

By United States. Congress. House. Committee on Appropriations, United States. Congress. House. Committee on Ways and Means, United States. Congress. Sen

STATEMENT OF MR. JACKSON H. RALSTON, ATTORNEY AT LAW,
WASHINGTON, D. C., REPRESENTING THE MARYLAND TAX REFORM
ASSOCIATION AND THE TAX REFORM ASSOCIATION OF THE DISTRICT
OF COLUMBIA.

Mr. RALSTON. Mr. Chairman and gentlemen, I want to invite your attention, for only a few minutes, I hope, to a consideration of a matter which has been touched in a slight degree by my predecessor, Mr. Willock, but which I think deserves the very careful attention of this committee, and which I am led to believe is receiving the careful attention of the Treasury Department.

A very large proportion of the taxes which have been levied, and perhaps a still larger proportion of the taxes urged upon this committee to be levied, are levied or proposed to be levied in one shape or another upon industry and will have the very direct effect of maintaining and increasing the cost of living and making it harder and harder for the citizen of moderate means to get on.

The form of taxation which I desire to urge upon this committee is, at least in my judgment, one which will not increase the cost of living but will have a tendency to diminish the cost of living, and which, as I firmly believe, in its final analysis is absolutely a fair and proper and just one, and exposes a source of revenue which has not yet been touched by the revenue measures of the United States.

A MEMBER. Do you think an income tax increases the cost of living ?

Mr. RALSTON. I do not think it does, but I am not here — there is a mistake in the announcement. I am not here to discuss the income tax.

Mr. GREEN. Well, the excess-profits tax ?

Mr. RALSTON. Neither am I here to discuss the excess-profits tax. If you will pardon me, the point that I want to discuss here, as briefly as I may, is the question of levying a tax upon the value of land irrespective of improvements.

The Constitution of the United States, the constitutional provision the committee is familiar with, says, in brief, that a direct tax — and a tax upon the value of land is a direct tax — must be levied in proportion to population. When it comes to a practical application of this constitutional provision there are certain difficulties, at least in my opinion. The great center of land values, the greatest center we have in the United States, is in New York City; but every large city is a great center of land values, and they are centers of land values out of proportion to the population those particular cities represent or the States in which they are located represent, whereas population in the agricultural States represents a land value

proportionately much less than in New York City, or other large centers of population. People gathered together in great numbers are more productive per man than when they are scattered over a wide area and not brought into close association. That makes the strictly constitutional rule, giving narrow application to the Constitution, not entirely a fair one.

Now, the idea that I want to present to this committee, therefore, is this, an idea which it seems to me is a fair one and which avoids the constitutional difficulty. Jumping to the end of things for a moment, I shall present the idea of a tax on the privilege of large land holdings, irrespective of improvements.

Mr. MOORE. That is somewhat different from the single tax ?

Mr. RALSTON. Not at all, if you please, so far as its tendency is concerned.

Mr. MOORE. You are applying it only to a certain class of holdings, while a single tax would be universal?

Mr. RALSTON. The single tax would be universal. I aim to meet largely the great evils that single tax proposes to meet in entirety.

Mr. MOORE. That would raise the question, if you will pardon me, and I wish you would consider it before you get through, of driving unprofitable landholders out of business and driving them to places like New York, where land values would be excessive.

Mr. RALSTON. I shall try to make it clear. I do not think that that evil will at all be anticipated.

Mr. MOORE. If I own a piece of land in a semiarid section or a section of the country where it is unprofitable, and I am holding it only in the hope that I will be able to dispose of it, and you tax it, I might rather have you take the land. That would drive me into the large center of population, where by reason of the accretion of population my presence might add to the congestion, which would be undesirable.

Mr. RALSTON. I am going to hope, Mr. Moore, by the time that I get through that you will see that that contention is not well founded.

I want to say that the tax which I propose — I have the draft of a bill which is expressive of the idea — is a tax upon the right to hold land and is in form and in essence an excise tax.

Mr. FORDNEY. Is there any other country that imposes such a tax ?

Mr. RALSTON. No; I don't think there is.

Mr. FORDNEY. Doesn't England tax other property; isn't it true that England doesn't tax nonproductive property?

Mr. RALSTON. England has been particularly the home of land monopoly. If it were open to me — and it is not, of course — to go into the general effects of that, I think England in this war has been exceedingly a sufferer from that, because in one way or another it has reduced the physique of her people, it has driven her people to the east end of London and the slums of other cities, and has largely rendered them less capable, less efficient, in many respects than the French or the Germans.

Mr. FORDNEY. Isn't it true that she raises the major portion of her taxes from income tax, but does not tax nonproductive property ?

Mr. RALSTON. That has been true, but the tendency is in the reverse direction in England; in other words, to tax this so-called unproductive property, meaning the property held out of use.

