

Henry George Foundation Lecture Work

THE lecture activities of the Henry George Foundation have been carried on with renewed vigor during the past two months, both Secretary P. R. Williams and William N. McNair, President of the Pittsburgh Club, making tours through Pennsylvania. Mr. Williams addressed the summer conference of the League for Industrial Democracy at Forest Park, Pa., on June 27th. The three day conference was largely devoted to the problems of municipal government and Pittsburgh's experience with special taxation of land values and its economic significance as related to the Single Tax programme was presented by Secretary Williams. Quite a keen interest in this subject was displayed by the conference and throughout the session repeated references were made to the land question and its importance in dealing with the housing problem and other phases of the general economic problem.

Mr. Williams also addressed the Pottsville Rotary Club and McKeesport Kiwanis Club on this trip and held conferences with city officials in Wilkes-Barre and Lancaster, Pa., with regard to proposed tax legislation for the third class cities of Pennsylvania, receiving assurance of strong support from public officials in those cities.

Mr. McNair has been quite active of late on the lecture platform and has filled a number of engagements during the past several weeks including appearances before the following clubs and educational institutions: Elwood City Kiwanis Club, Carnegie Institute of Technology, Wilkesburg Kiwanis Club, University of Pittsburgh, Wilkesburg Lions Club, St. James Lutheran Church and Donora Rotary Club.

An Old Friend of the Movement

FROM Mr. Alexander Veitch, an old Leith resident in Kansas, I have received for perusal a pamphlet entitled "Peace and Freedom," which sets forth the "very real and practical ends which may be obtained by a free people using political democracy as a means to secure economic democracy—to democratise the land—which, together with human labor, is the basis of all wealth. This is Single Tax and social justice." In his covering letter Mr. Veitch writes, "I was back in Leith a few years ago and found conditions worse than ever. Nothing less than the applied science of taxation will do Britain any good. Edinburgh was chosen for a convention by Single Taxers of the world this summer." Mr. Veitch concludes with the interesting information that "Your office in Tolbooth Wynd is on the site of my old playing ground when I was a drummer in port of Leith Flute Band fifty-five years ago."

Edinburgh and Leith (Scotland) *Observer*.

Annie C. George Prize Essay Contest

WINNING ESSAY BY STUDENT OF
BEREA COLLEGE

THE Annie C. George Prize Fund was recently established by a gift, to be administered by the Robert Schalkenbach Foundation, and in honor of Annie C. George, the wife of Henry George. Last year, the Annie C. George Prize Essay Committee offered prizes of \$100, \$50 and five Honorable Mention prizes of \$10 each, making a total of \$200, to those students of Berea College, Kentucky, who would submit the best essays on the subject "Taxation of Land Values" based on the teachings of Henry George, as found in his writings.

The economics department library of Berea College was presented with 120 copies of "Significant Paragraphs from Progress and Poverty," and other books related to this subject were also given by the Robert Schalkenbach Foundation to facilitate the reference reading of the competing students.

The contest began early in January 1929, and terminated in April. Through its appointed judges, the Annie C. George Prize Essay Committee made a careful selection of prize winning essays from the 101 essays submitted by the Berea students. Most of these essays were well planned and all showed that thought and care had been given to the work.

Robert Collins won the first prize of \$100. He is a native of Livia, Kentucky. He reached his twenty-first birthday last February and will begin his Senior year at Berea this Fall.

The second prize-winner—Annis Smith—is twenty years of age. Her home is at Horse Cave, Kentucky. She will enter her Junior year at Berea next Fall. Besides winning the \$50 award made by the Annie C. George Committee, she received a two year labor award from the College for her unusual services as a librarian.

The judges felt that Mr. Collins' essay was unusual in many respects and they have requested us to reprint it in full.

THE WINNING ESSAY, TAXATION OF LAND VALUES

Wherever governments exist, there is always a need for a supply of money for their up-keep. This supply, down through the ages, has been fed by the revenue obtained from taxation. The problem of determining the best method of taxation has existed in civilized countries for many centuries. In accordance with our system, we have assessed an amount of money to be paid by each and every owner of property. This amount has been distributed over the factors of production, land, labor, and capital. But our system has not worked satisfactorily.

By taxing both producers and consumers goods, we have not put the burden of taxation where it should be placed.

