FALSE EDUCATION
IN OUR COLLEGES AND UNIVERSITIES

An Expose of Prof. Richard T. Ely and His "Institute for Research in Land Economics and Public Utilities"

SHOWING HOW A GIGANTIC, NATION-WIDE SCHEME, BACKED BY SPECIAL INTERESTS, ENGINEERED BY PROF. RICHARD T. ELY AND MASQUERADING UNDER THE GUISE OF "RESEARCH," HAS BEEN SET ON FOOT IN OUR EDUCATIONAL INSTITUTIONS TO LEAD THE PEOPLE, NOT TOWARDS THE RIGHT SOLUTION OF OUR ECONOMIC PROBLEMS, BUT AWAY FROM IT

BY
EMIL OLIVER JORGENSEN
Director of the Bureau of Information of the Manufacturers and Merchants Federal Tax League
Published in 1925 by the
MANUFACTURERS AND MERCHANTS FEDERAL TAX LEAGUE
1346 ALTGELD STREET
CHICAGO

Emil O. Jorgensen
False Education
in Our
Colleges and Universities
First published 1925
by
Manufacturers And Merchants Federal Tax League
*
This issue 2024 by grundskyld.dk

Some Tables and figures not reproduced.

Content

False Education In Our Colleges And Universities 9
Chapter I—Introductory 10
Chapter II—Prof. Ely's Institute—Its Origin and Growth 18
Chapter III—An Examination of Prof. Ely's Three "Key" Books ...33
Chapter IV—Prof. Ely Answers Our Charges—
The Insufficiency of His Answer.....45
Chapter V— The Fallacies of Prof. Ely.....50
Chapter VI —Conclusion 226

AN APPEAL TO THE AMERICAN PUBLIC

"There are plenty of scoundrels," says Theodore Roosevelt in one of his famous essays, "who are always prompt to steal the watchwords of righteousness and use them in the interests of evil doing." One of these watchwords, Mr. Roosevelt goes on to explain, is "patriotism," another is "Americanism," and still another is "reform."

What Mr. Roosevelt has observed of the words "patriotism" and "Americanism" and "reform" may now properly be said of the word "research"—a word that is more and more being used in our colleges and universities, and in whose behalf larger and larger sums are annually being spent.

What is "research"? Research is the probe for truth. It is the hunt for cold and unvarnished fact. It is the faithful gathering of all information and evidence relating to a given problem and the careful analysis of this information and evidence for the purpose of reaching a disinterested, sound and logical conclusion. True research is, therefore, the highest as well as the most practical and convincing form of education that colleges and universities can carry on, and he who in any manner helps to promote the cause of such research deserves the sincere thanks of all mankind.

But while research is, when conducted honestly and impartially, the highest form of education that colleges and universities can carry on, it is also, when conducted dishonestly and prejudicially, the lowest and most dangerous form of miseducation conceivable.

For the very word "research," when coming from an institution of learning, gives confidence. It carries authority. It compels belief. Suggesting as it does open-mindedness, patience, impartiality, fearless-ness, sincerity, scientific procedure, etc., it possesses all the qualities and virtues that inspire men’s faith in the final "conclusions" of those who use the term. Hence, when the word "research" is employed in educational institutions for a purpose that is very contrary to the common conception of the term, when it is used to cloak a selfish object and to lead the mind away from truth instead of towards it, then it constitutes a gross betrayal of the public trust, a betrayal which is worse than treason.

That just such a base and fraudulent use of the word "research" is now being made in the schools, colleges and universities of the na-

tion by an organization which calls itself the "Institute for Research in Land Economics and Public Utilities," it has been the purpose of Mr. Jorgensen in this book to show.

Briefly, the outstanding facts in Mr. Jorgensen's whole story are these:

In 1919, a group of men representing the various branches of manufacturing, trade and agriculture—a group of men in whose minds the conviction had long been growing that the only sound, just and practical solution of our serious economic problems, and particularly our problems of land and taxation, lies, as Henry George has said, in transferring all taxes from the products of human industry to the socially-created value of land—in 1919, this group of men met in Chicago and formed what is now called the Manufacturers and Merchants Federal Tax League. The objects of this League from the very beginning were two-fold: (1) to carry on a general campaign of education showing why all taxes should be gradually shifted from the fruits of capital and labor to the unearned value of land; and (2) to sponsor a federal tax bill that would take the first sane and practical step in this direction.

In the first year of its existence the Manufacturers and Merchants Federal Tax League had its bill for the taxation of land values introduccd into Congress and raised and spent in behalf of the bill approximately $30,000. More than one million circulars and pamphlets were distributed throughout the country during these twelve months, much favorable sentiment was created, but the forces of opposition were aroused to a degree of frenzy. A pitched battle between the League and the land monopoly interests followed and the year ended with the ranks of the former badly shattered by the misrepresentations of the latter, but with the League more determined than ever to push its task to a successful conclusion.

At the close of 1920—just one and a half years after the Manufacturers and Merchants Federal Tax League had begun its work—a significant thinf happened. The "Institute for Research in Land Economics," under the direction of Prof. Richard T. Ely, was founded in the University of Wiscon in. As announced at the time the object or this Institute (which has since moved its headquarters to Northwestern University in Evanston, Ill.,) was to make an "exhaustive," "impartial" and "absolutely disinterested" investigation into all the prob-

lems connected with land and taxation for the purpose of determining conclusively the correct solution of these problems.

The Manufacturers and Merchants Federal Tax League hailed the first news of the "Institute for Research in Land Economics" with glee. Why should it not? The League has nothing to lose by a thorough examination of the principles and policies for which it stands; on the contrary, it has everything to gain. For the Henry George proposition to abolish all taxation save that upon land values is sound. It is logical. It is practical. It is just. It is a proposition that can stand every test of good economics, of good morals and of good government. The more light, therefore, that is thrown upon this proposition, the sooner will the task of the League be over.