Mr. GARNER. So it is a sort of unearned-increment tax ?

Mr. RALSTON. Yes.

Mr. SLOAN. Does not England collect more at her ports than we do ?

Mr. RALSTON. No; England hasn't up to the time this war began collected anything at her ports, except on certain luxuries, such as tobacco and silk.

Mr. SLOAN. England is collecting more than we are. I am speaking of today.

Mr. RALSTON. I was speaking of prior to the war.

Mr. SLOAN. I am talking about the conditions now.

Mr. FORDNEY. Isn't it true that she collected more money at the ports before the war than we collected?

Mr. RALSTON. I beg your pardon.

Mr. FORDNEY. I beg to differ with you. She collected \$3.56 per capita during the last year of the Pavne tariff law, and we collected \$2.45.

Mr. HULL. She does collect three-fourths of her \$250,000,000 on tea, sugar, and tobacco.

Mr. RALSTON. I will not undertake to say anything with regard to the present condition in England. That is quite far removed from what I had in mind.

Mr. FORDNEY. I am right, prior to the war.

Mr. RALSTON. I am exceedingly surprised if you are correct. I know I have entered English ports with practically no challenge from the customs officers.

Mr. FORDNEY. Now we are collecting \$1.68 per capita for this year at our ports, and England is collecting \$10.25 per capita at her ports.

Mr. RALSTON. Small collections would be a source of rejoicing to me, but not, perhaps to Mr. Fordney.

Mr. FORDNEY. That is true.

Mr. RALSTON. I think that we have a perfect right, and this United States has a perfect right to collect revenue or a tax upon the privilege of land holding. The right to hold land can not be considered a natural right. Even so conservative an author as Blackstone tells us in the first chapters of his second book of Commentaries that the right to hold land has no foundation, or at least that the holding of land has no foundation in natural rights.

Mr. FORDNEY. How much, if any, would you permit our people to hold ?

Mr. RALSTON. Well, I am an extreme single taxer, and if it came to the matter of land holding as a matter of abstract right, I would say that no man has an indefeasible right to even a foot of land. I would get the backing of economists and I would get the backing of such writers as Emerson.

Mr. FORDNEY. You can get the backing of Meyer London, I think.

Mr. RALSTON. Perhaps he will back some good things.

Mr. FORDNEY. All Socialists believe in that.

Mr. RALSTON. No; the socialistic idea is different.

Mr. FORDNEY. It is the socialists' principle.

Mr. RALSTON. I beg to differ from you on that point, if you will pardon me. The socialistic attitude puts the whole control in the State. The attitude of the single taxer leaves the control in the man who happens to be in charge and allots it to him to put it to its best use. The Socialist interferes with the industry at every point. That is the essential difference between us. I want merely to say without elaborating it, that the right to hold land is a conventional right. If it be a conventional right it is the exercise under such circumstances as the State might say, and meaning by that the State and the United States as well. If therefore it be that conventional right, and the State has the right to those qualifications on the

exercise of that right, it may require that that right be paid for, and that is the proposition involved in the bill of which I shall leave a copy with the committee.

The proposition is that the exercise of that right when carried out in excess of \$25,000 in value in the individual shall be made the subject of an excise tax which may be graduated in accordance with the desires of the committee, or the desires of Congress.

We levy certain taxes today upon very analogous principles. The foundation of the value of land, the foundation of the benefits to be had from land holding lies in its potentiality of income when brought to the last analysis. We levy taxes based upon exactly that principle in connection with our internal revenue matters. For instance, we tax a distillery upon its potentiality of production. It is taxed upon its production. That is one item. It is also taxed upon its capacity for production, and the capacity for production is after all at the basis of, certainly one of the bases of, the value of land. So that if we were to levy, if Congress were to levy an excise tax upon the value of land, it would be a tax levied upon the potentiality of production of the land, bringing it to its last analysis.

Mr. MOORE. Isn't it a fact that under those circumstances the most industrious man would pay the most taxes. Wouldn't he pay more taxes than the man who is shiftless and indifferent ?

Mr. RALSTON. No, the proposition to be advanced is that an excise tax shall be levied upon the individual according to his land holdings irrespective of the use he makes of the land.

Mr. MOORE. Yes, Mr. Ralston, but we have two tracts of land contiguous—say 10 acres in each. One is held, according to your single-tax system, by a man who is thrifty, industrious, energetic, enterprising, who improves it in many ways. He erects buildings upon it, and if it is a farm he makes it productive and profitable. The other 10-acre tract is held by a man who is shiftless, indifferent, and a drunkard, possibly, and he leaves it to the care of his wife and children, and it grows up in ragweeds. Isn't it a fact that under that condition the thrifty man, the industrious man, the well-intentioned citizen pays the burden of the tax, while the shiftless fellow does not?

