

really in danger of the Single Tax. Because, as someone has said, there isn't a valid argument against it and there isn't a chance in the world it will be adopted. Brand Whitlock added that the Single Tax will have to wait because it is so fundamental, "and mankind never attacks fundamental problems until it has exhausted all the superficial ones." Quite a few of the latter are coming up right now. Turn on the radio.

The Tax Burden

JUST another evidence that taxes burden industry is evidenced in the following statement issued by President Thomas N. McCarter of the Public Service Corporation of New Jersey, following the action of the Corporation's Board of Directors on June 21, in voting a six per cent reduction applicable both to the payroll and the common stock dividend.

This statement discloses the inner working machinery of business and shows how it adapts itself to the situation brought about by added taxes. Naturally this adaptation takes the form of reduced wages, reduced salaries and reduced dividends. That it also takes the form of reduced interest in production generally and that it leads eventually to unemployment and industrial stagnation only those acquainted with the fundamental facts and factors of trade and taxation can know. Would that there were more of these, and would that they included our tax inventors!

"To meet conditions due to reduced earnings and to additional costs imposed by the new Federal budget-balancing tax law, the directors of Public Service Corporation of New Jersey today voted to make a six per cent reduction applicable both to its pay roll and to dividends payable to holders of its common stock. The changes in salaries and wages of officers and employees will become effective as of July 1.

"The added amount of taxes that Public Service will be called upon to pay under the new law, over a twelve month period, approximates \$1,400,000. The yearly aggregate of the three per cent tax assessed against users of electrical energy is about \$1,300,000. Public Service must thus assume more than fifty per cent of the added burden imposed by the tax bill.

"Estimates were submitted at the meeting to indicate that with allowances for the new taxes the operations of the Corporation would show approximately \$2,500,000 less net for the year 1932 than for the corresponding period a year ago.

"The six per cent reduction in salaries and wages will amount to about \$1,050,000 for the remaining portion of this year, and the six per cent cut in common stock dividends will aggregate \$550,000 for the like period and put the dividend rate on an annual basis of \$3.20 instead of \$3.40 a share, which should be earned with a reasonable margin of safety."

HENRY GEORGE was one of the great reformers of the world. His sympathies were broad, his purpose indomitable, his courage unflinching, his devotion to principle absolute.—WILLIAM LLOYD GARRISON.

PEOPLE do not argue with the teaching of George. They simply do not know it. The teaching of George is irresistibly convincing in its simplicity and clearness.

—TOLSTOY.

A Questionnaire

QUESTIONS BY HAROLD S. BUTTENHEIM, EDITOR *The American City*. ANSWERS BY OSCAR H. GEIGER, DIRECTOR HENRY GEORGE SCHOOL OF SOCIAL SCIENCE

1. One of the strongest arguments for land-value taxation is the fact that it would discourage the holding of land out of use.

What is the best answer to the counter-argument of the city planners that too intensive use of land is a major evil in parts of almost all cities, and that any system of taxation that would stimulate this evil is against the public interest?

Land-value taxation would discourage holding *valuable* land out of use, not all land.

Land-value taxation, bringing new areas into use, will *spread* popularization, not center it.

2. If land were the only source of taxation, would not much land be abandoned by present owners, thus depriving local governments of much revenue now derived from vacant land held for speculative purposes? And would not the necessary result be higher taxes on land productively used?

If land were the only source of taxation, land would tend into use whether present owners abandoned it or themselves became users. Furthermore, land would pay rent whether used or held out of use and the entire rent going to the government would mean greater revenue than if part were retained by owners for speculative purposes. Land that is being held for speculative purposes has a selling value only because its actual or potential rent is not collected by government. The selling, or speculative, value of land is virtually nothing but capitalized uncollected rent. Land rent does not depend on productive *use*, but on productive *usability* and therefore cannot be burdened beyond its true value.

3. If, as Henry George says, "There can be no just title to an exclusive possession of the soil," to how large a political area does this apply? In other words, ought the ground rent of the city of New York to accrue to those who happen to live in the city at any given time, or ought the ground rent of an entire State be divided among the people of that State? If the answer to the last question is "yes," ought not this principle be extended to dividing the ground rent of the entire United States (or of the world) among the people of the United States (or of the world?)

The answer to this question *is* yes, and the ground rent will be divided among the people of the United States according to the needs of government. The Federal Government will apportion its budget among the States in the proportion that the amount of rent collected in each State bears to the Federal budget. The States will each add their share of the Federal expenditures to their own budgets and apportion their total budgets among their local taxing centers according to the rent each collects; the local bodies will collect the rent which thus will bear everywhere its just share of the total expenditures of government. If there ever should be a United States of The World, or its equivalent, whatever its expenditure would

e would be rightly apportioned among the adhering counties according to the total rent each collected.

