

DISCUSSION—INCREMENT TAXES

CHAIRMAN BLISS: The discussion will be opened by Charles H. Shields, President of the Washington Equal Taxation League, Seattle, Washington.

MR. CHARLES H. SHIELDS, of Washington: Mr. Chairman and Gentlemen, Professor Johnson has told you that it would require three hours' time for him to discuss properly one phase of the subject of his paper. If so much time be required in a prepared paper to properly discuss a subject, you should readily appreciate my embarrassment in attempting to discuss the same subject in the short limit of five minutes, and especially when I have not had the opportunity to learn the line of discussion Professor Johnson would follow. My first knowledge of what the paper contained, other than the title, was when it was read a few moments ago.

I was much pleased with Professor Johnson's paper. He has made the best argument against the single tax that it has been my pleasure to hear, and I have heard a great deal of argument for and against the single tax in the past two years.

There is, however, involved in the paper under discussion a principle which I believe to be fundamentally wrong, and if recognized to the extent which Professor Johnson would have us do, a most serious mistake would be made,—I refer to the taxing of the so-called unearned increment in land.

Now, gentlemen, in the language of the great American lion hunter, we want a square deal. I have no objections to the taxing of the unearned increment in land, if all other unearned increment is so taxed. I think we could all agree to such a tax, as it treats all interests alike.

Is there any other form of unearned increment other than that in land? I hold that there is an unearned increment in innumerable forms, in fact, in all lines of enterprise which after paying a fair compensation for labor, risk, and interest,

there still remains a residue in value. That value is unearned, as much so as the increase of land values, which Prof. Johnson would tax to the exclusion of all other increment, which is not earned by those who are in possession of it. What we understand by unearned increment in land, is that value which is not the product of human energy. Any value in land due to labor directly or indirectly would be earned increment. When we measure the value of labor expended in and on land, we must have some standard of value for that labor, and whatever that standard of value may be, we should measure labor in other forms by the same standard. Following this rule, let us try out some of the other forms in which there is an unearned increment.

I want to ask you, gentlemen, how a man in the short time of fifty years can leave accumulated values of seventy-five millions of dollars, after receiving a bountiful pay for his labor? Mr. Busch, the St. Louis brewer, died recently, leaving from seventy to one hundred millions of dollars of property. Mr. Busch has, I am told, drawn for a number of years a very large salary, and leaves this great property value. Is there not an unearned increment in the case of Mr. Busch's accumulations? Certainly there is. Mr. Busch did not earn it, and if he did not earn it, it must be unearned, or if earned those who earned it did not get it, and if that be the case, it should by all means be taxed, if the unearned increment in land is to be taxed.

To get the full force of this statement, you have but to multiply the Busch illustration. The number of such cases in a greater or lesser degree, is legion. Nearly every form of human activity bears evidence of this form of unearned increment in some degree. We have but to turn to the great department stores, the Marshall Fields, the Fairs, the great manufactories; and to get quite close to home, take the case of Henry Ford, the automobile manufacturer. In less than ten years time he has amassed a fortune of many millions of dollars, after receiving a very large yearly salary. Has Henry Ford earned this vast fortune in addition to the yearly salary he has received? Are we to permit these great property values to escape an increment tax, and place such a tax

upon the increment in land? Professor Johnson may answer that the increment in land is of a different character from the other forms I have mentioned. Yes, I agree with him; there is a difference. It is this: the dollars that Henry Ford has to his credit in the various banks, his great factories, and stocks of automobiles have been earned by individuals who have not received what they have earned. While the increment in land is not the product of individual efforts, for which compensation has not been given there are greater reasons for taxing the unearned increment in industrial enterprises, than in land. I want it understood, however, that I am not advocating the taxing of unearned increment in any form, but, if we tax one kind, tax all.

Those who advocate the taxing of unearned increment in land, justify such action upon the ground that such increment is the product of society, and society should therefore be entitled to at least a portion of the values it has created. I hold that society plays a like part in all other forms of unearned increment.

I would like to discuss this phase of the subject more fully, but time will not permit as I desire to discuss the principle underlying the theory of the subject of Professor Johnson's paper.

DISCRIMINATING AGAINST LAND AS PROPERTY

Granting that there is an unearned increment in other forms than that of land, why should the increment in land be taxed, and increment in other forms escape? This is a very pertinent question at this time as it is upon this point that the discussion rests.

There can be but one ground upon which the taxing of unearned increment in land, (and not in other forms), can be justified, and that is, that land should not be treated as property, that no individual has a moral right to appropriate to himself, any part of the earth's surface to the exclusion of all others. This lands us squarely upon the single-tax principle, as advocated by Henry George, in *Progress and Poverty*, the source of the doctrine of the single tax, and from which all single-taxers draw their inspiration.