Mr. RALSTON. Exactly the reverse. Assume two tracts to be of the same natural value, if you please, because of their location.

Mr. MOORE. In the beginning.

Mr. RALSTON. Then the tax would be upon the privilege of ownership, which would be exactly the same in either case.

Mr. MOORE. Well, that means that if the 10-acre tract has more value to me than it has to you who has developed it, I can outbid you for the tract and take it.

Mr. RALSTON. We are not going into the question of bidding.

Mr. MOORE. If that illustration does not fit, suppose a shiftless man had allowed it to run down so that no one dared to bid for it. wouldn't the condition be the same, that the thrifty man who had made good would pay the tax, and the other man who had put his land out of business would not pay?

Mr. RALSTON. If no one cared to bid for the land, to use your expression, because it was run down, it would simply be because it had no social value, and the same thing would be true of the adjoining tract. It would be so far from civilization, perhaps, in some ways that the land adjoining would be exactly in the same condition, that there would be nothing on either.

Mr. MOORE. What would there be to induce the improvement of the 10-acre tract that stood idle and was running to waste. What would we get out of it?

Mr. RALSTON. The longer it was held idle under the proposition I am advancing, the larger would be the burden upon it and the greater the necessity that the landowner should put it to profitable use for the benefit of the community and for his individual benefit.

Mr. MOORE. I am getting the practicable side. We want the revenue, and you are advancing the idea to get it out of the land.

Mr. RALSTON. Let me speak of it in a large way.

Mr. MOORE. But if you applied this to two pieces of ground on which farmers are working, one rotating his crops and fertilizing regularly and the other planting corn only until he uses up the soil, you would under your system of taxation put the chief burden upon the thrifty man as against the man who made the land worthless, would you not ?

Mr. RALSTON. I think we make it very unprofitable for the shiftless man to hold his lands in a shiftless way.

Mr. MOORE. Well, he is working the ground out and getting everything out of it that was in it and leaving nothing for the Government, because no one wants to take the land after he uses it. The thrifty man still remains, is a prudent man, as well as a profit maker, and a revenue producer and the other isn't. That is what I want to bring out, since we are considering the raising of revenue.

Mr. RALSTON. Now, let me speak of it in a large way, and perhaps some of the minor conditions will fall under the important head.

We are at the present time in the condition of increasing land monopoly in this country. One illustration of it is in the fact referred to in the Manly report for the recent industrial commission, that at the time that report was made, or shortly before, 37 per cent of the farms in this country were being held by tenants. That would seem to me to be a clear indication that our present methods of land holding are wrong; and that coupled with the fact that there had been an increase of between 20 and 30 per cent in the tenant farmers within the then preceding 10 years. So that, as far as farms are concerned, if we may trust such information as is open to us, the farms are drifting from the hands of the independent owners into the hands of men who are tenants, paying for the privilege of living to other people.

We have, of course, a similar accentuated condition in the cities. I think I am not far wrong when I say that in Mr. Moore's city, which is spoken of, by way of contrast to other cities, as a city of homes, only in the neighborhood of 30 per cent, or perhaps even less, of the families of Philadelphia live in their own homes. A few years ago in Washington, which is sometimes spoken of similarly, the proportion was 25 per cent, in Baltimore between 25 and 30 per cent, and so on. In New York City the percentage of people living in their own homes runs down to an infinitely small one. So that under our present system, which taxes industry, which does not particularly tax land monopoly, we have the land going constantly into the hands of comparatively few men; and unless something is done about it, when our men return, the conditions will be absolutely worse instead of better; and they, finding themselves for the time being out of occupation, desiring to use land in some shape or another, will find it still more difficult than it was when they went away to get the land on which they must live, and on which they may hope to prosper.

But I want to add this, and to emphasize this, if I may: The land of the cities has under our present system gone into the hands of relatively few, and in large tracts. Our great land areas are either by fee-simple ownership or by the possession of unused leases, in the hands of comparatively few. You gentlemen have created taxes on war revenues. You have increased the income tax. You have plucked the flowers of industry, so to speak; you have not gone to the root or the trunk. Take, for instance, the Steel Trust, which will serve as an illustration, while I may not go into all the details of it. Take the Steel Trust; you are taxing its income or its excess profits, but you are leaving it in the absolute and uncontrolled disposition of its monopoly.

Its monopoly — and it has a monopoly, and a very dangerous one, if you please — lies in its ownership of tremendous beds of ore; lies in its ownership of leases of those same tremendous beds of ore. As I am informed, only a small percentage of those leases are being worked by it. Now, here are these tremendous beds, here are these tremendous sources of wealth, going into the hundreds of millions and billions — and untold billions — of dollars, which remain untouched by any legislation of Congress, and you have here the potentiality of meeting the entire

financial situation confronting this country by going right at the foundation of things, instead of going at the results of industry applied to that foundation. So it remains true in our cities, and you have it, if you please --

Mr. MOORE. Mr. Ralston, you are aware, of course, that real estate is taxed by the States, and rather heavily taxed at the present time. Do you think that a Government tax on real estate, if it were constitutional or permissible, would produce enough revenue to meet the situation that confronts us now ?