There is another reason also why the Manufacturers and Merchant Federal Tax League was glad to hear that an organization such a the Institute had been formed. For, no matter how good the intentions of a private organization may be, no matter how sound and practical and just the policies that it advocates are, the tendency of the people is always to look upon it with suspicion and doubt. A public organization on the other hand labors under no such immense disadvantages. If its leaders be professional educators of high reputation and its headquarters be established within university walls, the organization will command a confidence among the people that can carry everything before it. So the Federal Tax League naturally received the announcement of the birth of the "Institute for Research in Land Economics" in Wisconsin University with the greatest delight.

But the League's joy, as Mr. Jorgensen has well shown, was destined to be of short duration. The vast power for good possessed by the Institute was promptly turned into a staggering power for evil. Prof. Ely began the "impartial" and "disinterested" task of his Institute by throwing its whole influence with the land monopoly and privileged groups of the nation (his chief supporters financially); by writing for the National Association of Real Estate Boards a special inflammatory article against the bill sponsored by the Manufacturers and Merchants Federal Tax League; by condemning in every possible shape, form and manner the central principle for which the League stands—the untaxing of human industry—before any of the far-reaching facts regarding it had been gathered and studied; and by following this condemnation with a longer array of unwarranted

assumptions, false suggestions, misleading ideas, half-truths and outright misrepresentations regarding Henry George and his single-tax philosophy than can be found anywhere else in the whole history of economic literature!

But this is not all. Fearing that in spite of everything that had been done to prevent it, the Manufacturers and Merchants Federal Tax League might yet get its message to the people and convince them of its logic and justice, Prof. Ely has worked out for his "disinterested" Institute a program of continuous opposition—a program that for sheer cunning and magnitude has never been paralleled in the chronicles of history. Backed by the National Association of Real Estate Boards, the public utilities, the land speculation groups and various other semi-predatory organizations who are bearing the expenses of the Institute, Prof. Ely has perfected a plan by which, under the cloak of "research," he can creep into the schools, colleges and universities of the nation and from there pour out to the people through books, pamphlets, reports, lectures, magazine articles, news items, etc., a steady stream of half-truths, false suggestions and misleading ideas regarding the proposition to transfer taxes from the fruits of industry to land values, yet at the same time to have this misinformation so cleverly disguised and blessed with professional authority that there will be no doubt about its general acceptance.

Let no one question it: Since the organization of his Institute five years ago, as Mr. Jorgensen has shown, Prof. Ely has placed upon his Board of Trustees the names of nine prominent and influential men, one of whom is the General Counsel for the National Association of Real Estate Boards; has buttressed his literature with a so-called "Advisory Research Council" representing eight of the largest universities in America; has added to his personal "research" staff fifteen unsuspecting young men and women; has turned out of his Institute three crops of graduate students, most of whom have gone to teach in other institutions of learning; has launched one monthly paper and one large quarterly journal; has written and edited eleven of his proposed fifty volumes on land economics and related ubjects with sixteen more volumes in preparation; has borrowed from the United Y. M. C. A. Schools, as a means of securing confidence in these books, the use of their stamp; and has definitely established, through the National Association of Real Estate Boards, connections

with more than one hundred schools, colleges and universities of the nation!

What more need be said? An "Institute for Research" which commences it activities in such a manner cannot, by any stretch of the imagination, be called "unbiased" or "impartial" or "disinterested," but is a deception and fraud from beginning to end!

Ordinarily it would not be a part of the duty of the Manufacturers and Merchant Federal Tax League to bring matters of this kind before the American people. The League's sole purpose is to hold up to view what it sincerely believes to be the only rational solution of our grave economic problems, and to labor consistently for the removal of all those restrictions and burden that now retard improvement, depress business, cripple industry and prostrate agriculture.

But when the League sees the insidious efforts being made by special interests and organized Greed to defeat the very proposition it is working for—when it sees how, under the mask of "research," the educational institutions of the land are being corrupted, the sources of information are being poisoned, and the public mind is being swung, not toward what is for the good of all, but towards what is most profitable for a few—when the League sees this it cannot remain ilent. For such a base prostitution of our schools, college and universities constitutes, not merely a gross betrayal of the people's trust but an eminent danger to the freedom and welfare of the whole nation.

MANUFACTURERS AND MERCHANTS FEDERAL TAX LEAGUE.
Chicago, December, 1925.

False Education In Our Colleges And Universities

An Expose of Prof. Richard T. Ely and His "Institute for Research in Land Economics and Public Utilities"

[NOTE: The main contents of this book first appeared in series of articles written by the author for the monthly BULLETIN of the Manufacturers and Merchants Federal Tax League beginning July, 1924, and ending November, 1925. With the exception of eleven chapters which for lack of space, were omitted in the BULLETIN, and the addition of illustrations, the articles have been reprinted approximately as they appeared then.]

Chapter I—
Introductory

In June, 1924, we published in the BULLETIN of the Manufacturers and Merchants Federal Tax League, under the caption "Prostituting a Great State University," a brief editorial questioning the good faith of the "Institute for Research in Land Economics and Public Utilities"—an organization located in the University of Wisconsin[1] and the Director of which is Prof. Richard T. Ely of the Department of Economies.[2]

The substance of our editorial was that while this so-called "Institute for Research" has its domicile inside of the University, with a staff made up largely of professors from the University, "it is, from all that we are, able to find out, not financed by the University, but is supported entirely by private funds from the outside—funds contributed in the large by certain corporations and economic groups seeking to have privilege and monopoly taxed less and industry and consumption taxed more." We ended our editorial by urging all business men, farmers and other producers, if they value their liberties, to keep an eye on this "Institute."

Since this editorial appeared some highly interesting letters have been received from men and women in all parts of the country. Not a few of those writing to us—a good many more in fact than we thought there would be—have stated frankly that our editorial did not take them completely by surprise, that for some time past the suspi-

[1] [N.B.—This was written seventeen months ago. Since this time Prof. Ely has moved his Institute out of the State University of Wisconsin at Madison into Northwestern University at Evanston, Illinois,—the latter being a privately endowed institution noted for its conservatism and its friendliness for the monopoly powers-that-be. Although it is denied that the removal of Prof. Ely's Institute out of Wisconsin was in any way due to compulsion, it is a curious fact that no sooner had Prof. Ely gone than the Board of Regents voted that no more money "shall in future be accepted by or in behalf of the University of Wisconsin from any incorporated educational endowments or organizations of like character." See pages 154-155 of this book.]

