

invented by Adam Smith has not gone unassailed. Thornton, Henry George tells us, made an assault upon it, as did Cliffe Leslie, but the assent to it was very general at one time and even now it bobs up every now and then.

**T**HINK of a "science" not being able to discover what is plain to the average intelligence that wealth in the material world is wrested by strong arms from the earth, and transformed by deft fingers to human uses; and that this production is limited by nothing but these strong arms and the round globe itself; and that it is all wages, save what is due capital for the loan of tools, and what is deducted in the name of rent. There is no fund set aside for the payment of wages, save the capacious treasury of the earth's storehouse.

**W**AGES are paid always out of the product, yet it is astonishing what great minds have been deluded by this idea of the payment of wages by capital, which has served as the basis for the assumption of an almost philanthropic origin of wages. Even Voltaire was deluded by it, keen and analytical as was the mind of the sage of Verney. What is the truth about wages? Not only are they not paid by capital, but that capital does not even advance payment, since wages everywhere are paid at the end of the week—*after*, not before the real wages are produced by the laborer. The laborer thus advances to the capitalist the capital necessary for the payment of his wage, and only then is he entitled to receive it. It is true that the employer may not at once turn this product into cash, but as a rule it is in a partially or fully created form before a penny of wages is advanced.

**I**T is obvious that Congress has abdicated. It is obvious, too, that a large part of the Republican party has followed its example. And what is even more hopeless is the reflection that the people of the country in large numbers seem content to let their convictions drift with the tide of public sentiment that spells unthinking acquiescence in the Roosevelt dogma. Nicholas Murray Butler, President of Columbia University, has aptly summarized it: "Americans have placed their faith in Mr. Roosevelt, not in his policies. It does not matter any longer what his policies are." Is not that true, and if it is true should it not give us grave concern? A country in which the people have no convictions, or in which convictions no longer count, is in a serious way.

**I**F Mr. Roosevelt himself were a man of convictions this strange apathy of a bewildered people would not greatly matter. Indeed it would not prevail, for there would ensue animated debates and a press alive to fundamental questions. But when people do not know what is going to happen in Mr. Roosevelt's mind from one

hour to the next, they just wait the next turn in a curious somnolence that is like death. Even the extraordinary changes that are occurring arouse but little interest; perhaps, as Dr. Butler tells us, these have ceased to matter. Only Roosevelt matters. This strange phenomenon has occurred before in history, but it is astonishing in a people once so strongly individualistic and so jealous of their prerogatives. It is a significant measure of our decline.

## Another Perplexed Philosopher

Reply by Walter Fairchild, Secretary of the American Association for Scientific Taxation, with acknowledgment to Robert Clancy of the *Researcher*, of the article by Harold S. Buttenheim entitled "If Henry George Were Writing Today."

**T**HE thoughtful article, which appeared in the *Journal of Land and Public Utility Economics*, February, 1935, is highly interesting, because it presents the viewpoint of one who has approached the subject of land value taxation from the direction of city planning, zoning and housing, rather than by the route of a study of the writings of Henry George.

Mr. Buttenheim is editor of *The American City*. His experience is perhaps as broad as that of anyone in this country as to the subjects in which he is particularly interested. It is gratifying to find in his article complete endorsement of the major premise of Henry George, which is that all value of land is the product of community development and governmental services and should be taken by the community for the support of government.

A student of the writings of Henry George, however, may be pardoned, upon reading Mr. Buttenheim's article for feeling that, had Mr. Buttenheim read Henry George more carefully, he would have omitted many of his paragraphs.

It is true, as Mr. Buttenheim points out, that the land speculation resulting from the opening up of new territory which was a feature of the period prior to fifty years ago is not now as rampant as it was then. It is true that the world changes, but we doubt the statement, "Had Henry George been born a half-century later, he would have lived amidst a new set of economic conditions." Details may change, but the principle remains in its simplicity and has not changed. No one can read the introductory to "Progress and Poverty," written by Henry George in 1879, without being struck with the fact that the problem of today has been outlined as though it were written yesterday. Henry George refers to "streets lighted with gas,"<sup>1</sup> but this is the only old-fashioned or out-of-date reference to be found. But whether streets are lighted by electricity, gas, or oil lamps, the problem remains the same.

Mr. Buttenheim speaks of the slowing up of speculation in city real estate. Mr. Buttenheim does not mini-

1 "Progress and Poverty," p. 7.



mize the disasters which have resulted from land speculation. We cannot, however, agree with Mr. Buttenheim in saying that such speculation "has permanently passed its peak." At no time in history has speculation in land values reached the heights that it did in New York and elsewhere within the past decade. The technocrats of recent fame are not the only ones to prophesy from the advance of the arts a future economic crisis more acute than any we have thus far known.