Mr. RALSTON. It seems to me beyond all question. You have this to bear in mind. The State and county, and so on, tax—

Mr. MOORE. Would not the burden of that tax fall on communities that are already very heavily taxed — such a community as New York, for instance?

Mr. RALSTON. The word "heavily" taxed is, if you will pardon me, a rather uncertain word.

Mr. MOORE. You spoke of iron mines a while ago, controlled by large corporations. I assume that they would be practically worthless for the purpose of taxation or for the purpose of development without some corporate instrumentality for making them productive. If it should be discovered that there was an ore bed in the middle of the Desert of Sahara, for the individual prospector to derive anything from that I assume it would require corporate action to get the product?

Mr. RALSTON. Yes, altogether.

Mr. MOORE. How could we derive any taxation under such circumstances without a corporation or a united agency to get the material and put it on the market?

Mr. RALSTON. I am going to grant that, absolutely; but we do not need to have that corporate agency holding immense tracts, if you please, of ore and of coal, out of use. By its very ownership and possession it stands in the way of some other corporate agency putting that land to use.

Mr. MOORE. While the Rocky Mountains might be subject to taxation on land values now, I suppose it would be very trifling. I do not know just from whom we would collect. But it might be that somewhere embedded in the Rocky Mountains there is very great wealth that would require a large community of interest to develop, involving the accumulation and expenditure of millions of dollars. There would be no value there for taxable purposes, I assume, until that wealth was brought out.

Mr. RALSTON. Yes.

Mr. MOORE. It could only be brought out by such agencies as are now subject to taxation. You would not discourage those agencies from getting into action

Mr. RALSTON. No.

Mr. MOORE (continuing). By attempting to raise your national revenue from land which upon the surface is worthless?

Mr. RALSTON. No. We do discourage those agencies. Congress may not; although it does, I think, in certain ways which I do not want to enter into the argument of. The States directly and distinctly discourage those agencies in almost every way they can think of. They tax them on every single thing it is necessary to do when they start to make those developments. They do that now. I think that is a bad tax, but it is common throughout all the United States, practically. It is not common in every part of the world. It is becoming less common in certain parts of the world, but is common enough here.

I wanted to speak, if you please, of the position in which the United States is left today here in Washington by its present system. The Government wants to buy land here in the District of Columbia, and it does not do it; it uses land that is less available, that it can perhaps get at. Or, if it buys land, it is at an extraordinary price; and when it gets into the market as a purchaser, it immediately finds that the value of the land is so high that the Government itself is discouraged from building here in Washington and developing it. The source and cause of that wealth represented in the land values is the Government itself. It has brought its activities here; it has brought its thousands and tens of thousands of employees here. It has contributed to build up the land values of Washington; and the instant it concludes or wants to use any of those lands, the value which it has itself created is used against it. Now, that is the ordinary condition here; not particularly to be criticised if we accept the existing order of taxation; but it is the condition which exists in practically every other city of the United States. The Government of the United States stumbles all over itself in the treatment of the land question in the District of Columbia; and the governments of every State and of every city in the United States are likewise stumbling all over themselves, and placing obstacles in the way of their own industry.

Now, it seems to me that a tax which will make it less profitable for the land to remain in the hands of those who are forestalling industry in the broadest and most complete way possible, a tax which will attack the forestallers while they are in the act of forestalling, will be something of the very highest possible value. And they can not complain of it — with justice. We may complain of the most just thing in the world, of course. They can not complain of it with justice, because the thing they have, and the thing which we are suggesting Congress should tax, is the creation of the community, and the proposition is that there be taxed back into the public revenues the very thing which the whole community has created. Now that, as I say, is the proposition, and it seems to me that viewing

it largely, we are bound to see that a tax of that kind is going to open up opportunities, and we are going to need them opened up by the millions, very shortly. It is going to open up opportunities of every kind in the city and in the country, in the mountains and in the plains equally. And that will be done, as I say, for the use, for the benefit, of those who are coming back, and who will feel on coming back, with these opportunities opening up, that they themselves have a stake in the land, and that they are not abroad "fighting for a boarding house," as it has sometimes been expressed, but that they have their fair share, and their opportunity in life, as the result, if you please, in part, of congressional action. Now, I have spoken quite as long as I had in anticipation to speak, and I want to ask permission of the committee to submit as a part of my remarks a draft bill — suggestion — and a short article which I wrote some time ago addressed to the same general subject.