[2] Among those appointed by Professor Ely to serve on the staff of his "Institute for Research" are: Richard T. Ely, Director, G. S. Wehrwein, M. G. Glaeser, B. H. Hibbard, Mary L. Shine, H. B. Dorau, Clam F. Widger, H. D. Simpson, E. W. Morehouse, E. W. Morehouse, etc….

cion has been strongly growing on them that the "Institute for Research in Land Economics and Public Utilities," is not exactly what it claims to be. Others have simply expressed amazement and astonishment at our remarks, but with the understanding that they would reserve judgment until a later day, while still others again have treated our editorial with profound contempt and attacked us with all the bitterness that they could muster for writing as we did.

We expected of course a merciless denunciation from certain quarters but we never anticipated such a cloud-burst of fire and brimstone for "spilling the beans" as we received. We are plainly told in some of these letters that our assertions regarding Professor Ely and the "Research brimstone Institute" over which he is Director, are not only "ridiculous and absurd," but "damnably false" from first to last; that "the Institute is not being financed by anybody from the out-side but is being supported by the University itself;" that even if it were financed by interests from the outside "there is no intention whatever to play into the hands of privilege;" that the sole purpose of the Institute" is not propaganda in any shape or form" but an absolutely" impartial and unprejudiced research into all the facts pertaining to land economics;" that the "high character of Professor Ely and his assistants in the State University of Wisconsin is a distinct guarantee that no selfish interests will be served;" and that our "insinuations to the contrary," are an "infamous slander of Professor Ely and the high-minded men who are working with him."

For which presumably we should be promptly hung, drawn and quartered!

Perhaps if some of our good correspondents had examined the evidence against Professor Ely and his "Institute" given on pages 280-288 of the recently published Report of the National Tax Relief Convention of the Manufacturers and Merchants Federal Tax League —a report which can be secured at any public library—they might not have been so hasty to chastise us in the manner that they have. But since some of them apparently have not read this Report a few additional remarks may not here be out of place.

If it be true, as some of our readers tell us, that the "Institute for Research in Land Economics and Public Utilities" is not being financed by private funds outside of the University, why is it that Professor Ely has never made a denial of this charge? Why, if the uni-

versity is supporting the Institute—as any work carried on within a State University and bearing the stamp of approval of that University should be supported—why is it that the good Professor does not make this fact clear? Moreover, how does it come that evidence is at hand to show that large sums are being donated to the Institute by self-seeking groups from the outside—donations that total up from all sources, if our information is correct, to an amount between $40,000 and $50,000 a year?

The fact of the matter is that the Institute whose headquarters are within the State University of Wisconsin is not being supported by the University—as the public welfare demands that it should be, and as some of our correspondents seem to think—but is being supported by various privileged individuals and monopolistic organizations from the outside whose past record shows that they are decidedly more interested in advancing their own personal gains than in contributing to the common good.

But the financing of the "Institute for Research in Land Economics and Public Utilities" by private funds, while significant, is not the worst thing that can be said against it. Two other charges may be named that are much graver than this. They are:

(1) That the Institute is not a bona fide "research" organization, as it claims and pretends to be.

(2) That the underlying purpose of the Institute is not the "impartial investigation" of principles and facts that will lead to knowledge, but subtle propaganda against certain far-reaching policies and in behalf of certain other policies—a purpose that Professor Ely emphatically denies.

Just what, in the language of Professor Ely, is the "Institute For Research in Land Economies and Public Utilities"? "It is," he says, "an incorporated, non-profit, educational institution" located in the University of "Wisconsin and "organized for the purpose of making an exhaustive, impartial, painstaking and truthful research into all the facts pertaining to land economics, including taxation,"—the final

object being of course to find the correct solution of our land and tax problems.[3]

How extensive shall the research work of the Institute be? It shall be nation-wide, even world-wide and will take many long years to complete. Professor Ely tells us that before the Institute is through "a series of over fifty volumes will be published on land economics and related subjects," besides numerous "bulletins, reports and scientific monographs,"—a gigantic task but one which, he says, will allow "definite conclusions to be formed for the guidance of state, national and international policy."

A truly great and noble effort—if sincere!

But there is one flaw in this vast and sweeping program. And it is a flaw that lets the whole cat out of the bag! The Institute begins its long task by announcing first, what could, in all logic and reason, only be announced last. It begins its work by laying down definite conclusions before it has gathered its facts. It starts off by vigorously declaring against certain far-reaching policies and in favor of certain other policies before it has made the necessary researches upon which any kind of policy can be based, and which researches, it says, it is going to make.

Now, there are many men and women of high and respected authority—and their numbers are steadily increasing, as an examination of the recently published Report of the Manufacturers and Merchants Federal Tax League will show—who hold that the only logical and true solution of both the land and tax problems is to abolish gradually

---

[3] "The Institute for Research in Land Economics and Public Utilities, as the name indicates, is an educational institution organized for the purpose of conducting research in the important fields of land economics and public utilities … No solution is likely to be at all adequate that is not based upon on full knowledge of the facts, and this requires careful and painstaking research; not research alone of public agencies, but research also of adequately financed private organizations or agencies. … Our Institute is appealing for funds to carry forward adequately the researches urgently demanded in the public interest, including the taxation of land. … It is our belief that as we receive contributions from various sources and as we are entirely independent, obligating ourselves simply to search for the truth regardless of any special interests, our results should command confidence."