Mr. Buttenheim ascribes his assumption that land speculation has passed its peak to the "slowing up in population increase in the United States." Mr. Buttenheim draws a conclusion from this that land value or economic ground-rent will cease to increase. Mr. Buttenheim fails to observe as Henry George did that the increase in land value is only partly due to the increase of population and that there may be an increase in land value even though population remains fixed or even recedes. We cannot but feel that Mr. Buttenheim would profit by a study of Book II of "Progress and Poverty," where the subject of increasing and decreasing population is worked out by Henry George. In Book IV of "Progress and Poverty" and elsewhere, Henry George discusses the effect of material progress on the distribution of wealth. He says: "The changes which constitute or contribute to material progress are three: (1) increase in population; (2) improvements in the arts of production and exchange; and (3) improvements in knowledge, education, government, police, manners, and morals, so far as they increase the power of producing wealth." Henry George then proceeds to show the effect of increase in population apart from improvement in the arts and then the effect of improvement in the arts apart from increase of population. He makes it clear that "without any increase in population, the progress of invention constantly tends to give a larger proportion of the produce to the owners of land and a smaller proportion to labor and capital."<sup>2</sup>

The facts and fears that gave such furore to the technocrats a short time ago were anticipated by Henry George by half a century—but with a scientific base of explanation which the technocrats seem to lack.<sup>3</sup>

Among minor misapprehensions is Mr. Buttenheim's reference to farm land values and the effect of the "back to the land" movement. We think statistics disprove Mr. Buttenheim's assumption that "urban areas show more of their total valuation in improvements than do the rural areas" and that the Single Tax will cause an increase of taxation to the farm in comparison with city sites. We think the contrary is true. We estimate three-quarters of Manhattan Island to be only about twenty per cent improved from the viewpoint of area as well as

of land value, i. e., \$3,000,000,000 of the \$4,000,000,000 of land value in Manhattan is under-improved with business and residence slums. The balance is overdeveloped and overtaxed in spots. As we go outward to Queens, Bronx, Brooklyn and Richmond, improvement values rise in their ratio to land value. Going out still further into rural lands, the ratio rises still further in favor of improvements. Figures on rural site value in relation to improvements are largely lacking. Interesting studies have been made by Cornell, Wisconsin, and other research bodies, which tend to show that the labor side of a prosperous, going farm exceeds site value by a ratio of at least five to one. Even "fertility," usually classed as a natural resource, Prof. Commons points out is subject to depletion and after a generation of use fertility is largely a labor product.

Nor do we agree with Mr. Buttenheim's assumption that the "differential" in rent is less acute than formerly. The facts are quite to the contrary. Improved transportation, while making outlying districts more available, has made access to centers of population more easy, causing urban site values to reach higher peaks than ever before known.

Elimination of speculation in site values will undoubtedly—other things remaining equal—have the effect of lowering selling price of land and will tend to throw much valuable land now held idle, into use. "Back to the land" is not limited to farm land but applies to all valuable land, most of which in value is in the centers of population. This would not mean that the farmers, "already impoverished by surplus production, would be constantly menaced by an army of potential competitors." Not only would farmers go back to agriculture, but builders would return to construction of homes and factories, miners would return to mining coal and iron, and so on through the entire range of industries.

Nothing is clearer in Henry George's writings than the proposition that the restoration of equal access to natural resources, coupled with free exchange, will result in an equilibrium between the basic or extractive industries—agriculture, mining, oil production, which comes first—and the dependent arts—manufacture, invention, cultural arts, which follow and are built upon the primary industries. The same law of wages applies to all. With free exchange the raiser of wheat in Dakota is in a literal sense printing books in New York and painting portraits in Paris. The dreaded "menace" of "surplus product," when limited to labor products, is transitory and never permanent.

The elimination of the speculative holding of valuable land idle will throw such land into use, but we doubt that the true or economic value will be less than is estimated today. Perhaps in a few places, like part of New York City, an abnormal development has induced the assessor to place land value at a speculative level, but

1 "Progress and Poverty," p. 228.

2 "Progress and Poverty," p. 252.

3 "Progress and Poverty," pp. 252-253.



this is not true of the country generally, where assessments are placed at about one-third of true value.

Furthermore, freer access to land and removal of barriers to exchange will bring about new uses of land which will tend to increase economic rent.

"Assessed valuation" for land may decline but—other things remaining equal—so also may legitimate costs of government decline. There may be less wars and wastes of war, less graft public and private, less tax collecting costs, less public borrowing (if any at all). Who can say that one will not balance the other? Economy in government and savings in waste increase land value or the share that goes to economic rent.