4. In a slum section of a city an enterprising real estate owner, Mr. A., has the vision to demolish an entire block of undesirable tenements and substitute in their place garden apartments occupying less than 50 per cent of the land area. So great is the demand for these improved accommodations that he makes a handsome profit on his investment. The result is an increase of land values in the entire neighborhood. Under these conditions, ought the community to assess all of the slum land (and Mr. A's property) on the basis of the added earning power which Mr. A. has given to his property? If so, how does Mr. A. profit financially by his enterprise? And (unless a zoning ordinance prevents) how shall the other land owners, actuated by the desire for profit, be prevented from overbuilding their property with congested tenements? If the answer is that they would not do so because of lack of demand for so much new housing, is the levying of a higher assessment justified prior to demand catching up with supply?

Mr. A. is pictured as demolishing a block of undesirable tenements (presumably congested) and substituting in their place garden apartments occupying less than 50 per cent of the land area. This is wiping out congestion. As a result of this improvement land rent in the entire neighborhood is pictured as having risen, meaning that this type of improvement is desirable. The land values having gone up and the higher rent being taken by the Government will compel all the owners in that locality to do as Mr. A. did and build the desirable garden apartments that the people want (for it is only as people want such apartments that the land rent can be presumed to have risen) and which using 50 per cent of the land area will abolish both congestion and slums. Zoning laws have their uses and this answer should not be construed as an argument against them. It may, of course, be properly read as showing that for the purpose of preventing overbuilding and congestion in the particular case cited, zoning regulations are not needed.

The community will have no alternative to assessing the land in the area at its true rental value. Mr. A. will continue to profit as the hypothesis describes him as doing. The other land owners in order to make profits will have to build garden apartments—they already have congested tenements in a slum district. The garden apartments, built on 50 per cent of the land area sent up the land value of the entire area.

5. Is advocacy of income and inheritance taxes and gasoline taxes, national and State revenues, incompatible with advocacy of land-value taxes for municipal and county revenues?

I believe the rent of land, as it will be if collected by the Government in lieu of all taxation, will be sufficient to defray all Governmental expenditures, Federal, State and local and, if it is, no additional taxation will be necessary. Indeed the very act of collecting other taxes will delay the total land rent from rising to meet the expenditures.

If the substitution of land rent for taxation is to take place over a period of time, naturally present methods will be largely retained during the transition. During such period of transition I am in favor of abolishing all indirect

taxes at once and retaining direct taxes. Those mentioned by Mr. Bottenheim are direct taxes.

6. Has anyone any figures, other than wild guesses based on the previous guesses of some one else, as to the total land values or economic rent of the United States, and as to how nearly such rent would pay the cost of all Government and public works, National, State and local?

The most conservative and perhaps the most accurate estimate is that in Eugene W. Way's pamphlet, "Taxation and Starvation," which gives the total ground rent of the United States in 1930 as \$8,234,261,000. The total expenditures of Government, Federal State and local are approximately \$12,000,000,000. If all taxation is abolished and all the rent of land is collected in lieu thereof, the land rent can, in my opinion, be confidently expected to rise until it meets all the needs of Government.

7. With our rapid approach towards a stationary population, and with the steady trend towards decentralization of homes and industry, is it not probable that ground rents will tend to decrease in future, thus lessening the possibility of meeting all Governmental costs by land-value taxation?

As I am impressed, cities are growing in population while farming and rural communities are decreasing in population. This would seem to me to indicate a present tendency towards centralization, not towards decentralization. However, it does not matter. Decentralization of population will carry land values from urban to suburban areas, from cities to rural sections, from where the people were to where the people go. Land value is always a *people value* and appears where people are. The movement of communities only shifts the land value; it does not reduce the total. Only a decrease in the total population or in its productive or law abiding qualities can do that.

8. How nearly 100 per cent tax on the economic rent of land would produce the most desirable results?

If 100 per cent were taken, what inducement would there be for builders to use the best sites, or for farmers to till the best land?

If less than 100 per cent were taken, how would land speculation be prevented?

Whatever the percentage—80 per cent, 90 per cent or 100 per cent of the economic rent—how will land values be determined and the tax rate fixed when the sales value of land has diminished greatly or disappeared as a result of site-value taxation? Will the assessor estimate the land value of a particular piece of property at what it would be if that property—and that property alone—were exempt from taxation?