Professor Richard T. Ely in the "Institute News," June, 1924; "Organization and Purpose of the Institute for Research in Land Economics and Public Utilities, p. 8; and the "Taxation of Farm Lands," p. 14.

all taxes on human industry and raise the public revenue from land values only. But the first three books published by this "Institute for Research"—three books called "The Outlines of Land Economics" and written by Dr. Ely himself for the guidance of the Institute in its future work—three books upon which the forty-seven or more books still to be issued by the Institute will be based—*these three books are filled from first to last with every conceivable "argument" AGAINST the taxation of land values in any shape, form or manner*!

Regardless of which side is right or wrong in the matter, can this procedure on the part of the Institute be called "research"? Is this "investigation"? Is this an "intelligent effort" and an "honest attempt" to dig out all the facts of the problem for the purpose of "finding the right answer" to our land and tax questions? We would call any physician who gave his prescription before he had made his diagnosis a quack. We would call any judge who sentenced a man before he had heard the evidence, a fakir or a fool. By the same token we must call any "Institute for Research" which lays down its conclusions before it has gathered its facts and which decides upon great public policies in advance of its investigations a sheer humbug and a fraud.

The real purpose of the "Institute for Research in Land Economics and Public Utilities" is plainly not research but propaganda. Its actual purpose is not, as it claims, to locate the correct solution of a great problem in land economics, but to hide this solution. That this is the real object of the Institute an abundance of evidence goes to show.

In the opinion of many leading men of authority—university professors, legislators, manufacturers, bankers, farmers, labor leaders, educators and other careful students of political economy—the only logical, sane and practical solution of the land and tax problems is, as has already been stated, to remove gradually all taxation from human industry and enterprise and to raise the public revenue by taxing the bare land of the nation, according to its value.

But this solution, while it would greatly benefit competitive business, industry and agriculture, would prove a death-blow to mere land speculation, monopoly of natural resources and legal privileges of various kinds. While it would enormously aid producers of wealth and all those who give service for service, it would, when fully applied, take away from the recipients of unearned incomes the billions they are now annually collecting from the people without rendering

any return. Naturally, therefore, the beneficiaries of monopoly and special privilege do not like this solution, nor do they like the steady progress that knowledge regarding it is making among thoughtful people in all walks of life. Hence strenuous efforts are now being put forth by them to obscure the issue, to divert the people's attention from it, and to prevent the true remedy for the ills of taxation and the evils of land monopoly from making further progress in the public mind. That the "Institute for Research in Land Economics and Public Utilities" is a subtle effort on the part of selfish interests to do this very thing, no one who has followed closely the activities of the Institute can doubt. Its primary purpose is not research, but propaganda. Its ultimate object is not to find the real remedy for the land and tax problems but to prevent this remedy from being found. These are serious charges. But if the charges are not true, why is the Institute struggling to mold public opinion away from the taxation of land-and-natural-resource values[4] instead of towards such taxation—especially when it is not a legitimate or proper function of any research organization to mould public opinion either one way or another!

Why, if the purpose of the Institute is "impartial and pain-staking research to find the solution of our land and tax problems," and not "propaganda to prevent this solution from being found," are the three basic books written by Dr. Ely himself for the guidance of the Institute in its future work, loaded with arguments against the taxation of land values in any shape or manner?[5] Why are hundreds of references given in these books to writers—many of them practically unheard of—who are known to be opposed to the taxation of land values and not one reference given to the numerous economists and great scholars who advocate such taxation? Is this the way that "impartial research work" should be conducted?

Why, if the object of the Institute is to "locate the correct solution of the land and tax problems" is it so intimately bound up with and

[4] See his "Characteristics and Classification of Land," "Cost and Income in Land Utilization," and "Land Policies," published by Edwards Brothers, Ann Arbor, Mich., 1922.

[5] Ibid.

supported by the very groups who have least to gain and most to lose by the pointing out of such a solution?[6]

Why does it favor raising more revenue from business, industry and consumption and oppose the raising of more revenue from the value of natural opportunities?

Why does it protest against any heavier taxation of vacant lands and idle natural resources—a policy that would have the most wholesome effect on the national prosperity—and urge the placing of heavier sales taxes on the food, clothing and shelter of the people—a policy that would only increase the cost of living and greatly add to the hardship of the public at large?

Why has it warned public utilities, railroads and other privileged organizations against fiscal measures that seek to tax the earnings of industry less and the unearned increment of land values more, and why is it even now cooperating with the National Transportation Institute—an association of railroad owners—in making a survey of city ground values and "finding results" that may aid in saving certain railroads hundreds of millions of unearned increment?

Why, if the aim of the Institute is "research" and not "propaganda" does it seek to arouse the farmer against the taxation of land-and-natural-resource values, when of all classes the farmer has most to gain by such taxation?

Why was the very first public statement issued by the Institute and signed by Professor B. H. Hibbard (a member of the staff), an attack on the Ralston-Nolan bill—a federal bill that had for its object the removal of a billion dollars of taxes from industry and consumption and a corresponding increase in taxes on the values of landed privileges and monopolies? Moreover why was this first public statement immediately published and distributed by the National Association of Real Estate Boards—an Association notorious for its defense of land

[6] In sending its first check of $3,000 to the "Institute," for instance, the Executive Secretary of the National Association of Real Estate Boards wrote the following letter to Prof. Ely (bold face ours): "I want to assure you that I think you are doing a splendid work, not only for the development in general of land economics, but for the benefit of our profession in Particular. Please accept my hearty congratulations on what has already been accomplished and be assured of my interest and support in your future efforts."

speculators and rent profiteers, and whose first check for $3,000 to the Institute was just then being written out?

Finally why, if the purpose of the Institute is impartial and painstaking research to find the true solution of our land and tax problems and not propaganda to prevent this solution from being found is it so anxious, before it has gathered its "facts" or made its sweeping "investigations," not only to cover the country with literature against the taxation of land values in any shape or form, but to have its students placed as "teachers" and "instructors in land economics" in all the high-schools, colleges and universities throughout the nation?[7]

We repeat it again: As an agency to advance the interests of industrial parasites and those who live on the sweat of other men's faces, the privately financed but university-cloaked "Institute for Research in Land Economics and Public Utilities" may be an excellent thing, but as an agency to find the true remedy for our grave economic problems and to lead business, industry and agriculture out of the dangerous difficulties into which they have fallen, it is the most gigantic humbug and fraud ever imposed on the American people.

