

How to Stop Inflation

By J. RUPERT MASON

An address recorded for use at the Chicago Henry George School

AS we look around the world, the money of most nations has lost much, and in some cases, all its value since the first World War. We know that the great middle class which depended on fixed annuities, pensions, and money savings, in some nations actually starved to death by the million.

But the people in other nations did not have the benefit of a Constitution like ours, to protect them, and it is my conviction that the men who drafted our Constitution intended it to protect the interests of those engaged in producing and distributing the food, clothing and other things desired by every consumer.

Our founding fathers knew the important difference between direct and indirect taxation. The Federalist Essay debates make this clear. Jefferson and others vigorously advocated taxation in proportion to "benefits received." This meant using the direct, annual ad valorem land tax. Congress did have the states use this tax between 1798 and 1861, and could use it again, by simple statute. In those days, it was the states that "aided" the federal budget.

In the famous Pollock decision (158 U.S. 601. 1895) the Supreme Court disallowed a statute taxing ground rent income. This test case did not involve a direct, annual ad valorem land tax such as Congress had the states levy and collect in previous statutes. In the Pollock decision the Court unanimously agreed that a direct tax of this kind cannot increase the general cost of production, distribution, or of living, and can never be passed on to the consumer. Adam Smith, John Stuart Mill, Henry George

and all political economists agree about this point.

In the case of Nicol vs. Ames, 173 U.S. 509, in 1899 the United States Supreme Court went further, and said "the power to tax is not only the power to destroy; it is the power on which our whole social fabric is based, and it is also the power to keep alive."

President Eisenhower, in his first message on the budget, said, "We must develop a system of taxation that will not discourage work, savings or investment." But the President did not follow through and explain the kind of tax he had in mind, or the system of taxation that must be developed.

There is a tax that fills this prescription, and there's only *one*. It is known in our republic as the direct annual ad valorem land tax which formed the base of our public revenues to support the federal, state, and local governments until the coming of the 16th amendment in 1913. But the 16th amendment, I am advised by competent legal counsel, does not repeal or supersede the provisions and the limitations in the first fifteen amendments, or any provision in the main body of the Constitution.

The Constitution nowhere defines "property." But the Supreme Court of the United States long ago, in the case of Providence Bank vs. Billings, 4 Peters 514, at page 560, declared that if the government ever needed to call on the holders of land to pay the full rent value of the land to the public budgets, that no right would thereby be impaired because there is never a contract relationship between the sovereign and a taxpayer. And this is equally true whether the tax is a tax on the value of land, or a tax on earned income.

Can we imagine an income tax payer complaining that the income tax impairs a contract with a federal or state government? Can we imagine a sales tax victim saying that he refuses to pay the sales tax on his purchases because he has a contract with the government that they will not use the sales tax. We had a Boston Tea Party to get rid of sales taxes. George III believed sales taxes were equitable; but we had a war to rid ourselves of that kind of tax, and it is submitted that nothing in the Constitution of the United States compels us to impose such taxation today.

That is the story told us by the history books, but it is not at all necessary to get bogged down in the tax quicksand as have Germany, France, Italy, Spain, Japan, Greece, Argentina, Brazil, Chile, Peru, and so many other nations. It is my firm belief that wrong

taxation is the primary reason why their money has lost its value, in some cases, completely lost its value. Their taxation has fallen mainly on labor and capital. Land holders have been allowed discriminatory advantages contrary to any concept of equal justice under law or equal protection of the laws both of which are guaranteed by our Constitution. It is submitted that "equal protection of the laws" does not mean equal protection of all other laws than the tax laws, but includes the tax laws, if I read the Constitution correctly.

It is for each one of us to do some agonizing reappraisal. As a famous commentator said right after World War II, the hardest job facing many of us is that we are going to have to unlearn so many things we always knew. How very true that statement seems to me today.



Early Japanese Land Reform

THE INFLUENCE OF HENRY GEORGE'S IDEAS UPON MODERN JAPAN—A pamphlet by Yoshisaburo Yamasaki, reprinted from *Kobe University Economic Review*, No. 4, 1959.

IN this article, Professor Yamasaki shows how Japan was ready for land reform in the 1880's, when the Meiji government was attempting to convert the country from a feudalistic economy to a modern capitalistic economy. The Japanese found a new land monopoly growing up as fast as the old one was abolished.

As early as 1883, an excerpt from George's *Social Problems* was translated into Japanese. References to George appeared in periodicals, and a full book on his views by Sentaro

Jo appeared in 1891. The American missionary, Charles E. Garst, promoted Japanese interest in George, but another influential American in Japan, Professor Dwight Whitney Learned, emphatically rejected Henry George's ideas.

There was evidently a considerable Georgist influence among Japanese liberals at the turn of the century. A moderate land value tax was among the measures of the Meiji government. Unfortunately, there was not always a clear distinction between George's ideas and socialistic ideas, but some thinkers saw the difference.

Professor Yamasaki brings his study up to about 1900. He hopes to continue the story in a future article, and we hope so, too.

R.C.

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