Mr. MOORE. What is the main purpose of the bill, Mr. Ralston? What is the title of it?

Mr. RALSTON. The title of the bill is "An act to provide for the raising of public revenues by tax upon the privilege of the use and enjoyment of lands of large value," commencing with \$25,000 as a minimum land value as the subject of taxation.

Mr. MOORE. I do not want to press you for an answer to the question I put to you at first. It seems to me it reaches the very marrow of the whole matter. Whether in going after the large and valuable lands for revenue purposes we do not discourage the use of poorer lands, which by virtue of the fact that their purchasers are not able to hold them and pay the taxation, would fall into the hands of the Government and become a burden to it?

Mr. RALSTON. I can conceive that there is today land so poor in quality that if a tax were put upon it it would fall into the hands of the Government. I can also conceive, because I know it to be a fact — we all know it — that there are immense tracts of good land, upon which people ought to be working today, where they are not working, and which would be brought into use by an increased tax upon it, the present holders not being then able longer to hold the land without putting it to productive use.

Mr. MOORE. We have millions of acres along the Atlantic Coast today awaiting the hand of the tiller. No one comes to take it. No one wants to utilize it. Some prefer to go West and settle upon arid lands and wait for irrigation and the fruition of crops which come along in a period of five or more years. Those lands, I assume, are not productive for revenue purposes

Mr. RALSTON. Yes.

Mr. MOORE (continuing). It seems to me we would add to the burden of those landowners in the neighborhood of large communities like Baltimore, Philadelphia, New York, Boston, Chicago, and other large cities, and would release from a large portion of the burden of taxation those who had been the owners or were the owners of those poor lands which by virtue of taxation — of revenue raising taxation — would now probably fall into the hands of the Government.

Mr. RALSTON. You have within the close neighborhood of New York City immense tracts of land which are out of use. If the farmer desires to go to those lands and use them today he is asked such a price for them — frequently unproductive: at least they have not been used for production — that he can not apply his industry to those lands and produce the food and other things that the city of New York and other parts of the country absolutely need. That is the condition today; and he therefore is compelled very likely to surrender the possibility of using lands at his doors, almost, and is driven out to the arid lands of New Mexico or Arizona or some other place to get land which, comparatively speaking, is after all cheaper.

Mr. MOORE. It is a fact which can not be disputed that good farming land is going begging now in certain parts of New Jersey and Pennsylvania, in places so close to markets that there is no question about the value of the land. The question of farm labor, of course, enters into it; but there is no scarcity of land. Some of it may be poor, but it requires cultivation to make it productive. Now, I understand that the war might increase land values if the Government should locate in a special place a shipbuilding plant or a munition plant or something of that kind. Then, of course, values would jump, and land become productive; but a man might wait and hold land of that kind for a hundred years and unless some such accident as that of a war came along it would be unprofitable to him, and a burden of which he might desire to rid himself.

Mr. RALSTON. I can conceive, if you please, the possibility of that existing under certain circumstances; but if it were good farm land the farmer would not go from the neighborhood of New York City or Philadelphia away out West to almost impossible locations unless the price at which this land is going begging is a price in excess, everything considered, of its real value.

The farm question, of course, is but one of a good many phases of the whole thing, and in many respects perhaps not the most important. I say that bearing in mind the fact, which is stated by Mr. Willock and is well known, that the land values of New York City are far and away in excess of the land values of many States taken together.

Mr. MOORE. That is exceptional, of course.

Mr. HALSTON. Yes; and in my own State, in Baltimore, the land values there, of perhaps 1 or 2 acres are in excess of the assessed land values of whole counties in the States.

If I may submit these matters to be incorporated in the record, I will do so.

Mr. RAINEY (in the chair). Without objection they will be incorporated.

(The papers submitted by Mr. Ralston are here printed in full, as follows:)

AN ACT To provide for the raising of public revenues by a tax upon the privilege of the use and enjoyment of lands of large value.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That for the purposes of this act land is defined to be the surface of the ground, with all easements in, on, and over the same, whether covered by water or not, and including water powers and rights, natural growths, if any, of land, and including wild forests, natural deposits of coal, minerals of all kinds, oils, gases, peats, waters and other substances, and not including improvements the result in whole or in part of the application of labor to land.