Henry George says, "private property in land is a bold, bare, enormous wrong like that of chattel slavery". I repeat, it is upon this principle that the taxation of the unearned increment must stand or fall.

Professor Johnson was one of the commissioners appointed by the late Mayor Gaynor, of New York City. The object of this commission was to search for, and report on new sources of revenue for the city. In an interview with a party in New York City, not long ago, Professor Johnson said concerning the commission's report, in which they recommend the taxing of the unearned increment in land, (reading): "In fairness to the commission I ought to say that we did not come immediately to the point of taxing the unearned increment of real estate. We thought of other things, but had to abandon them. We could not tax incomes because the federal government will soon do that. The state has already utilized inheritances.

"We considered the habitation tax, a tax on rents, graded according to what a man pays to his landlord for residential accommodations. But we thought it inquisitorial, un-American, and so we come perforce to the unearned increment tax. We did, to the best of our ability, under the circumstances, what the commission was asked to do."

From the quotation just read one would judge that the commissioners were strongly opposed to the increment tax, but were forced to recommend it. That was not the case however. When the questioner asked Professor Johnson, "is that another way of saying that the proposed tax measure is a sort of compromise forced upon the commission by an antiquated system of taxation?" he answered, "that is practically so." Here is the point I want you to get! "The commission as a whole unanimously and without any reservation whatever, believe in a tax on unearned increment in land". I imagine there was not much of a struggle to keep away from the increment tax when all the commissioners were believers in it. All bodies move in the direction of least resistance.

Gentlemen, as I have said before, there is but one ground upon which these commissioners could justify their belief in the taxing of the unearned increment in land, that is, that so-

ciety should commence to take a part of that which belongs to it, this means a step in the direction of ultimately taking all the unearned increment in land, or a full application of the single tax.

Professor Johnson said to his interviewer in New York, when speaking of the protests that had been made through the press against the recommendations of the commission, "that there would not be the economic strain upon land values that is feared by the people of New York." I want to answer this, by saying, it is not the immediate results we fear, but it is the recognition of the principle involved even in so slight a degree. It amounts to a declaration to the world that the City of New York has headed straight for the single tax goal. Already the "Single Tax Review," the mouth piece of the single tax propagandists, has pointed to this report, stating that New York is paving the way for the single tax. It is this psychological condition we fear. It is perfectly natural for the people to demand the full measure of society-created values, when the principle of the single tax is recognized, as the taxing of the unearned increment in land would do. It is the first step then that we must fight, and fight it just as hard as we would the adoption of the single tax in its fullness, which means the abolition of private property in land, and the establishment of a system of tenantry, or land communism, land socialism.

It would be the beginning of our social and national decay to adopt a system of land socialism. In reviewing the progress of the world, we can be but deeply impressed with the wonderful forces in nature which are responsible for the great advancement of man, morally, socially, and in material development. We must treat with these forces intelligently, if we are to continue in the forward march. Of the forces of which I speak, compensation is greatest.

Deprive the individual of the reward of his effort and you subdue the spirit of progress, you crucify all that places man above the animal.

In connection with this thought I want to call your attention to the development of our own dear country, the United States. What magnet, other than the hope of reward

would have drawn the emigrant ship to the shores of the Atlantic, or to the desolate shores of Australia? What could have caused the men, women and children who were the early pioneers of our country, to have endured the hardships and privations incident to pioneer life? Was it not that they were to receive a reward for the risk, for the suffering, pain and mental anguish, they had to endure? What was the reward they were to receive? Just a tract of land? To hold it as a renter? No! They were to own it, and all the values that should thereafter attach to it. Under such influences we have seen this great country developed from the Atlantic to the Pacific. We have encouraged individual enterprise in every form. We have kept faith, which has inspired confidence, and let it not be forgotten that where there is no confidence there is but little progress made.

ABOLITION OF PROPERTY IN LAND

Many of the single taxers claim that the single tax does not mean the abolition of property in land. I have in my possession a little book written by a Mr. Fillebrown of Boston, the title of which is the A. B. C. of single tax. I want to read to you what Mr. Fillebrown has to say about property in land. I have a great deal of respect for Mr. Fillebrown. He treats the subject with fairness, which can not be said of all those of his faith, at least this has been my experience.

Is Mr. Fillebrown in the room? [Voice.] "Here he is," Mr. Shields continuing, "I am glad to recognize your face." [Reading from Fillebrown's book], "What is the ethical basis of the single tax? The common right of all citizens to profit by value of land which are a creation of the community. Does such right mean the nationalization of land? No, it means rather the socialization of economic rent." What is meant by the term, "socialization of economic rent?" Let Mr. Fillebrown answer: "Gross ground rent—the annual site value of land, i. e., what land is worth annually for use, what the land does or would command for use per annum if offered in the open market."