[7] The Institute is striving in every way possible to have the results of its work spread as widely as possible. … One purpose of the teaching by the staff is to train workers for the Institute and for work in land economics and public utilities outside of the Institute. Men trained in land economics are wanted in the various state institutions of learning and in the United States Department of Agriculture. … Not only do we mean to extend the study of public utility and land problems in our universities and colleges, but we mean to extend our efforts in the direction of adult education. To this end we are co-operating not only with our own state university but also with other educational institutions of equal rank outside the state. Along the line of adult education we have associated with us the United Y, M, C. A. schools of the country, which, while not of University rank, are doing work of a high grade."—R. T. Ely in the "Institute News," June, 1924; also "Organization and Purposes of the Institute for Research in Land Economics and Public Utilities," p. 8.

Chapter II—
Prof. Ely's Institute—Its Origin and Growth

"Humbug" and "fraud" may not be the most polite terms to apply to the "Institute for Research in Land Economics and Public Utilities," sheltered, as this Institute is, within the walls of the staid old University of "Wisconsin, and having, as the Institute also does, so exalted a dignitary at its head as Professor Richard T. Ely. But the more one looks into the reasons for the existence of the Institute and examines the circumstances surrounding its origin and growth, the more one is led to the belief that these terms are not too harsh, but distinctly too mild.

To appreciate the full force of this statement it will be necessary to glance for a moment at the background of events that took place some twelve or eighteen months before Professor Ely's Institute was born.

We have already stated that for many years past the conviction has been steadily growing in the minds of thoughtful men everywhere, that the only sane, sound and practical solution of our pressing economic problems lies in abolishing the taxes on improvements, personal property and all the fruits of industry and in raising the public revenue from the value of the bare land only.

Now, of course, when any idea of a public character has progressed up to a certain point, it is only natural that those believing in it should get together and organize for more effective action. So, in 1919, after many conferences and much correspondence a body of men, representative of all classes in the economic fabric, met in Chicago and formed what was called for the time being and for all practical purposes the "Committee of Manufacturers and Merchants on Federal Taxation," with Mr. Otto Cullman of Chicago as its temporary chairman.

The purposes of this organization were essentially two-fold: (1) To carry on a general campaign of education showing why all taxes burdening human industry should be gradually abolished; and (2) to draft a federal tax bill that would take the first sane and practical step in this direction.

Accordingly such a bill was framed and introduced. It was drawn by Jackson H. Ralston, a prominent attorney of Washington, D. C., introduced into Congress on February 7, 1920, by Congressman of California and became known as the Ralston-Nolan bill (H. R. 12,397). Briefly, this bill purposed to reduce the federal tax burden on business, industry and agriculture about $1,000,000,000 by raising the same amount of revenue by a one per cent excise tax on the privilege of holding lands, natural resources and public franchises valued at more than $10,000, after deducting all improvements and other products of human industry.

Now, it is one thing to draft a measure and quite another thing to get it through. So, no sooner had the Ralston-Nolan bill been introduced than preparations were made to push it. Just how this was done may be seen from the following announcement, signed by the Chairman, Mr. Otto Cullman, and sent on March 15, 1920, to eight thousand newspapers and commercial organizations throughout the United States:

ON APRIL 1 this Committee will begin a vigorous and aggressive campaign in behalf of the Ralston-Nolan Federal Revenue Bill (H. R. 12397) now before the Ways and Means Committee in Washington.

THE PURPOSE of this bill is to reduce the excessive tax burden on business, industry, agriculture and other producing enterprises about $1,000,000,000 by raising the same revenue by a federal tax of one per cent on the privilege of holding land and natural resources valued (exclusive of improvements) at more than $10,000. "Land and natural resources" includes urban, agricultural, coal, oil, mineral, timber, waterpower, railroad rights-of-way and public franchises.

MORE THAN 7,000 business houses, have already endorsed the bill. An overwhelming majority, including farmers, laborers, and professional men, will endorse it when properly understood.

THE CAMPAIGN to be launched will be divided into two parts.

THE FIRST PART of the campaign will be educational only, and will last until Congress undertakes a revision of the federal revenue laws.

DURING THIS TIME a systematic effort will be made to inform businessmen, farmers and all others who may be interested, of the justice, the expediency, and the practicability of the proposed measure.

SPECIAL EMPHASIS will be laid, not merely on the folly of discouraging production by levying confiscatory taxes on thrift and enterprise, but on the extreme short-sightedness of encouraging non-production by levying practically no taxes on the monopoly of natural opportunities.

PARTICULAR ATTENTION will also be called, not only to the gross inequality of collecting over five-sixths of the federal revenue from productive industry and less than one-sixth from the privilege of land ownership, but to the ridiculous unfairness of allowing between $50,000,000,000 and $60,000,000,000 worth of vacant land and idle natural resources to escape the federal tax collector altogether!

LITERATURE setting forth the reasons for the adoption of the bill has already been printed and is now ready for distribution.

ORGANIZED OPPOSITION to the proposed law is expected but the effective distribution of from three million to five million pamphlets and circulars, together with the activities of a well organized Publicity Department, will be sufficient, it is believed, to overcome whatever opposition may arise.

GENERAL HEADQUARTERS during the educational part of the campaign will be in Chicago.

THE SEOOND PART of the program will be political. The interest of the public having once been sufficiently aroused, the energies of this Committee will be directed on Congress.

HEADQUARTERS during this part of the campaign will be in Washington.

Of course, no one connected with the Committee expected the bill to be passed the first year. What they did expect, however, was that it would draw "fire" and that a discussion and study of the bill would commence that would enable it to be passed in from three to six years.