Theoretically, 100 per cent of the rent of land should be taken to obtain the most desirable results. Practice may counsel some modification. The inducement to builders and farmers to use the best sites will be the labor and capital saved to obtain the equivalent results on poorer sites, or the greater returns that the best sites will give with the same expenditure of labor and capital.

If less than 100 per cent of the land rent were taken land speculation could not be prevented. Of course, it will have been minimized.

If land rent is taken in lieu of taxation we will not be

concerned "with land values." Land values substantially are uncollected land rent. Land rent will be determined, as it is now, by what a willing renter will pay for the use of land. Land rent is being estimated, collected and capitalized now, only that now it finds its way into private possession. Why should public collection make it more difficult to estimate?

9. How should small residences, vacant lots, golf clubs, etc., be assessed in sections where temporary continuance of present use might be desirable, but with proper provision for ultimate capture by the community of unearned increment?

If the "capture by the community of the unearned increment" is contemplated, such steps toward this desired end, whether immediate and in total or gradual and in proportionate parts over a period of time, should apply to all manner and size of land values, or rent. I can see neither advantage nor equity in singling one particular kind of holdings for special treatment.

10. How should sites be assessed which a municipality desires for future schools, playgrounds, etc., but which it is not now ready to purchase?

Once land rent is collected by Government, there will be no need of municipalities to *purchase sites*. It will purchase merely improvements. These it will always have the right to purchase—and condemn if need be—as it has now to purchase and condemn both site and improvements.

11. Farm lands and oil lands now in use are capable of producing more food and oil than the Nation requires. If land-value taxation brought more of such lands into use, would not this be contrary to the public interest?

Farm lands and oil lands now in use are capable of producing more food and oil only because potential consumers of food and oil are unable to translate their potential demands for food and oil into effective demand.

Land-value taxation will bring more of such lands into use only as more of these products are needed. Farms and oil lands, as all other lands, will pay only their rental value. Rental value of land depends in part on the value of what the land produces; the value of the product depends on the relation of supply to demand. If there is enough of a product to satisfy the demand, the price of the product will indicate the sufficiency and the rent of the lands that produce these commodities will, in turn, reflect the lowered demand by lower land rent. Thus no land will be forced into use beyond the actual demand for the product of such land, and there would be nothing contrary to public interest.

As the question confines itself to the Nation's requirements, let us not forget that if the United States adopted land value taxation (the collecting of the total annual rent of land in lieu of all other taxation) it would not be more than five years (in my opinion it would not be more than three years) that the civilized world would be compelled by the threatened loss of its labor, to follow suit.

It will then be almost impossible to fully satisfy the demand for all products, including those of farms and oil lands.

12. It is claimed that taxes levied upon land values cannot be transferred by the owner to the purchaser or tenant. Is not this so only in respect to such taxes that do not increase the real value of land?

Let us assume that a city issues bonds for important public improvements—say a sewage disposal plant and a new high school and a park and playground system. The interest on these bonds means additional taxes on all of the real estate in the city. The improvements, however, increase land values by attracting new residents and by making the city a more desirable place for those already there. Land owners are thus enabled to secure higher prices from future purchasers or tenants. Does not this mean that the added taxes are paid by the future purchasers or tenants, and is it not desirable that this should be so?

It is true that taxes levied upon land values cannot be transferred by the owner to the purchaser or tenant. It is equally true, however, that unless the entire rent of land is taken by the government there is a part of land value left which will translate any community improvement such as mentioned in the question, into private gain to land owners. If the full land rent were taken in lieu of taxes, there would be no *purchasers of land*, and the value of houses or improvements on land are not determined by what the community does, but by the cost of reproduction. Land-value taxes are the only taxes that "do not increase the real value of land."

13. Is not the taxation system of Pittsburgh proving more advantageous to the United States Steel Corporation than anyone else, and is it not possible that this and other great companies in the vicinity have been influential in bringing it about for their own selfish reasons?

I am not familiar with the activities of the corporate or land holding interests of Pittsburgh in bringing about the taxation system known as the "Pittsburgh Plan," but from its very inception I have held that at its best that plan is insufficient as an illustration of what land-value taxation, *properly applied*, will do. *Unless we collect all the value that reduction of taxation on improvements adds to the land we are benefiting only land owners.*

14. In a system of land-value taxation, how could great capitalists like Ford be made to contribute substantially to government cost?