I ask you gentlemen in all candor, if you owned a tract of land which was bringing you a net return of five hundred

dollars a year, which is the economic rent, and society takes this economic rent, how much interest have you left? You still own the title, the paper, but of what good is it measured in dollars? Gentlemen, I would call such a method practical abolition of private property in land. Henry George could see that if the rent was taken in the form of a tax, he could safely leave the shell to the owner, and so stated.

Mr. Fillebrown asks the question, "Does the common right to rent involve the common ownership of land? Not in the least." Now if there is a gentlemen here who has the courage of his convictions, and still believes that the owner's interest in the land does not disappear in exact proportion that the state's interests appear in the form of taxes, which is the plan proposed to take the economic rent, let him stand up. [Three gentlemen rise.]

Perhaps it would be well to refresh your memory, as to the economic principle of the incidence of the taxing of land values. The sale value of land is determined by capitalizing the economic rent. For example, A. owns a tract of land, which brings him a gross yearly rental of \$100. From this \$100 he has to pay his taxes, which are, let us say, \$10. This leaves \$90 to be capitalized, at, say, 5%, which would be, \$1,800, and this would be the commercial value of the land. In other words, A. has an asset in this tract of land which is worth \$1,800. Now let the taxes on this tract of land be increased from \$10 to \$20 and what is the effect upon the value of the land? We now have but \$80 to capitalize at 5% which is \$1,600. The land value has been reduced \$200 by the state taking ten dollars more in taxes. As the taxes increase, the land values must decline in like proportion. Each ten dollars' increase in the tax will reduce the value of the land \$200. When the tax is \$90 the land will be worth but the small sum of \$200, and when the state takes all the economic rent, which is what Mr. Fillebrown says we should do, what would the land then be worth? I hope I have made this clear to you, for it is a very important point in this discussion. The single tax contemplates the extreme of this illustration. The taxing of the unearned increment in land, is but the beginning of the ultimate end the advocates

desire, and therefore we who believe in private property in land, in the sense of it having a commercial value, must protest against any step toward the adoption of a principle that declares for the common ownership in lands.

We are told by the single tax advocates, that the land is a gift of the Creator to all mankind alike, that it is a divine heritage. Granting this to be true, the system then that will bring land to the highest point of productivity, and usefulness, must be in keeping with divine ordinance. And I dare say, that there is not a gentleman here, who will not say, that land under a system of tenantry will not yield in any form the fruits that it will under the care of the owner as we now have it.

WHAT PRIVATE OWNERSHIP IN LAND WILL DO

Under the present system of private ownership of land, the individual who owns the land,—there are of course some exceptions,—tills the soil to the best possible advantage. He improves the soil by fertilizing, drains the low lands, clears the land of the timber and underbrush, fills up the low places, and levels down the little knolls, and in every way possible brings his land up to the highest standard possible.

Under our system of private ownership of land we are inspired by the hope of the reward, that we may some day receive for our energy, to continue the struggle, to endure the hardship, to suffer the sting of poverty, to renew our energy, thus continuing the battle until victory is won. What is the incentive for this struggle? Do you think for a moment that a tenant, a mere renter, having no interest in the land, other than what his wages would amount to, would do as the owners of the land have done? Gentlemen this is a most serious question. One that requires the deepest thought to penetrate, and unravel the intricacies of the single tax.

EFFECT ON URBAN PROPERTY

There is a feature of this question, of which I have not yet spoken, that of urban property. I presume many of you are aware of the fact that it has been my fortune, or misfortune,

for the past two years to combat the single tax in Washington and Oregon. Seattle has twice defeated the single tax, under my leadership; Oregon, once. I want to give you a practical illustration of how the single tax would be a bar to city improvements.

Seattle is built upon seven hills, and some of them were a bar to the further growth of the city. It was therefore necessary to remove these obstructions to permit of a greater Seattle. The section of the city that required this improvement was organized into a regrade district, the property owners in this district would be compelled to pay the cost of the improvement, which would cost some \$20,000,000. The property owners were willing to pay the bill, they were willing to take the chance, they believed that the increase in the value of the land would well repay them for the cost of the improvement, the interest, and the risk, which is an element with which we must reckon in all such undertakings.