The expectations of the Committee, in one respect at least, were more than realized. The bill did draw fire. And it was a fire that blazed forth with all the fury of a volcano. The announcement that an organization, not of professional reformers, but of practical-minded businessmen and economists proposed to levy a federal tax of one per cent on the unearned increment of land values in order to lighten by a billion dollars the tax load on producing enterprises staggered

the "vested interests." A tremor shot through the whole monopoly structure that shook it to the ground. Quickly the word was passed. The representatives of the land grant railroads, of the public utilities, of the National Association of Real Estate Boards, of the Mortgage Bankers, and of the various land speculation groups and "vested interests" who draw their predatory powers, not from the man-made structures that they own, but from the natural resources, monopolies and legal privileges that they control, met for common council. Behind closed doors they laid their plans. And with one accord they declared war.

But not openly!

"Stampede the farmers," whispered the spokesmen of the various groups. "Tell them that the Ralston-Nolan bill is a dastardly scheme to relieve the wealthy city man and place the whole tax burden on them."

And "stampede the farmers" they did. Never was a task carried out so completely. Within two months from the time the order was given the farmers of the nation were aroused; by the time summer was at hand they were in arms; when fall came they stood with determined faces and set jaws ready to defend with their very lives, if need be, their homes and their property from" confiscation" by those whom they honestly thought intended, not to lighten their tax burden, but to saddle upon them a crushing load of a billion dollars more![8]

[8] The following extracts from various farm papers illustrate how thoroughly they were "taken in":

"The purpose of the Ralston-Nolan bill is to shift a billion dollars annually in federal taxes from highly developed city properties to the rural sections of the country."—"Ohio Farmer," August 21, 1920.

"*Prairie Farmer* has printed more columns of material about the Ralston-Nolan bill to place a billion dollar tax on farm land than has any other farm paper."—*Prairie Farmer*, September 18, 1920.

"The Ralston-Nolan bill is a scheme to lift the burden of federal taxes to the extent of $1,000,000,000 from business enterprises, and place it upon agriculture."—*Orange Judd Farmer*, August 14, 1920.

"Passage of the Ralston-Nolan land tax bill, which would saddle a billion dollars extra in annual taxes on agricultural lands and natural resources is unfair and unreasonable and is aimed directly at the farmer."—*Journal of Agriculture*, October 1, 1920.

Now experience has taught us that while error and falsehood may lead in the beginning, truth will eventually get a hearing. So, something happened that the "vested interests," who sat watching the performance from the side lines, did not expect. The stampede of the farmers showed signs of slowing up. Rifts began to appear in their ranks. Questions were asked. Farm leaders rose and said that they were being "buncoed;" that the Ralston-Nolan bill would not injure, but would enormously benefit them. Moreover, respectable farm journals such as the Southland Farmer, the Southern Agriculturist, the Michigan Business Farmer, the Pennsylvania Farmer and numerous others came out openly in favor of the bill.[9] An opposite movement of the farmers was plainly setting in.

"The Ralston-Nolan bill is a direct attempt to transfer n large measure of the burden of post-war taxation to the farms."—*Dakota Farmer*, December 15, 1920.

"The predatory interests are the real strength of the Ralston-Nolan bill."—W. G. Hathorn in *Wallace's Farmer*, October 22, 1920.

"The Ralston-Nolan bill would shift from commercial enterprises on to the farmers a burden of $1,000,000,000."—*Farm and Home*, Springfield, Mass., May, 1921.

"Last year the contents of this bill were referred to 28,000 farmers in Missouri and only 30 in that list were in its favor. It was also read to 1,549 farmers in Polk County, Iowa, and only one was in favor of it, and it was thought that this individual must have made a mistake and marked in the wrong square."Sedgwick County (Kansas) *Farm Bureau News*, May, 1921.

[9] The following extracts from various farm papers indicate how sentiment throughout the country was beginning to change:

"The leaders of some of the farm organizations including John Ketcham of the State Grange, have jumped on the Ralston-Nolan bill with both feet. Whether this is the result of mature judgment or a case of leaping before looking we do not know but we suspect the latter. The farmers of the nation should not be too hasty in judging this bill upon its face. It is deserving of study. It has some bad features, but many, many good ones. … Do not be too hasty in condemning the Ralston-Nolan bill, and do not let your leaders misrepresent your views upon the subject. The least you can do is to become familiar with the bill. A copy of it will be sent to any reader upon request.—Editorial*, Michigan Business Farmer*," January, 1920.

"Remember the Ralston-Nolan bill would tax land values only NOT INCLUDING IMPROVEMENTS the result in whole or in part of the application of labor to land. … Not one average farm in 10 would come under it. It would catch the grandchild of some land grabbing pioneer, said child never having added a penny of value to the land from which he is drawing perhaps millions in rentals,"—Editorial, *Illinois Union Helper*, November, 1920.

"Pennsylvania Farmer did not join in the general condemnation of the Ralston-Nolan land value tax bill when it was first introduced, and after careful consideration

Seeing this consternation again seized the "vested interests." Frightened and dismayed at the possibility of the farmers joining hands with business and professional groups to urge the passage of a bill that would trim down the tribute of monopoly, their representatives (among whom, it was reported, was a certain famous land-speculating university professor) called another conference. A great "educational" organization was now proposed, an organization composed of "patriotic citizens," amply supplied with funds, commanding the best talent, and whose definite purpose would be not only to defeat the Ralston-Nolan bill, but to show the masses the "destructiveness" of anything suggestive of "lower taxes on industry" and "higher taxes on land values."

Weaknesses in such an organization, however, were promptly pointed out. It was argued that such an educational organization, composed of "interested parties," and "prejudiced" might "not be believed," and that much better results would be secured if such "education" were carried on in a public institution that commanded the "full confidence of the people.[10]

---

we are inclined to approve of its general purpose, which is to tax large holdings of land.—Editorial, *Pennsylvania Farmer*, March 26, 1921.

"The conclusion is inevitable that the Ralston-Nolan bill will be greatly to the advantage of at least nine-tenths of the farmers of Texas in actual amount of taxes paid, and to the advantage of actual workers in every industry."—Editorial, *Southland Farmer*, June 15, 1920.