SEC. 2. All persons, firms, associations, and corporations owning land in value in excess of \$25,000, whether in possession or leased to others, shall be subject to an excise tax upon the privilege of the use and enjoyment of such excess at the rate of ___ per cent upon the first \$200,000 or part thereof of such excess, ___ per cent upon the excess over \$250,000 or any part thereof in total value up to \$1,000,000, and ___ per cent upon the excess in total value over \$1,000,000. Where land is leased and the value of the lease is in excess of \$25,000, such value shall be deducted from consideration in determining the tax to be assessed against the owner, and shall be charged against the lessee. Where the title to land is held in common or by entireties, or in joint tenancies or subject to estates of dower or life estates or otherwise, so that the several ownerships make up the complete legal title and the entire ownership has a value in excess of \$25,000, then the several owners shall pay an excise tax based upon their proportionate share in the ownership, and for the purpose of estimating the value of the proportionate share of those owning estates less than an unqualified fee simple, the Commissioner of Internal Revenue shall establish rules based upon average life expectancy or otherwise as the case may be.

SEC. 3. It shall be the duty of every owner of any interests in land, including those holding an active trusteeship, held either in fee or in lease, the value of the fee or lease of which is in excess of \$25,000, to report his interests therein before March first of each year to the Commissioner of Internal Revenue on blanks to be prepared by him. Such blanks shall contain, among other things, provisions for the following information:

Tracts in which an interest is held and nature and extent of interest, price paid by taxpayer or, if he received the same by gift or inheritance, the amount paid by his predecessor in interest for the entire tract with its improvements, if any: valuation placed upon entire land (or lease or interest therein) by taxpayer; offers received by taxpayer for any parcel of such land or interest therein within the two previous years; price at which taxpayer within such period has offered land or any part thereof for sale; value of improvements upon land and price at which improvements have been reckoned in any offer of sale; amount spent by taxpayer or, so far as he knows, any other person in making improvements; net price at which owner would be willing to sell land with and without improvements; assessed value of land for all purposes with separate value of improvements if given separately on tax books. Such return shall not be conclusive of the value of the land, but the Commissioner of Internal Revenue shall determine therefrom, and from such other data as he may obtain, the true value of the land holdings of any taxpayer. The returns shall be as of the date of the preceding December thirty-first. But in any proceeding of condemnation or otherwise in which the United States may be concerned, said return may be used as evidence of facts therein stated as of the date of the return.

It shall be the duty of the taxpayer in the event of the sale of all or any part of the land of which he has reported himself the owner, or any assignment of lease thereof within the calendar year in which his report is made, to report to the Commissioner of Internal Revenue the price at which said sale or assignment may have taken place.

SEC. 4. It shall be the duty of the Commissioner of Internal Revenue on or before the first day of June in each year to mail to the taxpayer a statement showing the amount of taxes due and payable by him, but a failure on his part to mail the same or on the part of the taxpayer to receive it, shall not invalidate the assessment or relieve the taxpayer of his duty to pay, such payment in all cases to be made before the first day of July following.

In the event that the payment is not made as herein directed, the taxpayer shall be subject to an additional payment of five per cent, and an additional payment of one per cent for each month it shall be delayed, and no conveyance made by him shall be admitted to record of date on or after July first of any year, unless he shall have first procured from the Commissioner of Internal Revenue and exhibited to the recording officer a certificate that all taxes under this act are paid, which certificate may be recorded once for all in the office of the recording officer.

SEC. 5. In so far as practicable, sections thirty-one hundred and seventy-three and thirty-one hundred and seventy-six of the Revised Statutes of the United States

as amended, and sections seventeen and eighteen as amended by the act of October third, nineteen hundred and seventeen, and sections nineteen, twenty, twenty-one, and twenty-two of the act approved September eighth, nineteen hundred and sixteen, shall apply to the terms of this act.

SEC. 6. The Commissioner of Internal Revenue is authorized to make all rules and regulations necessary to enforce the provisions of this act. '

SEC. 7. This act shall apply to the United States, the Philippine Islands, and Porto Rico.

IS LAND VALUE TAXATION UNCONSTITUTIONAL? [By Jackson H. Ralston.]

In view of the constitutional provision requiring direct taxes to be apportioned among the several States according to population, is it possible with fairness to adopt for national purposes taxation on the unimproved value of land? This question is* not susceptible of easy answer.

The Supreme Court has defined direct taxes to mean taxes levied upon real estate and poll or capitation taxes. The first of these classes would undoubtedly include taxes levied either upon land or improvements, or both.

The Crosser bill proposes to apportion direct taxes on the value of land, exclusive of improvements, among the several States according to population. Undoubtedly it would seem that such a tax was absolutely constitutional, being a direct tax apportioned as the Constitution provides. It would not, however, be a fair tax because the relation between the value of land to the population is by no means uniform. A State wherein there are large cities and where consequently the ability to produce wealth is intensified and magnified, will have a land value per head, much greater than that which exists in a State of like population, but having its inhabitants scattered among unimportant centers. The strict application of the Crosser bill, therefore, would make the tax on land values in a State like New York much less in proportion to value upon the land taxed than would be the case in Alabama, Mississippi, and Arkansas, for example.

