immediate consumption; no time could be spared for producing equipment.

And capital is useful. Though to save it involves temporary sacrifice, yet much more wealth can be produced with capital than without it. So the person who works and, saving part of his proceeds, thereby makes possible the construction of capital, adds thereafter more to the annual output of industry than the person who works but does not save. To give him a larger income—in the form of interest on capital—is not to rob anyone else. It is merely to give him wealth which, except for him, would never have been brought into existence.

But the case is not at all the same with regard to land. Land is not humanly produced. The situation-advantages of land are not brought into existence by the individual owner. The rental yield which the owner derives from land or sites is not therefore, in general, the product of

any owner's work and is not the product of any owner's saving. Land is valuable because of natural advantages of location and because of community growth and development. The latter influence is recognized wherever the phrase "unearned increment" is current. We all know that the annual rent which an owner could charge for a piece of bare land in Chicago's loop district, to a prospective builder desiring a long lease, is not a consequence of the owner's saving the land or making the land, but is the consequence of the growth of Chicago and surrounding territory. An eighth of an acre at the corner of State and Madison streets in Chicago has been expertly appraised as worth, bare-land value, about two and a half million dollars or at the rate of twenty million per acre. Wherein is such an eighth of an acre better than an eighth of an acre of farm land worth twelve or fifteen or twenty dollars? Is the additional value of the land in Chicago due to the owner's activities? Everyone who is honest with himself knows it is not. It is the result of the growth and development of the geographically tributary country, and of Chicago as a port and a market center.

The same is true of the several billions of dollars of land value in New York City. New York is situated on a great natural harbor. If there were none to use it except a few pioneer farmers on Manhattan Island trading some of their surplus produce for the textiles and other goods of Europe, landing space for a very few boats or perhaps for a single one would be all that would be needed. But as the rich interior of the North American continent was settled, with its mines of iron ore, copper and coal, its prairie and river-bottom wheat and corn-lands, and its other resources, more and more goods were produced to be poured through the port of New York into foreign countries and increasing quantities of goods were wanted in exchange which could most advantageously pass through the same port. Today there is needed in New York City a large population to meet the requirements of this great *hinterland* (as the Germans would say) or tributary country.

If all the present working population of New York were whisked away overnight, the land of New York would still have great value because of the need for millions of men and women on it to serve the commerce of the back country. A new population would move in and take up the important work for the rest of us which can be done nowhere else so well; and those who own that part of the earth's surface would be in a position to make this new population pay handsomely for the privilege of working for us and of living where we need to have them live in order that this work may be effectively done.

The demand of the tributary country for this service makes a demand for the use of the land by the people who must live and work there to render the service. Incidentally, too, it makes a tremendous demand—and correspondingly high rents and values—for the use of especially

well-situated lots for the location of department stores, lunch rooms, banks, lawyer's offices, etc., necessary to supply near-at-hand the requirements of those who live there to serve the non-sea-coast sections.

Surely, the rent of land is in a very peculiar sense socially produced rather than individually earned, and ought to be sharply distinguished in thought from interest on capital produced by individuals.

The distinction between interest on capital—an earned income—and rent on land—an unearned income—is slurred over by socialists. They, as a rule, class both together. They would abolish both as private incomes. But our most conservative citizens, though many of them would be shocked and perhaps angered to be classed with the socialists, seem to share in some degree the socialists' notion. They, also, see no distinction between interest on capital brought into existence by work and thrift, and rent from sites made valuable by community development. They also see no essential difference between land and capital. Although they would not abolish private income from either, they insist on taxing the income from both—and at equal rates. Both socialists and conservatives are, in regard to their inability to distinguish between land and capital, like the farmer's new hired man who, sent to drive in the sheep, spent several hours at the task. Pointing to a little animal in the pen with the sheep, the farmer asked: "What's that Jack-rabbit doing in here?" "Oh, is that a Jack-rabbit?" said the new man. "Why, that's the little fellow that gave me all the trouble."

If we were not blinded by a prejudice which will not let us see facts, we could not help appreciating the logic of taxing land values more and other values less. Why should we penalize saving? Why should we levy a higher tax on one who improves his land than on one who holds his land idle? Why should we levy as high a tax on income from labor and capital as on income produced by the presence of the community?

[EDITORIAL NOTE: The second and concluding part of Prof. Brown's address will appear in next issue of LAND AND FREEDOM.]

## Resolutions Adopted by the Henry George Congress

### AFFIRMATION OF PRINCIPLES

The Third Annual Congress of the Henry George Foundation reiterates its faith in the principles of Henry George, and pledges itself to continue every effort to instill into popular apprehension, and make effective in legislation, the taking for public purposes of economic rent, (the rental value of land), and the removal of all obstructions to production and commerce.

We hold that all men are born free and equal, with reference to the use of the earth; that the earth is the birth-right of mankind; and that just conditions can only be

established among men and their inalienable right to the earth conserved, by the collection for government expenses of the annual rental value of all land. And we contend that this will do away with unemployment and industrial depressions, and all the consequences following in their train.

While pursuing such activities of education as opportunity offers, we will urge the adoption of laws that will take for the community these communal values, especially in such notable instances as Boulder Dam and Mississippi Flood Control.

We appreciate fully the devoted labor of our fellow workers throughout the world, that of our English comrades of all shades of opinion, and of our fellow countrymen of the Pittsburgh Plan, the Manufacturers and Merchants' Federal Tax League, the Commonwealth Land Party, the Enclavial Movement, and of each working along the lines which seem best for the success of our common cause.

### THE BRIAND-KELLOGG TREATY

Whereas the recently signed Briand-Kellogg Treaty proposing the renunciation of war and the settlement of international disputes by pacific means is now attracting serious public attention throughout the world, and is in some quarters hailed as an advanced step in the direction of permanent world peace, this convention of the Henry George Foundation of America feels moved to place on record a statement of its position on this vital subject.

We have not been able to discover in this much-heralded treaty any but the most timid approach to the solution of the problem of the outlawry of war. Its unreality and ineffectiveness are revealed not alone in the devitalizing reservations and interpretations by which certain European nations have qualified their adherence to the treaty, but by the fact that statesmen of all the signatory countries, including our own, now publicly assert that there is to be no reduction in the size or the burdens of the armaments on land or sea, or in the air, that are maintained for the prosecution of the wars of the future.

We can approve this treaty, therefore, not as a courageous or effective approach to the solution of the problems of war and peace, but only for such value as its seeming character may give it in strengthening the growing popular psychology for ending the curse of war.

Further, we feel moved to declare that neither denunciation nor renunciation of war can ever be more than an ineffective gesture of pious intention, until the statesmen of the world are led to recognize and seek to remove the economic causes of international fears, greeds, hates, jealousies and suspicions. These, as our International Union of Georgists has pointed out, are not due to economic dislocations founded in injustice, but to protective tariffs and to that spirit of imperialistic nationalism under which privilege and greed struggle for the control of natural resources in undeveloped and distant parts of the world.