"The effects of a tax on land values should be most carefully considered by farmers and every true friend of the farmers before they are induced to oppose the Ralston-Nolan bill. It is our own positive conviction, after having studied the question with the utmost care, that the greatest of all emancipations for the farmer will come through the taxation of land values."—Editorial, *The Farmers' Open Forum*. July-August, 1920.

[10] Professor Ely is very fond of telling large privileged corporations and monopolistic groups how much better it is for them to have their "research" work conducted within a public institution than outside of it. Speaking before the "American Railway Development Association," at its annual convention held in St. Louis on May 10, 1923, he said:

"Our Institute for Research in Land Economics and Public Utilities is an incorporated, educational institution conducted without possibility of profit. It has a board of trustees which must convey confidence in the character of the work.

"It may be asked why we should have an independent research organization. Why should not the railways conduct their own researches? We believe that an organization like ours, entirely independent and national in scope, has its own field of work.

Exactly what was said and done at this and other conferences of the monopoly interests may never be known. At all events, the proposal for a great "educational" organization outside of a public institution was abandoned, and in October of 1920—just one and one-half years after the Committee of Manufacturers and Merchants had begun its work—the "Institute for Research in Land Economics and Public Utilities" with Professor Richard T. Ely as Director was founded in the State University of Wisconsin.[11]

In that month—October of 1920—Justice drooped and the sun sank with a heavy heart! For in that month the first effective step was taken, not only to kill the Ralston-Nolan and other bills of its kind, not only to head off the movement to tax the fruits of human industry less and the unearned increment of natural opportunities more, but to sweep the movement from the face of the earth forever.

It will have to be reserved for future articles in this series to show some of the misleading principles, half-truths and economic fallacies upon which Professor Ely, through his Institute, proposes to raise his great "educational" structure for the "guidance of state, national and international policy."[12] But in the meantime let us glance at the progress he has already made in laying the foundation for the propagation of these misleading principles and economic fallacies throughout the nation.

One of the first tasks of course, after the formation of his Institute, was to deal the death-blow to the Ralston-Nolan bill. An analysis was wanted by those who had agreed to finance him that would not only have the appearance of being a logical and scholarly criticism of

---

However honest and sincere may be the researches of railway companies, they are, as you must know from experience, apt to be discounted as coming from interested parties, and consequently they will fail to carry conviction. It is our belief that as the sources from which we receive contributions are various, and as we are entirely independent, obligating ourselves simply to search for the truth regardless of any special interests, our results should command confidence."

[11] "In October, 1920, he (Prof. Ely) founded and incorporated the Institute for Research in Land Economics and Public Utilities."—See *Institute News,* June, 1923, p. 4.

[12] "Just as soon as the Institute is sufficiently endowed facts will be gathered from the experience of the world, past and present, and will be **interpreted** for the guidance of state, national and international policy."—R. T. Ely in a circular letter appealing for funds and dated Madison, December, 1922. (Bold face ours.)

the bill, but that would have the effect of keeping up the hostility of the farmer—a hostility that, as we have seen, showed dangerous signs of petering out.

An effort was therefore made, through a series of letters and a number of shrewd questions asked by a certain professor in the University, to "get" something on the Committee of Manufacturers and Merchants that would in some way link them with Socialists, Communists, Land Nationalists, or perhaps I. W. W.'s. (In one case at least a spy was sent down from the University.) Failing however to secure the required damaging evidence, Professor B. H. Hibbard, a member of the Institute staff, proceeded, at the instance of Professor Ely, to write up the desired "analysis of the Ralston-Nolan bill." Needless to say Professor Hibbard's monograph was a masterpiece of economic error and absurdity. But it contained something worse than this. In his eagerness to inflame the farmers and to discredit the Committee of Manufacturers and Merchants Professor Hibbard went out of his way and stooped, not only to the stating of half-truths, but to outright misrepresentation.[13] However this "analysis of the Ralston-Nolan bill" was just what the financial supporters of the Institute for "research" wanted, so on June 25, 1921, it was published and broadcast throughout the land by the National Association of Real Estate Boards.

With the Ralston-Nolan (now the Keller) bill thus out of the way, Professor Ely and his hand-picked assistants buckled down to the immeasurably bigger task, not only of uprooting for all time the constructive movement to deflect taxes from the fruits of human industry to the unearned increment of land values, but of building up an opposite movement for the deflection of taxes from the unearned increment of land values to the fruits of human industry.

---

[13] Professor Hibbard says among other similar things that "The final goal of the advocates of the Ralston-Nolan bill is the absorption of the full economic rent on all land by the government." This is distinctly not true. While the Manufacturers and Merchants Federal Tax League believes that all, or as many as possible, of the taxes burdening improvements and the fruits of human labor should be removed—and it would be perfectly possible to take all such taxes off—it is distinctly opposed to the taking of the full economic rent of land, and always has been so opposed. (See, for instance, the Report of the National Tax Relief Convention of the Manufacturers and Merchants Federal Tax League, 1923.)

A sweeping educational program was now planned, a program whose influence would be felt to the remotest corners of the earth—a program that involved the writing of more than fifty books;[14] the publication of scores of pamphlets and circulars,[15] the editing of national journals on "land and public utility economics;[16] the maintenance of a publicity bureau for the press; the sending out of lecturers before conventions and public bodies and the careful training of teachers for the schools, colleges and universities of the nation[17]—in short, the most gigantic and stupendous program to lead the people away from their own best interests ever conceived in the human mind!

The first need of this colossal program was of course a foundation upon which to build. A book—or number of books—was required that would definitely guide the "Institute for Research in Land Economics and Public Utilities" in the future work it was supposed to do. Just why such guiding books were necessary for the Institute may readily be seen. Research work—that is to say fearless and impartial research work—is always a search for naked fact, for truth, and truth is no respecter of persons, classes, privilege or power. Hence unless carefully guided and controlled the research work of the Institute members might, and doubtless would, lead to the formation of conclusions that would be highly offensive to the monopoly groups who were financing it, and, this of course, would never do.