To make this point very clear to you, let us suppose that I have all these lot owners before me, as you gentlemen now are, and I say to them, "this improvement will cost each of you in proportion to the property you have in the district. Are you willing to risk your earnings in this great improvement?" After a number of gentlemen had spoken in favor of the improvement, pointing to the possibility of Seattle becoming a great city, and that the increase in the value of the land justified the undertaking, the vote was unanimous for the improvement. Now what do you think the result would be if Mr. Fillebrown should ask to speak, saying to the men there, that at the next election Seattle would adopt the single tax, and convince them that his statement would become a fact, and that the City of Seattle would enjoy the increase in the land values, and not the owners, that under the full application of the single tax, the city or the state would take the full rental value of the land. Do you think that those men would proceed with this improvement? Certainly they would not. Those hills would remain as they were. There would be no reward. You can not force a man to invest his cash when there is no return in sight. This illustration while on a large scale, exposes to plain view one

of the many evils of the single tax. It requires no great stretch of the imagination to apply this example to thousands of cases in a greater or less degree. The results from such a condition, both social and economic, should be apparent.

Under the present system of private ownership of land, the waste lands of the country have been made to bear fruit, the barren and lifeless deserts have been converted into pastures green, into fields of waving grain, where may be found most thriving communities. Under a system of land communism, land socialism, the common ownership of land, where the individual has no interest in the land, other than to toil, receiving but a fair compensation for such toil, if nature favors him with a good harvest: would there be any incentive for individual initiative? What would cause men to engage in great undertakings, such as reclaiming desert lands, spending millions of dollars in such enterprises? I say to you gentlemen, that there must be a reward, there must be a compensation, there must be some magnetic force to move men to action.

INDIVIDUALISM

We look with pride, on the wonderful development of our country, and we are justified in doing so. We must not fail however to recognize the all impelling force behind this great activity. We are creatures of environment. Our social, moral, intellectual, and material progress is but the expression of the individual units of our great social family. Any law, rule, or custom, adopted by a community, state, or nation, that will materially affect individuality, individual unfoldment, such common ownership of land, must in time bear evidence of deterioration in that community, state or nation. In order to have permanent improvements which are so essential to the progress of a nation, and to guarantee to the individual that where he sows he may also reap, and reap the full harvest, we must have private ownership of land.

Private property in land marks the first step in social, moral and material progress. Indeed we may well call it the first mile post on the great highway of civilization. Until private ownership of land was a custom, there was but little

or no progress made in agriculture, which is so essential to social and material progress. Go where you may, where land is held in common, and you will find that there is but little or no progress made.

A SINGLE TAX FALLACY

I would like to call your attention to an argument which the advocates of the single tax claim to be irrefutable. I can best present this argument by relating a conversation I had with a gentleman in the office of the Oregon Equal Taxation League in Portland, Ore., of which I was then secretary and conducting a campaign in that state. This gentleman came to my office and asked to see Mr. Shields. When I told him I was Mr. Shields he said, "Can you tell me of any good reason why I should not vote for the single tax? The present system is rotten. It discourages the man of thrift and enterprise, and offers encouragement to the land hog and dog-in-the-manger individuals who will not act, nor allow others to act."

I told him the single tax was a very big question, but, if he would point out specifically the features of the present system which he considered so objectionable, I would undertake to show him wherein he was wrong.

He replied, "I have been a traveling salesman for a great many years. Contrary to the rule, I have saved my money. Twelve years ago I purchased a lot in the City of Portland and upon this lot erected a very substantial business block, costing some \$10,000. Prior to the erection of this building, however, some of my fellow traveling men friends had followed my example and purchased lots in the same locality. The moment my building was erected their lots increased in value as did all others in that district. I was fined in the form of a tax at the rate of 3% on my building. After a while another building was erected, and again the lots in that immediate vicinity increased in value—not by any act of the owner, however, but by the thrift and enterprise of the individual who was willing to risk his money in erecting a building upon his lot. He, too, was fined for his enterprise, while the dog-in-the-manger lot owner—that is, the

man who does not improve his property—profits at the expense of the man who does improve his property. Such a system is unjust. It offers no encouragement to the man who would improve. Under the single tax, these vacant lot owners will have to improve their property, sell it, or lose it through taxation as they cannot afford to hold property vacant with such a high tax rate as will then apply. Now, what have you to say?

I said to him, "Has your investment been profitable?" and he replied that it had been profitable as a whole. "Had your lot not increased in value, would your investment have earned you 10%?"

"No. I think not more than 6%."

"Has your building been fully occupied at all times?"

"No, there has been difficulty in securing tenants at various times."

I then said, "Perhaps you have asked too high a rental for your building."

"No, I have based my rental at 6% on the building, and I doubt very much if the building has earned 6% considering the deterioration and upkeep."

"In the locality in which the building is located, what is the proportion of the improved to the unimproved lots?"

"About five vacant to every two improved."