So also public "betterments" increase land value.

This brings us to the major point as to which Mr. Buttenheim seems to think Henry George would have changed his views; that is, that Henry George would now favor an income tax and an inheritance tax for social and economic reasons, even though all economic rent were taken by government. We do not think so,

Mr. Buttenheim has accepted whole-heartedly the fundamental principle that all public moneys spent for public works and public services is reflected in land value. Mr. Buttenheim will say, of course, that such expenditures must be *wisely* made in order to increase land value. In this we agree.

The basis of Mr. Buttenheim's argument for income and inheritance taxes seems to be that economic ground-rent will not furnish sufficient revenue to pay for all of the things which government "ought to incur" and that, therefore, recourse must be had to income and inheritance taxes.

Henry George was familiar with both of these forms of taxation. He recognized that both of these taxes, being levied after exchanges are complete, are direct taxes and cannot be shifted to buyers of goods. To that extent they do not share the condemnation applicable to indirect consumption taxes. There are, however, various ways in which these two forms of taxation violate the canons of taxation. They permit the holding of resources out of best use—the tax being levied on income only. The taxpayer, in the first instance, is the tax assessor—inducing evasion and avoidance. The income tax is secret—inducing fraud. It is a tax on industry—discouraging individual initiative. There can be little doubt today but that the income tax, which is now about a generation old in this country, is fast travelling the road of disrepute which was followed by the personal property tax to its ignoble ending.

But aside from these inherent defects of the income tax, there is one fundamental objection which Henry George clearly points out and which Mr. Buttenheim has overlooked in this article. This basic objection is this:

Money received by government from the income tax which is wisely spent for a public betterment or mainte-

nance service is reflected in an increase in land value. If government collects the annual value of that betterment or maintenance service from land value, then government has obtained it twice—once from the income tax payer and again from the land owner. If government takes it from the income tax payer and fails to collect the resulting value from the land owner, then the economic effect is that government has taken money from the pocket of the income tax payer and transferred it to the pocket of the land owner.

This is true also of the inheritance tax.

If we let the symbol I signify the income or inheritance tax payer, the symbol O represent the owner of land, and the symbol U represent US (that is, government), cause and effect would work out something like this:

I pays an income tax on his personal earnings;

U receives it and spends it for public betterment;

O gets the equivalent in the increase value of land.

If O keeps it, that which is left for I and U is merely a sort of IOU.

The inexorable result of this maldistribution is the piling up of an unearned excess or surplus product in O, with private debt as the status of I and public debt as the status of U, with O possessing ever-increasing power to dictate the terms of the obligation.

To say that the value of all governmental spending for public betterments and maintenance is reflected in land value is not the same thing as saying that all land value is a product of public spending. But the lesser is contained in the whole. Economic rent may be more than the total of all public budgets properly spent, but it cannot be less.

Henry George did not ascribe any "magic" to the Single Tax. On the contrary, he expressly teaches that it is not a panacea for all the economic ills of humanity. Among social problems to be solved in addition to the major one arising from the private appropriation of land values, Henry George mentioned patent laws; the difficulties of a national currency based on public debt and "farmed out" to private bankers rather than a currency based on exchanges; the creation and maintenance of a public debt; tariff walls erected for so-called "protection," even when not used for revenue purposes; embargoes, boycotts, and the like.

Recognizing all of these difficulties, Henry George nevertheless makes it clear that all human effort to correct our difficulties with respect to these other matters will be futile so long as the underlying evil, which Henry George calls the "great robber" of all, that is, private ownership of land values, remains.

All "superfluous and socially injurious savings," which Mr. Buttenheim mentions but does not define, can have their being only through monopoly of some kind. There are only two possible fields of monopoly: on the one side we have natural resources—land; on the other side we have labor products. Henry George first makes it



clear to his reader<sup>1</sup> that a monopoly of a labor product is an economic impossibility. The immediate effect of a "corner" or an attempted "pegging of price" of any commodity is an immediate increase in the production of that very same article. England tried it for rubber, Brazil tried it for coffee, Japan tried it for raw silk, pit traders have tried it for wheat. All failed, disastrously to themselves. The U. S. Government is now trying it for cotton and agricultural products. Its failure is already upon us.

Therefore, as Henry George points out, "if speculation be the cause of these industrial depressions, it must be in speculation in things not the production of labor, but yet necessary to the exertion of labor in the production of wealth—of things of fixed quantity; that is to say, it must be speculation in land."<sup>2</sup> Henry George does not argue for the equal distribution of the production of all wealth. What Henry George stands for is the establishment of economic freedom; that is, equal access to natural resources and an equal sharing in the product of social growth and government. Differences will remain, but they will be differences in individual character, desires, and achievements, which are personal and which he would sacredly preserve to the individual.