On the other hand, a tax which would ignore State lines and be charged upon real estate or land value only everywhere, according to its value, would be so far unconstitutional that it would not receive any reasonable consideration by Congress.

Is the proposition, therefore, unsolvable? I think not. A solution, however, must be found in a direction different from those so far pursued.

The holding of land by one individual to the exclusion of all others is entirely due to conventional arrangements. Without the convention, it does not exist. This has

been recognized more than once by legal writers. Blackstone maintains it in the first chapter of the second book of his Commentaries, wherein he says:

"There is no foundation in nature or in natural law why a set of words upon parchment should convey the dominion of land; why the son should have a right to exclude his fellow-creatures from a determinate spot of ground, because his father had done so before him; or why the occupier of a particular field or of a jewel, when lying on his death bed and no longer able to maintain possession, should be entitled to tell the rest of the world which of them should enjoy it after him."

The right to hold land, therefore, being purely conventional, is to be treated as a privilege, and while the land itself may not be taxed, the privilege—the franchise to hold and use—is fairly the subject of taxation. It differs in no wise from the franchise of a corporation, whose property is taxed separately from the right to hold and control its property.

The tax, therefore, which I propose is a tax upon the individual who holds land, and I would have that tax apportioned to the value of the privilege he enjoys. The value of this privilege is shown by the value of the land he owns, irrespective of the improvements upon that land. The United States, then, would not be concerned in any way with the use he made of his privilege, but only in the fact of its existence, irrespective of the place of its exercise.

The reasoning upon which such a tax would be based would be exactly parallel to that upon which inheritance taxes are based. The courts do not consider that inheritance taxes are upon the thing inherited, but upon the right—the privilege—of inheritance, the value of which privilege is measured by the value of the thing inherited.

An interesting illustration of the underlying principle is afforded by certain distillery taxes which are estimated, not upon the amount of whisky produced in the distillery, or upon the value of the machinery, but by the capacity of the distillery. Laying aside the element of speculation, this is the groundwork of the value of land—its capacity to produce wealth.

Another suggestion remains to be made. If I am right in my premises, it is not necessary that all classes of landed privileges should be taxed at the same moment. The experiment may be made progressively. We can start, for example, by a tax upon the privilege of holding land primarily valuable for mineral productions. We can tax the privilege of holding agricultural lands in excess of 1,000 acres, and other modifications may be possible.

The Industrial Commission in its latest report has pointed out the terrible effects of land monopoly, ownership extending even to tracts comparable in size with

States of the Union. This problem can be met and with tremendous efficiency, if we have the courage to address ourself to it, in the manner I have outlined.

STATEMENT OF MR. WESTERN STARR, FARMER, BALTIMORE, MD.

Mr. RAINEY. State your full name, residence, and occupation, Mr. Starr.

Mr. STARR. My name is Western Starr, and I am a farmer; Baltimore, Md.

My understanding is that this committee is sitting for the purpose of finding ways of getting revenue.

Mr. RAINEY. You are right. We have not found very many, however, yet.

Mr. STARR. If I could show you a way whereby you could get \$4,000,000,000 of annually increased revenue, without laying an additional penny of the burden upon production or consumption, I do not know whether this august body would snap at it or not.

Mr. LONGWORTH. We would.

Mr. STARR. But I have been told by the governors of more than one State that if I could show them how to raise a million more they would be glad to do it.

I want to state in a preliminary way one or two very simple fundamentals in order that my thought may be made clear and the philosophy on which I present my case may be understood.

As was told to you this morning by Mr. White, we have the highest of authority and conservative opinion for the belief that there are only two possible sources of public revenue: One is by taxing land and, as Hamilton stated, the other was "taxing commerce." I translate the word "commerce" into the word "labor," and those are the two only possible sources from which public revenue can be derived — land, which is opportunity; and labor, which is energy expended upon opportunity.

I see no objection in a time of emergency and stress to taxing both and getting all possible revenue from both. But our course in the past has been to take it almost entirely from the products of labor. Our taxation system, our entire revenue system, has been adapted for the protection of the monopolistic landowner, for the man who controls opportunity, without laying the burden at all upon him and taking practically all of our revenues from the products of labor.

There are two policies always at work in every nation: One is public policy and the other is private policy; and those two policies are in constant conflict with each other; and public policy seems to have been a kind of a composite photograph of conflicting private policy, and private policy, which seemed to be predominant, had its way.