"You have complained of these vacant lot owners not improving their property and that those who did improve their lots were, as you say, fined for so doing. Now, let us suppose that all these other lot owners in your district were just as thrifty as you and, each and every one of them erected a building equal to or better than yours. Had this been the case, your investment would not have returned you anything like 6%, would it?"

"Well, I do not think they would be fool enough to do that as there would be no demand for the buildings."

"You think then, that there has been all the buildings erected for which there has been a demand?"

"Yes, I think there has."

Then I said to him, "Do you think that if all these vacant lots were improved by substantial buildings they could be profitably rented?"

"Well no, I hardly think that they could."

"As a matter of fact then, you have no desire for these vacant lots to be improved any faster than there is a demand for the buildings. And is it not a fact that buildings have in the past always been a little ahead of the demand? In view of these facts, it should be apparent that the vacant lot owners of whom you complain are contributors to your investment. Their lots bear them no returns. The very fact that they do not erect buildings, permits you to have your building profitably occupied, and the reason that they do not is because there is no demand for the buildings. These vacant lot owners are contributors to your welfare in another way. You have said that there were five vacant lots and two improved in your district. If this be the case then, these vacant lot owners are paying five-sevenths of the cost of the street grades, side walks, watermains, sewers and many other things that it is necessary for you to have to rent your building. These vacant lot owners are not getting any of the direct benefits, only by the increase in the value of their lots, of which you complain. In addition to paying five-sevenths of the improvements, they pay their general property tax, which pays for the fire and police protection your building enjoys. Furthermore, these lot owners live in various sections of the country, they send their hard earnings to the city of Portland to pay these special and general taxes, which adds to the blood of commerce, money, making for greater commercial activity, which in turn adds to the rental value of your property.

You must not be unmindful of the fact that a city can not grow faster than its trade and commercial relations will justify. There seems to prevail among the advocates of this single tax doctrine an idea that we have but to build houses in a city and they will be occupied at once. I can readily understand that as population increases more buildings will be required. But I know of but one way of increasing population, and it is not by building more houses. [Applause.]

My interviewer had been convinced of his errors, and asked for some of my books, saying he would be one of my workers to defeat the single tax. This illustrates gentlemen how many

honest, but misinformed, and uninformed men are carried away with the single tax doctrine. There are many other points equally as fallacious as the one just mentioned.

The single taxers point to the great wealth in city lots, and remind you of the increase in the value of those lots, and how the owners have grown rich in society-created values. They never tell of the millions that are made by the exploitation of the product of farm, factory and shop, at the direct expense of the consumer.

When I went to Seattle some thirteen years ago I engaged in commercial pursuits, dealing in the product of the farm, factory and shop. I have created nothing, but I have prospered, and have lived in comfort during this period. I know of others who invested their money in Seattle real estate. They have had many sleepless nights, thinking of how they could manage to meet their special assessments and taxes, wondering if the time would ever come when they could get their money back with interest. Gentlemen I have remarked to many of these people during the dark days in the real estate world: "I would not want to take your shoes and carry the load you are now under." Finally they win, and I have won in my business. I ask you why should they, these faithful ones, the land owners, be called upon to pay all the cost of government, which has been of greater benefit to me than to the land owner, and I escape paying any part of the tax. Wherein is the justice, wherein is the sense?

I could talk for hours and not tell one half that could be said against the single tax. I realize that I have taxed to the limit the latitude so kindly given me, for which I am most thankful. I can hear that watch calling to me, stop. In closing let me say that common ownership of land seems to have been a misfit in the general plan of social evolution, as it was discarded in the grey dawn of civilization, and where it may be found at all you will find crime, want and misery deepest.

Thank you gentlemen for your kind indulgence. [Applause.]

Calls for Mr. Fillebrown.

MR. CHARLES B. FILLEBROWN, of Massachusetts: I think every point, barring the social value of Adolph Busch's fortune, which the speaker (Mr. Shields of Oregon) has touched upon, will be found answered categorically in the 1914 Single Tax Catechism from which he has quoted. I now advertise my intention by your leave to mail to each member of this conference a copy of this little pamphlet. Furthermore, to all those so desiring I will send a copy of The A B C of Taxation which offers a painstaking detailed explanation of each point enumerated in the Catechism. This book and pamphlet are the fruits of fifteen or twenty years of diligent application, and constitute the best reply I could contribute to the discussion.

I do not and cannot concede that the single tax involves the abolition of the institution of private property in land and the abrogation of individual title, tenure and estate in land. It does not imply wrong either in private ownership or in public ownership of land, but it does contend that as a matter of fact whatever name may apply to the private holding the essentials of tenure must be the same.