## Pittsburgh Progressing in Economic Education

CONSTANT activity, both in the educational and legislative field, characterizes the situation in Pittsburgh in recent weeks. The Pittsburgh branch of the Henry George School of Social Science is going forward with its classes in a highly encouraging manner and, in addition to the large class conducted by Richard E. Howe, on Friday evenings at the University of Pittsburgh rooms, George E. Evans, President of the Henry George Foundation, has recently organized another strong class, which meets on Saturday in the City County Building. Both classes are making good progress and arrangements are now being made for a graduation banquet to be held about April 26, in which speakers of prominence will participate. Robert C. Bowers is acting as chairman of the committee promoting the interests of the School.

An Economic Discussion Club, recently organized under the leadership of Percy R. Williams, is holding regular meetings at dinner every Thursday evening at Chapin's restaurant with a growing interest and attendance. While this group was formed primarily for the discussion of economic problems, it is also serving as a clearing house for reporting and discussing various kinds of activity relating to economic advance, including legislation, educational classes, public meetings, etc.

### MAYOR McNAIR'S SPEAKING TOURS

Mayor William N. McNair continues to devote a great deal of his attention to public speaking and is in constant demand for public gatherings of all sorts in churches, clubs, schools, colleges, conventions, etc. In addition to numerous local appearances, Mr. McNair has recently addressed important gatherings in Philadelphia, Harrisburg, Scranton, Wilkes-Barre, Reading and Greenville, Pa., and at the present time is planning an eastern tour to include Rochester,

New York City, Boston, Bridgeport, Conn., Wilmington, Del., and Washington, D. C. During the early part of May he expects to visit a number of important cities in the Middle West, presenting the Pittsburgh Tax Plan and also discussing fundamental social and economic problems confronting the country at the present hour.

### STATE LEGISLATION

Two important measures for the extension of the Pittsburgh Tax Plan have recently been introduced in the lower house of the Pennsylvania State Legislature. House bill 315, introduced by Representative John L. Powers on Jan. 28, embodies Mayor McNair's "Five-to-One" Tax Plan, which has been the subject of much discussion and publicity. This measure provides for the reduction of the building tax rate from fifty per cent of the land rate to twenty per cent, or one-fifth of the land rate, the shifting from improvements to land values to be accomplished over a period of four years beginning in Jan., 1936, and reaching its ultimate point in Jan., 1940. This would cut the present city building tax in half and would require one-fourth increase in the present land tax rate to raise the same amount of revenue now obtained.

House bill 753 introduced by Representative Alfred Tronzo, would apply the present graded tax system to the levying and collection of school taxes in the Pittsburgh school district and would give very substantial relief to the owners of improved real estate. These measures have been referred to committees in the lower house and may come up for action in the very near future as a number of representatives from Allegheny County have pledged their support.

Meanwhile, there has been a great deal of agitation concerning the "ripper" bill recently introduced in the State Legislature, which would abolish the office of Mayor and substitute a City Commissioner for Pittsburgh. While strong political pressure is being exerted in behalf of this bill, two Pittsburgh newspapers have recently conducted straw votes on the question, which have shown very strong majorities against the ripper legislation and such prominent organizations as the Pittsburgh Chamber of Commerce, North Side Chamber of Commerce and Allegheny County League of Women Voters have passed resolutions strongly opposing this bill. Present indications are that the bill will probably be defeated in the State Senate.

## Lenin on Taxation of Land Values

THE proper application of the Georgian taxation of land values is a tax upon the mentality of a people beyond the capacity of a Nation not ten per cent of whom have learned to read. They can't understand it. They can only understand socialism at present. Some day, with a higher average of intelligence, we may adopt the taxation of land values and enjoy economic freedom, but not now.—Lenin, as quoted by Raymond Robins after an interview following the war.

*Globe Democrat, St. Louis, Jan. 27, 1934.*

## Hold the Destinies of the Community

The subject upon which I have been asked to address you is at the root of every social and economic question. We have innumerable organizations which are engaged in advocating specific social reforms—all most admirable. But they will all fail until the land question has first been settled. There is no economic or social question which is not at the bottom a land question. Land is essentially different from every other material property. It is from the land that all human needs are supplied, and if that original source is monopolized, if there are a few individuals who can control that supply, then they hold the destinies of the community in their hands.

LORD SNOWDEN in an address in London before the Women's National Liberal Federation.

<sup>1</sup> "Progress and Poverty," p. 267.

<sup>2</sup> "Progress and Poverty," pp. 267-268.