For the remedy of this unjust system another, known as "Taxation of Land Values," has been proposed. In pursuance of this proposed policy, the revenue for the government would be secured by taxing the value of the land itself irrespective of all improvements, such as ditching, draining, irrigation, fencing, the planting of trees, and the erection of buildings. When land value taxation is exclusive, it is rightly called the "Single Tax," meaning only one tax and that upon the value of the land. Everything done on the land itself to improve the value of the estate is classed as an improvement and, under the Single Tax, would be exempt from taxation. This leaves nothing except the location value and the fertility value to be taxed.

By the word "land," used in connection with this method of taxation, is not meant agricultural land alone. The word includes also, mineral deposits, forests, water fronts, railroad rights-of-ways and terminal yards, and all building sites of towns and cities.

In short the word includes all natural resources.

The original advocates of the Single Tax were a group of French economists called "Physiocrats." It was their belief that land was the original and fundamental source of all wealth, and that the rent of land was the only real surplus wealth which the community ever produced. They called attention to the fact that if we tax the products of industries, there is no surplus out of which the tax can be paid; as a result, we either raise their price or depress the price of raw materials. Furthermore, if we tax labor we must raise wages accordingly; and if we tax enterprise we must raise profits. Every tax, therefore, is shifted from one to another until it reaches the land-owner, who alone has a surplus out of which it can be paid. The land-owner cannot shift it any farther, and, since he must ultimately pay the tax, the physiocrats argued that it was better for him to pay it directly in the first place than indirectly after several shiftings from one person to another.

In 1879, Henry George, one of the world's greatest social philosophers, brought forth his "Progress and Poverty," in which he very successfully discusses this important subject, taxation. His book has done much in giving our reform movement its present momentum. In this well-known book he strongly supports land value taxation and states that it conforms most closely with the essential principles of taxation, which are as follows:

1. That it bear as lightly as possible upon production so as least to check the increase of the general fund from which taxes must be paid and the community maintained.

2. That it be easily and cheaply collected, and fall as directly as may be upon the ultimate tax-payers—so as to take away as little as possible in addition to what it yields to the government.

3. That it be certain—so as to give the least opportunity for tyranny or corruption on the part of officials

and the least temptation to law-breaking and evasion on the part of the tax-payers.

4. That it bear equally—so as to give no citizen an advantage or put any at a disadvantage, as compared with others.

We have found that indirect taxes tend to check production and to cause scarcity by obstructing the processes of production. Men are taxed as they work, as they do business, and as they invest productively. It is unfair to tax the farmer double if he doubles his crop, improves his farm, or if he does anything which tends to make himself better off and the world a better place in which to live. It is very unjust to tax any man in proportion to what he has done for himself rather than what the community as a whole has done for him. The reduction of taxation on property other than land would serve as a stimulus to greater production. When, for instance, a farmer finds that his crops, his cattle, and his buildings are not taxed, or are not taxed so heavily, he is encouraged to develop these forms of property. Also when he sees that his idle land is taxed at the same rate as like land in use is taxed, he is encouraged to put the idle land to use.

Our present system of indirect taxation does not at all conform with the second maxim. This system costs the real tax-payers much more than the government receives, partly because the middlemen through whose hands taxed commodities pass are able to exact compound profits upon their taxes, and partly on account of the extraordinary expenses of original collection; it favors corruption in government by concealing from the people the fact that they contribute to the support of the government. The questions it raises are of vastly more concern than the sum total of public expenditures. But if the proposed land value tax were adopted, we would have a direct tax; therefore, there would be no loss to any middlemen.

The land value tax conforms closer than any other to the third maxim—that it have certainty. Land cannot be hidden; it cannot be "accidentally" overlooked. Nor can its value be greatly misapprehended or misstated. Neither under-appraisal nor over-appraisal is possible to any important extent, without the connivance of the whole community. The land values of a community are matters of common knowledge. Most any intelligent resident can justly appraise them, and every other intelligent resident can fairly test the appraisal. Therefore, the favoritism, tyranny, fraud, corruption and evasions which are so common in connection with the taxation of imports, incomes, manufactures, personal property and buildings—the value of which, even when the object itself cannot be hidden, are so distinctly matters of minute knowledge that only experts can fairly appraise them—would cease to exist if the proposed land value taxation were substituted for our present indirect methods.