Land is one thing and the rent of land is another. The fundamental principle of the single tax is that land was made for use. Now the use of land implies improvements; factories, stores, houses and crops upon it. The dictionaries give two distinct definitions of property, property in houses, which is absolute, property in land, which is not absolute. The right to land is the right to the title of land. It has existed for centuries, and as Mr. Shields so eloquently pleads, it is woven into the minds and the hearts of mankind that they should have land for their homes. Taxation cannot destroy this title to land, nor can it detract anything from the value of the land for use.

So we say you may take the rent of land. Because the community created that rent the community has a right to tax it. The title to land is absolute as against any other individual, subject only to the right of eminent domain and the sovereign power of taxation.

The simple argument of the single tax is, when you take the rent of land in taxation you are taking that which is a

social value. It is a value created by the community just as the value of your land is enhanced by drainage, fertilization and cultivation; because it is created and maintained by the constant expenditure of enormous volumes of taxes which are collected every year and spent every year to maintain that value, and for nothing else. So I beg of you all to dismiss it from your minds that the single tax has anything to do with the destruction of private property in land.

MR. ADAM SHORTT, of Canada: I have noticed in a good many American publications reference to the experiences of Canada in the way of the single tax, particularly the laws adopted in our western provinces, and it occurs to me that a word might be put in here with reference to the actual results in that part of the country. Professor Johnson and others this evening have accepted as beyond question the assumption that the values of lands are contributed entirely by the community and never by the land holder. Now if any of you care to go up to any of our typical western cities—Vancouver, Calgary, Edmonton, Saskatoon, Moose Jaw or even Winnipeg—what you will find is this: that the people who were there before the land speculation started did not raise the values of land there so suddenly as they have been raised within the last six or eight years. You would find if you went into an actual analysis of the situation that the process was exactly reversed. People have flocked into those cities because certain men went there and systematically organized land booms. The single taxers tell us that men are entitled to take what they create, but they are not entitled to take what other people create. Now a certain group of land speculators have created nine-tenths of the land values out there and have sold them to other people, but what the other people are going to take with them in the end remains to be seen. The incipient boom that was started off led a great many other people to rush in and that made a demand for houses. They started to build houses. You make an analysis of any of those cities and you will find that the city has grown up through its own construction because in many of those cities there is no industry; there is nothing going on

except incidental industries—sash and door factories, brick making, etc.—incidental to the construction and building of sidewalks, city streets and all that. You have an army of people brought in there to do these things and the speculators have gone ahead of that and sold out. Now I say the speculator obviously created these values and upon the principle of a man being entitled to what he himself creates he is entitled to all that he got.

But here is the other point: they say taxation will get after the speculator—that the single tax will catch him. Go to those same cities, analyze the process, ascertain who the people are who took in hundreds of acres, converted them into city lots, sold them within the next twelve or eighteen months to other people and then went out from there and took in more land and sold it again—find out whether the single tax got after them. No, they got in and they got out and some are multi-millionaires to-day. They hardly paid a cent of taxes, and they don't need to pay any more. They have unloaded on other people, and the people on whom they first unloaded have unloaded on the second comers and made money.

This was a common experience with the type of man who had made twenty or thirty thousand dollars, not one of the rich speculators, but a secondary speculator. He would talk about having come from down east, and would say "At the school they all looked on me somewhat as a back number. There was Jim So and So who always stood at the head of the class and I was way down; but I tell you when it comes to the real thing in life—that is what puts it up to you. Those fellows are stuck in the mud down there and I am worth thirty, forty or fifty thousand dollars. That is the real test of intelligence and brains." "Well," I would say to some of these people, "yes, but can you show me any fool out here who dipped in and lost?" [Laughter.] Everything was going up. It didn't matter what they bought; it went up. City lots, rural districts—everything went up and up and up. But what I want to see is, when the thing starts the other way, who is going to save himself. That is the man I will take to have the brains, and the man with

the stuff on his hands will be the back number. He is the man who is going to pay the taxes. I do not take the real speculator to be the man who buys now and has to wait ten, twenty or thirty years to turn over. The real speculator out there is the speculator who buys this year and has half of it sold next year and the other half the year after. You go to those cities and you will find that some of these millionaire speculators have gone away. Some of them who had money and who invested it through confidential agents took the money and went away; but a number of others joined the city council, started in to invest in sky-scrapers, big office buildings, stores, etc., which were in demand, and that is where they are now. And I did not find a single land speculator out there who was not shouting for the single tax. It gave him a halo of righteousness, to begin with, that he was the man paying the taxes,—and he wasn't of course,—but it enabled him to escape taxes on his investments in the city.