Ford owns all the land on which his factories and work shops are located and most of the land upon which his workmen live. He owns all the mines out of which his raw materials come; he owns many railway rights of way. On all of these lands he pays only nominal taxes. If he paid the full yearly rent of all his lands and of the natural resources he owns, the government would be getting all that it is entitled to and much more than it is getting now. If land rent were collected everywhere, the demand for labor would be so great that Ford would be competing with all other employers for workers. Labor then would be receiving its full share of the product. If the government received all the value that the community created (land rent) and the workers received all the value they produced (wages), all that would be left to Ford, or other "great capitalists" would be the wages of superintendence, the wages of management—perhaps the wages of fore-

thought and ability—but never more than the wages of effort. Huge incomes are not based on the recipient's productive powers, but on his ability (through his own efforts, or through the instrumentality of circumstances), to secure to himself the product of others.

15. It is claimed by Single Taxers that if land were made free by governmental collection of ground rent, no man would work for wages less than the amount he could wrest from marginal land by his own efforts. Would the farming of marginal land provide a decent living with the present over-production of farm products and widespread distress among the rural population? And would not the taxes of many small farmers be increased rather than lessened?

The claim of Single Taxers as stated in the question is correct, but marginal land under the Single Tax will be something altogether different from marginal land under the present system of private land ownership. There probably is no free marginal land left in the "civilized?" world today, and workers everywhere are compelled to sell their labor at the mere cost of keeping body and soul together—and they are not very successful at that.

There are not enough people in the world to use productively, under the Single Tax, even those lands that we class today as the most productive. With the best lands open to the use of producers as they then will be, what we have been accustomed to call marginal lands will become forests and parks. The return on best lands obviously will provide "a decent living."

What Mr. Bittenheim calls over-production he knows to be under-consumption. If potential consumers could buy there would be no over-production. Many of the farms that farmers now are working would, under our system, pay virtually no taxes at all. They are, many of them, in out of the way and almost inaccessible regions. But farmers, under the Single Tax, will always pay low "taxes" (to adhere to the language of the question,) for farm lands and rural lands generally will always pay lower land rent than city and suburban lands. It is our modern tax system together with rent to private land owners and interest on land mortgages that burden the farmer, and keep him poor. All taxes on his buildings, farm implements, and the commodities he buys removed, and the need for paying rent and interest to private land owners abolished, the farmer will be in fact what he is said to be in fiction, the most independent man in the world.

16. In a system of land-value taxation, how could we correct the lack of balance between production and consumption which brings on crises?

Under Henry George's system of Land Rent Socialization there will be no "lack of balance between production and consumption" to correct. Nature has provided the laws that will do all the regulating that will be necessary. The Law of Supply and Demand is not a fiction or a figment of the brain, nor is it a human invention. Among other things the law of supply and demand establishes prices of commodities that are the indexes that may guide producers. Under a condition of freedom, with specula-

tion removed, as it then will be, these indexes can, and will, be observed.

Would it be amiss, however, to add that with all labor employed and all producers receiving the full value of their product, which is the condition that will prevail under the Single Tax, the effective demand for commodities will be so great that not only will there be no over-production, but more and newer and better machinery will have to be invented to keep pace with consumption.

Eloquent Plea for the Enclave

HON. ABE D. WALDAUER AT HENRY GEORGE CONGRESS
(Slightly Condensed)

THE subject, "Political Action vs. Enclave" is a misnomer. We all want to see the Single Tax become an actuality. There is no contest between the enclave and those favoring political action; they are two means of seeking to accomplish the same thing. For the enclavians believe in political action. Ultimately, this is the only effective way to achieve the Single Tax. But enclavians realize that it will take some time to get results through political action, and we want results of a permanent character here and now!

We have had some efforts at political action in the past. What is the situation that confronts us now?

To begin with, so far as the States are concerned, we find that slightly over two-thirds of them have constitutional provisions which literally stand as giant boulders in the path of successful political action so far as Single Tax is concerned. These State Constitutions forbid collecting all public revenue by absorbing economic ground rent. Therefore, the efforts at political action must, in the absence of constitutional amendments, be restricted to less than one-third of the States. When you analyse these States, what is the situation? In the great mass of population of these States, there is scattered here and there a pathetically small number of men and women who see the wisdom and embrace the philosophy of the Prophet of San Francisco.

If they raise aloft the banner of Henry George, if they proceed to carry the proposal to the ballot box without money or organization, without the ballyhoo, the radio, campaign stickers and badges, and without the directing intelligence that makes for political success, they will fail. For politics is a game, a game of organization and mass action, a game of trafficking and trading, of intensive lobbying and mustering of forces, a game of "you scratch my back and I'll scratch yours," a game which involves experience, skill, ability and personalities, as well as of measures and men. And frequently battles won at the ballot box are lost in the count. Henry George, in his first mayoralty campaign, really won, but he was counted out. In Houston, we succeeded in electing Joseph Pastoriza as Mayor. He went to work and put into action a limited form of municipal Single Tax without a statutory