

Economic Policy and Practice

A Symposium

ONE OF the most memorable sessions of the conference was the symposium "Economic Policy and Practice" held at the Commodore Hotel the evening of July 22, with J. Rupert Mason of San Francisco as chairman. The address of the third speaker, Roy A. Foulke, Vice-president of Dun and Bradstreet, Inc., New York, appears on page one of this issue.

The first speaker, Harold S. Buttenheim, editor of *The American City* began with a statement made about taxation 60 years ago by Richard T. Ely and John H. Finley, the truth and timeliness of which the speaker said would be recognized by the audience. He added however that he was not so sure of equal accord as to the analysis he was about to present.

Mr. Buttenheim took as a basis for discussion an ideal system of taxation for more and better housing and began by imagining a gift of a tract of land for experimental purposes, the imaginary donor to be an ardent disciple of Henry George. A cleavage of opinion may easily be imagined as having arisen in the resulting mythical village of "Homeville" with some of the trustees urging the Henry George advocates to face the facts of today regarding governmental costs; and, as the speaker put it "to realize that, even if government were to collect the entire economic rent of land, urban and rural, such revenues would fall far short of paying for past wars and preparedness against future wars and the peacetime services demanded by the public."

Mr. Buttenheim said he did not believe it was either realistic or desirable to propose site-value taxation or ground rents as a source of federal or state revenues. "If we can concentrate our efforts on a gradual reform of our municipal and county revenue systems and achieve that result," he said, "we can advance the public welfare at the local level and produce more and better housing not only for families of low income, but for those in the middle brackets as well."

"I associate myself with the followers of Henry George in believing that 'to make land common property,' either through taxation or public ownership, would have many social and economic advantages in the advancement of justice and freedom," said the speaker, "but the point I am trying to make here is that until we build a peaceful world we cannot have a world free from burdensome taxes."

It was pointed out that President Truman signed on July 15 the "Housing Act of 1949," providing substantial federal aid to municipalities for low-rent housing and urban development. Mr. Buttenheim believed that "if our municipalities were now raising most or all of their revenue from site-value taxation, land costs and taxes on homes would be so reduced as to lessen greatly the need for the legislation just enacted. But," said he, "candor must compel those of us who share this belief to admit that its adoption will come very slowly, and that meanwhile we must do our best to provide decent shelter for low-income families with the tools at hand."

However, he felt that happy day would be hastened when our state and local governments came gradually to accept the principle that all or most of their municipal and county tax revenues could be most justly derived from com-

munity-created ground rents and land values. He commented in closing that as a student of municipal administration with a strong leaning towards the Georgist philosophy he had merely attempted to pose some of the questions which must be faced, and which perhaps were being faced by the Henry George School.

Jerome Joachim, publisher of the *Berwyn (Ill.) Beacon*, and a regular contributor to *The Henry George News*, followed the *American City* editor and, commenting upon Mr. Buttenheim's remarks, said: "I suspect he may have expressed the thought of many of those who are for freedom, and maybe there is some compromise possible. I don't see any possibility of compromise for the sake of expediency—once you compromise even to a small extent, there is no stopping."

Mr. Joachim said he thought the inevitability of socialism was sealed in 1914 when we passed the income tax law and decided to tax men on the basis of their willingness to work, rather than on the basis of the opportunities or special advantages they might have. If we minimize the incentives that have made this nation great, then soon it will not be very great.

The speaker then turned for an example to his own plant in Berwyn and commented briefly on his efforts, already familiar to many, to put into effect Henry George's principles as he understood them. Following is a summary in the speaker's own words.

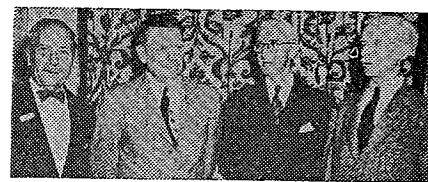
"Most of you have used the stockpile illustration, for the sake of clarity. Actually men produce goods which they exchange with other men for goods or services which these men can produce with less effort. If we can visualize the nation's supply of goods and services in terms of a huge stockpile or great market place we can think quite clearly.

"In theory, each man who hauls goods and services to this pile should take from the pile an amount of goods equal in 'energy consumer' value to what he took to the pile. Actually in practice, millions of men have found that they can devise ways to take 'from' the pile without contributing the things which people would voluntarily buy. Often they just merely raid the pile as do our friends the landlords, who take the sheriffs with them on their raiding trips.

"Daily we all are seeing that our boss or our employees no longer are the important 'thieves' who take more than they contribute. Daily we see how the philosophy which we are developing in our march toward the socialistic state enables literally millions to loot without adding to goods and services going to our national stockpile.

"Sometime ago it occurred to me that the practical way to teach the philosophy of Henry George was to set up our industrial system in such a manner as to make it apparent to both management and labor who the real thieves were. Following the lead set by our good friend John C. Lincoln at Lincoln Electric, I installed an incentive system. With this system I have made it quite clear to those men working with me that in our case, each man was getting as nearly as possible an amount equal to what he contributed—deducting first the tremendous amount which is being stolen by those who do not contribute.

"I did this largely for self-preservation rea-



Left to right: J. Rupert Mason, Jerome Joachim, Roy A. Foulke and Harold S. Buttenheim.

sons. Working in a society where men had forgotten that there must be a relationship between production and pay, I was losing money almost every year on the operation of my print shop—despite the fact that my men were then the lowest paid in the area.

"Early in 1947 I announced that in 1946 our print shop had paid 55 per cent of the value of the work done in our plant in direct wages to the men who worked on each job. I also announced that the overhead charges for that year had totaled 55 per cent leaving a net loss on the operation of 10 per cent. I told the men that I certainly could not pay them, under these conditions, more than 55 per cent but that if they would agree to accept that, I felt they would do enough additional work so that they could increase their income. At the same time even 45 per cent of a much larger income might pay the overhead.

"In 1947 they increased the production per man greatly and at the end of the year we had not only increased the pay of the average man by at least 40 per cent, but we had enough of the percentage set aside for overhead to pay all the charges including an 8 per cent return on invested capital, full depreciation charges and a reasonable salary for myself.

"In 1948, we discovered—at the end of the year—that the overhead charges totaled only 35 per cent of the total value added in our plant. Accordingly we paid the men 59.57 per cent of the value of their work in direct wages, paid the foreman and myself 25 per cent more than we had been getting in salaries and were operating on a sound basis. Most of the men made \$5,000 or more and one made over \$7,000. This was almost double the amount they made in 1946.

"These men were thus taught, what I believe to be George's fundamental principle—and I also learned by experience the truth of this principle which I believe to be;

"Man can make material progress only if he gives good value. Systems which permit men to get wealth, without aiding in its production, tend to halt progress."

"I am one of those who believes that any device which men use to take from the stockpile without adding an amount of equal value, is unsound and must be eliminated. I agree that landlordism is one of those devices. I am beginning to believe that socialism and the myriads of devices now generally being used are taking even a greater toll than landlordism ever did and that all must be eliminated.

"I am sincerely of the opinion that Georgism and the Henry George School can enjoy its greatest success only if it recognizes that all who steal from our stockpile retard progress and that man's ultimate Utopia can be achieved only when all such stealing has been stopped. And I care not too much which thieves we stop first—so long as we start recognizing the evil now—do something about it now and persist until all are stopped."