You want some concrete propositions, and this morning my friend and colleague, Mr. White, was asked if he had any definite, concrete suggestions to make. You have had two bills pending before Congress, and whether they have been presented before this committee, except in one instance, I am not prepared to say. There was one of them presented the other day. Either one of those will suit me, or a modification of either one of them will suit me. The claim is made that the Constitution, which requires that direct taxes should be laid in proportion to the population in the several States, is completely met by either one of those bills, because the values of land make naked opportunity in this country, and in all countries, a direct reflection of the pressure of population, a direct reflection of the numerical population of the districts where the land exists. The land which we are holding out of use is opportunity. We want that opportunity brought into production. The highest test of the civilization of any country is its capacity to produce, and we, following older examples, have simply suppressed production; we have premiumized lack of production by penalizing production. There can be no production without access to opportunity. We propose to open opportunity.

The total annual production of wealth in the Republic to-day, the net increment of all annual production in the country, has been estimated all the way from twenty-five to forty billion dollars a year. One-half of that production goes to-day into the hands of the man who collects the rent, because, roughly speaking, while it may differ and vary in different sections of the country, the value of the improvements upon land are not equal to the value of the land. The improvements in New York City do not begin to compare in value with the land on which they stand, and it does not make any difference whether it is a city or a vacant area owned by a railroad company along a land grant, or a strip of land reaching from New York City to Chicago, the man who has the right to control the use of that land has the right to determine the terms and conditions upon which the man who lives upon the land is there. I, as a farmer, when a man comes to me and asks me for a job, say, "Yes; I can give you a job; I can put you to work." And the first question is, "What are you going to pay me?" I have been in the habit of paying one-third of what he could earn. Of course, I say, "I will pay you the going wages of the community," which, up to four or five years ago, in my section, were \$25 a month, and I would not have a man on the place who could not earn \$60 for me, out of which I could pay him the \$25. I am operating a farm that is altogether too big for any one man to operate. Five hundred acres is more than any one man can cultivate. But not a man could work on that land and cultivate it except on my terms; and when I rented out my land and said, "You pay me one-half of all you can produce before you begin to enjoy the other half," I was simply enjoying and

taking to my own profit the landlord's rights. And that applies to city lots, or strips of rights of way as well as to farm areas.

You, of course, are well aware that more than half the actual operating farmers and cultivators of the soil are tenant farmers or hired men—men who have not and can not get opportunity for themselves, under their own control, and they have to give away more than half of what they produce in order to enjoy the residuum of what is left.

Out of this annual increment of wealth checks in the form of rent are put into the pockets of the landlord. I do not propose now at this time to say we are going to take it all. But we will take such a proportion of it as can be an initiation of the program, and I want to say to you gentlemen that it is my confident and candid belief that there will not be one single penny of the enormous mass of the war debts that are being piled up in the world to-day ever paid unless you pay it out of this fund that I am speaking of.

This will result in satisfying every complaint that has been made before this body from the time it began to sit to this session. I have sat here day after day, and I have heard the automobile men and the moving-picture men, and the insurance men, and the dry goods jobbers, and the coal men, and the representatives of almost every class of industry that is represented in our Republic come here and say, "We are willing for you to do just what you are doing now, but we can not stand any more."

The suggestion I make to you will relieve all those men, because they are operating industries in production. We will not lay a penny of tax on production; we take it off of production in so far as we establish this system. That is what we want to do, and we show you where that lies and where you can get it. The machinery to do that is already in existence; you do not have to change more than two letters in the law.

There are assessors in every county, in almost every town. Every piece of real estate in the country that is privately owned is recorded, and it is in the books, and all you have got to do is to go there and accept it. You can make out of every collector in the United States a deputy Federal officer to report to the Secretary of the Treasury. We know what the rent is. The question of determination of what is the value of the piece of property is determined automatically by what anybody would be willing to pay for the right to use it for a period of time. We do not want anything that the man produces with his own labor. We simply want what the monopolist takes out of what he produces and puts in his pocket.

When the chairman of this committee rose on the floor of the House a year ago and said that they had "raked the country with a fine-toothed comb," or substantially that, to find possible sources of additional revenue, I smiled. He

simply stepped over great big fat sheaves of bursting grain to pick up three or four rotten straw on the other side.

Here is this fund, which is the natural fund, created by the community, and, I believe, belonging to the community, and instead of taking the part of it that you need, you are going into the pockets of the washerwoman and the street car motorman and conductor and making him cough up out of his meager earnings.

I think that expresses my position. I think you get my point of view.

Mr. OLDFIELD. What would be the rate of levy of the tax ?

Mr. STARK. Whatever you propose. If you want 2 per cent, or 10 per cent, say what you want, and take it.

Mr. OLDFIELD. What will 1 per cent yield ?

Mr. STARR. One per cent will produce \$40,000,000.

Mr. OLDFIELD. And 10 per cent will produce \$400,000,000.

Mr. STARR. Yes. One point this committee wants to remember. That there is an identity between the political, the economic, and the ethical phases of this whole proposition, and no proposition can be politically sound that is morally wrong; no proposition can be economically true that is ethically false. I just want that understood, because that has got to be the key to the whole solution of this problem.