In conforming to the fourth and last maxim, the land value tax bears more equally—that is, more justly than

any other tax. It is the only tax that falls upon the taxpayer in proportion to the pecuniary benefits he receives from the public. And it is only fair in this country of freedom that no one should be unjustly discriminated against.

At first thought one might quite naturally jump at the conclusion that the substituting of the land value tax for our present system would mean a great loss to the farmers, because they, comparatively speaking, own much land. But when we remember that this is a tax, not on land, but on land values, we see that the farmer would be a great gainer by such a substitution, because the tax would fall with the greatest weight, not upon the agricultural districts, where land values are comparatively small, but upon the towns and cities, where land values are high; whereas, under our present system, taxes upon personal property and improvements fall as heavily in the country as in the city. In the sparsely settled districts there would be hardly any taxes at all for the farmer to pay.

The fact that unused land would be taxed as heavily as though it were used, would lessen speculation in land. The better distribution of population, which this would bring about, would greatly help the farmer. The destruction of speculative land values would tend to diffuse population where it is too dense and to concentrate it where it is too sparse; to substitute for the tenement house, homes surrounded by gardens, and fully to settle agricultural districts before people were driven far from their neighbors to look for land. The people of the cities would thus get more of the pure air and sunshine of the country, and the people of the country would get more of the economic and social life of the city.

Wealth would not only be enormously increased; it would be more equally distributed. Wealth would be distributed in accordance with the degree in which industry, skill, knowledge, or prudence of each contributed to the common stock. The non-producer would no longer roll in luxury while the producer got but the barest necessities of animal existence.

Since land values tend to rise because of the increase in demand for land with increasing population and increased production, it becomes obvious that a tax levied against such increasing land values cannot impose a burden upon the land owner. His land has increased in value, not through his own efforts but because the other members of society have helped make the location desirable. But in our present system of taxation, where we levy taxes on improvements, we have a very different situation. Improvements require individual effort, individual sacrifices to produce them. They involve definite costs of production, and a tax levied against such products of human labor is, in reality, a tax imposed upon human effort.

Here are two simple principles, both of which are self-evident:—

1. That all men have equal rights to the use and enjoyment of the elements provided by nature.

2. That each man has an exclusive right to the use and enjoyment of what is produced by his own labor.

But these self-evident principles are not abided by in our present social and economic system. With our practice of speculation, millions of people are unjustly denied the use and enjoyment of the elements provided by nature. With our present system of taxation of producers' goods we tax the very efforts of men from the smallest farmer to the largest manufacturer. Thus we deny laborers the use and enjoyment of their products.

It is well known that in this fast industrial age our nation is constantly expanding its interests. To take care of these new interests the government must create new bureaus, boards, and commissions. But these new organs of government like the old, must have money if they are to do effective work. This means that more money must be raised from the tax-payers. Why not begin to shift the burden of taxation to where it should be placed? This should not cause any unnecessary confusion as it could be done gradually. We can see countless defects in our present indirect system and can feel sure that a change to the taxation of land values policy would be a step forward in our struggle for economic perfection—that state in which there shall be no unjust discrimination against anyone.

ROBERT COLLINS,
Class of 1930, Berea College.

Henry George, Economist

I CHALLENGE your opinion that "Thorstein Veblen—with the possible exception of Simon N. Patten—was the most individual, original and creative-minded economist America has produced."

There is nothing in all Professor Veblen's writings that will compare with the original and creative work of Henry George in his world-famous book, "Progress and Poverty."

In this epoch-making work George completely and forever demolished the Malthusian theory—that poverty is caused by the natural tendency of population to increase faster than the food supply.

He refuted and destroyed the accepted wage-fund doctrine of all the orthodox economists—the notion that the wages of labor were fixed by the amount of an imaginary fund of "capital" out of which wages were paid.

He proved conclusively that the persistence of poverty despite all the wonderful mechanical inventions and scientific discoveries applied to the production of wealth, was and is due to the ever-increasing percentage of the products of labor and capital taken by the owners of the land.

These three original and creative contributions to the science of political economy have not been equaled by any other writers on the subject.

WHIDDEN GRAHAM in *N. Y. Tribune*,