Then of course there are a dozen other things familiar enough in the rapid development of the real estate booms in these cities. Every speculator is anxious to have the real estate assessed as high as possible because it enables him to borrow that much more money at fair rates in the old country and other places to put into local improvements, which give employment to other people to put up these stores, shops, etc. So long as the foreign capital is being brought in they are booming their land and developing the cities. I say if any of you are curious, go out and investigate yourself. Don't write to the mayor of the city, or the city clerk or the treasurer because you know what you will get, but go and look into it. Get these very people, single taxers and so on, to sit down half an hour and go into details with them and you will find out. I have said that in cities out west—in Saskatoon and Winnipeg—and I have had a lot of single taxers come to refute me, and when I demonstrated it they hadn't a word to say.

When it comes down to an absolutely solid basis all these cities will come to a point at which they will have to worry along and have to get their industries and learn over again, and then and then only I would look to them as an example

for your older cities and older country. And I am perfectly confident from what I have seen and heard out there that there will be a terrible sweep the other way, because no man is going to pay a high price for a lot which he expects to convert into a garden, with perhaps a small house on it—not if he is taxed up to the limit and all these multi-millionaires go scot free with their fine buildings in the cities.

On this question of land, I think Mr. Shields made it perfectly clear that if you take away the rent value from a piece of property there is nothing left. Mr. Fillebrown says you still can own the property. Of course, so you can . . . if you care to. [Applause.] You can put up a fine building on the property and if the state comes along and takes away the building rent you can own that too, but to what good. But Mr. Fillebrown may say the land was put there for use and the building was put there for use and when a man comes along and uses the building to sell goods in it, to keep offices in it, he says he is getting the value. Of course *he* is. And if the state takes the rental of the land and the rental of the building, the other man can go hang. That is just where it is. So you can go on up and take Mr. Shields' principle all the way up to the top.

Over in Canada we have a railroad—some of you have heard of it by name—the Grand Trunk. English investors put in over one hundred millions and they own those shares to this day, and they hand them down in their families I am told in the old country, and they haven't got a cent of dividends in forty years and there is no value in it at all . . . except when somebody wants to get partial control of the railroad. Then it is convenient to go around and pay a dollar or two for the shares for their voting power, but that is all there is to it.

I have made these remarks because I see your papers referring every now and again to our Canadian example as a justification for your hope in that sort of thing. I want to say, before following our Canadian example, wait and see what happens. [Applause.]

MR. A. C. PLEYDELL, of New Jersey: It is unfortunate that

all through the discussion this evening there has been a continuous confusion of three very different propositions, only one of which is properly before the meeting. There are three aspects to what has been discussed here under the very general and somewhat misleading name of the single tax. The first aspect of the question is one which has no place in a gathering concerned with fiscal affairs, but relates to that fundamental social philosophy held as a cardinal belief by Henry George, and other thinkers, of the equal right of all to the use of the earth. That is entirely a social question. For while Henry George proposed to establish that equal right by taxation, it could be established in other ways, and the fiscal aspect is only incidental.

The second aspect raises the question of what is called the "single tax limited";—a belief held by many men who preceded Henry George, and by some of his contemporaries, that the expenses of government could be raised more easily, more cheaply, more certainly, and with better diffusion of the incidence of taxation, by a tax only on the value of land than by any other system of taxation. That is a fiscal proposition which would be well worthy of discussion before an assemblage of this kind, provided the subject was announced in advance and there were plenty of opportunity for both sides to be heard. Incidental to that discussion, there would be some interesting arguments from both sides on the incidence of taxation, to which too little attention is given. I should like to take part in that discussion myself on an appropriate occasion. But I fail to see any need for the discussion now of either of those two aspects, when we have the third properly before us, in the proposition to reduce the tax rate on buildings to one-half of the rate levied upon land.

That is solely a question of fiscal policy. The only reason for dragging in the single tax red flag or bugaboo was to obscure the question. If we are to take no step forward, make no change whatever in taxation because it may tend in the direction of the single tax, we will be petrified, for the existing system of taxation is to tax everything in sight at a uniform rate so far as we can. Now necessarily every deviation away from that uniform rate is a little step in the other

direction. We have taken quite a few steps along that line, and a great many people do not think the single tax dangerously near on that account. At least we have not suffered untold calamities from making rational changes in our tax system from time to time—and that is really the question before us this evening.

Professor Johnson unfortunately in his paper held up a lot of straw-men, for he put up arguments, made by over-zealous persons on the other side of the discussion, that he knew were largely fallacious. Because somebody makes a mistaken argument on a proposition does not say that the proposition is unsound. It may be that to cut the tax rate on improvements would not materially decrease rents, or raise wages, or cut down the cost of living, and yet it might be a desirable thing to do for other reasons, that have nothing to do with the social effects. The proposition should be taken up entirely upon its own merits.

I speak feelingly on the question of reducing the tax on buildings for it is a live political question in New Jersey—being advocated in the platform of the party which ranked second at the last election, and now being discussed by their candidates throughout the State. The other parties have not antagonized the proposition, though they have not favored it; and it is a question upon which much is being said and something is likely to be done, I think.

One of the things that impressed our investigating commission the most perhaps, as we went around, was the complaint that any attempt on the part of the property owner to do some little improving on his house immediately brought down upon him the wrath of the assessor and the iron hand of the tax collector; that if he put a coat of paint on his house for fifty dollars they would add three hundred or more, or if he remodeled the inside of his house and the alteration was visible outside he would be assessed several times its actual cost. There is a constant complaint, that should be recognized, that the existing system of taxation does unduly penalize the visible, tangible improvement that a man puts on his property, particularly upon his residence. There is no getting away from that fact and every man here who has to do

with assessing work knows it. Down here in Schenectady, which is a typical factory town, where the workingman owns his own house, everybody knows that painters are practically out of work for two or three months before assessment time because everybody puts off painting his house until after the assessor comes around. [Laughter.] And the same thing is true in the small country towns where the assessors go around and look at property. How are we going to correct those things? They call for correction. And a reform which would reduce this penalty on the improver should not be antagonized, because the ultimate result might lead us into the whole single tax, into taking all the rent of land.

The American people have shown a capacity to adjust themselves to the changing conditions of the times and to take just so much as they wished of any suggested reform, and that has been the whole history of progress in this country. Time and again we have seen in fiscal reforms, and in other reforms, a very radical program advocated and debated for twenty or thirty years perhaps,—and some day you wake up and find that without any excitement at all one particular feature of the program has been put in operation, and the rest forgotten, and everyone is satisfied. We are never going to get anywhere if we refuse to consider any one proposition on its merits, for fear that if it were carried out to its ultimate conclusion the results that would then be reached might now seem unsatisfactory to us. It would be like a man opposing any tax on income because it meant the right to take all of a man's income.

Mr. Shields made the point that you should not take any of the tax off buildings because then you put more tax on land, thereby reducing its value. Let me give a simple illustration. Here is a watch. Under the laws of New Jersey it is supposed to be assessed to me. I tell you frankly it is not. If an assessor went around town to assess watches he would be lynched. But the law says I am taxable on that watch,—and if enforced would make me pay about a dollar a year on that watch. And the watch typifies personal property which is assessed. If I had to pay a dollar a year for a number of years on this watch I might say that its value

was being reduced, that it was gradually being taken away from me. I would either have to earn that dollar to pay the tax, or borrow it each year until the loans equalled the value of the watch and then give up the watch to repay the loan. The practical effect of the tax therefore is to take a piece out of the watch each year. Yet these gentlemen object to having a piece chipped off their land value every year. I have more reason to object because the things on which that money taken from me would be spent—street paving, fire protection, police protection—do not add one cent to the value of the watch, but they do add to the value of land. The land where I live is worth twice as much as land across the borough line in the township where they haven't got those things; and the largest part of the difference in values comes from the difference of government expenses. It is a perfectly fair proposition to say that the people who get the direct benefit of government expenses in the added value of their land should pay their share, and those who do not get the benefit should have relief. The proposition is well worth discussion and should be taken up without any bugaboos being dragged in by the heels. [Applause.]

MR. FRANK M. LOOMIS, of New York: I have listened to this discussion with a good deal of interest, and it occurs to me after hearing the paper read that the argument against the halving of the tax on buildings is all but conclusive. But it seems to me that the proposal for the tax on unearned increment occupies a different position. As I understand it, it is not intended to take the whole of the unearned increment but a part of it—a certain percentage—in the same way that we would tax inheritances, the same as the corporation tax, the same as the tax on stock transfers and taxes of that kind. Now it doesn't seem to me that if you are going to take this form of tax simply because of the convenience—the relative ease—with which it can be assessed and collected—if we are committed in any way to the proposition—that we are taking all of the unearned increment or doing an injustice because of the fact that we cannot get at so readily the unearned increment of personal property.

This is the first of these conferences I have attended but I have noticed in the papers read at previous sessions, especially the last session, that a good deal of emphasis has been placed upon the desirability of dividing up this tax—doing away with the general property tax and taxing specific kinds of property and in that way obtaining sources of revenue which otherwise were not available. Now I cannot see any injustice in pursuing that theory, the same theory you follow in the inheritance tax. I cannot see any injustice in putting a tax—not a confiscatory tax, but a relatively small tax perhaps—upon the unearned increment of land; that is if it can be ascertained, as it seems to me it could be in the manner suggested in the paper.