---

[14] "Publications of the Institute for Research in Land Economics and Public Utilities are herewith reviewed and announced for the first time. This new series in economic studies will number approximately fifty volumes when completed."—*Institute News,* September, 1923.

[15] "Besides the publication and editing of this series of over fifty volumes, a veritable encyclopedia of land economics and public utilities, the Institute will publish reports, bulletins and scientific monographs."—See *Institute News*, September, 1923.

[16] See *Institute News*, September, 1924.

[17] "To train men for the field of land economics is another important objective of the Institute. Trained men are wanted in the various state institutions and in the U. S. Department of Agriculture."—*Institute News*, September, 1923. Also, "At present a two-year curriculum has been worked out, but it is expected to elaborate this, and ultimately we shall have work beginning with texts of high school grades and going on to those appropriate for the college and university."—R. T. Ely in *Editor's Preface* to the *Principles of Real Estate Practice*," by E. M. Fisher (MacMillan, 1923).

Inasmuch therefore, as the purpose of Professor Ely and his financial backers is, not only to head off the further taxation of land and monopoly values, but to relieve land and monopoly values of taxation by throwing a heavier burden on the fruits of industry, three books had to be written that would indicate definitely just what kind of conclusions the research members of the Institute were expected to find and teach and just what kind they were not expected to find and teach. It took considerable time and labor for Professor Ely and his assistants to write these three books, but by the middle of 1922 they were completed and published by Edwards Brothers at Ann Arbor, Michigan, under the title of "The Outlines of Land Economics."[18]

The foundation for the great "educational" plan of the Institute having thus been laid it remained only to raise the superstructure.

But this for a man of such resourcefulness as Professor Ely involved no serious difficulties. How true this is may be seen from the fact that no sooner had the three basic hooks been written in 1922 for the guidance of the Institute members than a battery of six instructors—R. T. Ely, B. H. Hibbard, M. G. Glaeser, G. S. Wehrwein, Mary L. Shine and H. B. Dorau—was poured, as a start, into the University of Wisconsin.[19]

The season of 1922-1923 witnessed the worthy professor deeply absorbed with further plans to extend his propaganda. Various pamphlets and circulars were written, numerous books outlined, while he personally made frequent trips throughout the country delivering lectures on the subject of land and taxation and raising funds from large corporations.

But now a lively activity begins.

[18] "These three books set forth the fundamental principles involved, and form a basis for more specialized works."—Prof. Richard T. Ely in a circular asking for funds and dated Madison, Wis., December, 1922.

[19] See. "Courses, 1922-23 given by the University of Wisconsin in Cooperation with the Institute for Research in Land Economics," p. 3.

The month of April, 1923, saw arrangements made by the Institute for the beginning of regular courses in Land Economics in the Y. M. C. A. Schools of America.[20]

The month of May saw the launching of the "Institute News,"—a monthly publication devoted to popularizing the Institute and subtly spreading its insidious doctrines.

The month of June saw Ernest M. Fisher, a young member of the Institute staff, appointed as assistant executive secretary of the National Association of Real Estate Boards to take charge of the "educational" work and to write a special text book for the use of the United Y.M.C.A. Schools of America in their classes in land economies.[21]

The same month saw Prof. B. H. Hibbard of the Institute appointed as a member of the Midwest Agricultural Economics Research Council—a council maintained by the U. S. Department of Agriculture and whose purpose is "to collect and disseminate information regarding research work, completed or under way."[22]

The month of September witnessed E. M. Fisher complete his "Principles of Real Estate Practice" for the Y. M. C. A. Schools—this being the first text-book to be built upon the "educational" foundation laid down by Professor Ely the year before, and which book constitutes, in the words of Professor Ely himself, the "beginning of one of the most significant movements in education and research of the present century."

The month of November saw representatives from four national organizations and various leading universities meet for a two-day

---

[20] "Through the co-operative effort of the Institute, the National Association of Real Estate Boards and the United Y. M. C. A. Schools of America, the foundation for standardized real estate courses was laid recently. A federation was formed at a conference held at the Institute, April 19-21, and a special educational committee, appointed at that time, met in Chicago April 28. After a study of detailed assignments, the committee consisting of H. U. Nelson, secretary of National Association of Real Estate Boards; E. M. Fisher, Institute in Land Economics; Dean Harry G. Atkinson, United Y. M. C. A. Schools; approved the course of study accepted by the Madison conference."—*Institute News* May, 1923.

[21] "Ernest M. Fisher, of the Institute staff, this month assumed duties as assistant executive secretary of the National Association of Real Estate Boards, at Chicago.—*Institute News,*" June, 1923.

[22] See *Institute News*, June, 1923, p. 3.

conference in the headquarters of the Institute and lay the basis for a four-year university real estate course leading to a bachelor's degree.[23]

Larger and larger grows the Institute; farther and farther its long arms reach out to seize the fountains of knowledge.

The first half of the year 1924 has seen actual teaching by the Institute going on not only in Wisconsin University and the United Y. M. C. A. Schools of America, but in Northwestern University at Chicago.[24] It has witnessed students graduating from Wisconsin University and trained by the Institute going out to teach in other schools, colleges and universities throughout the nation—the University of Michigan,[25] the University of Pennsylvania,[26] the University of Nebraska.[27] It has seen the publication of new pamphlets and text-books such as the "Taxation of Farm Lands," by R. T. Ely, the "Elementary Principles of Economics," by Ely and Wicker, the "Elements of Land Economics," by Ely and Morehouse—all of which are based upon the three guiding books written by Professor Ely and his assistants in 1922. It has seen powerful connections made with private bodies and organizations controlling sources of public information;[28] and it has witnessed the plans laid for the editing of a large national "Journal of Land and Public Utility Economics,"

---

[23] See *Institute News,* November, 1923.

[24] "Dr. Richard T. Ely and Dr. George S. Wehrwein conducted an eight weeks' general course in land economics during the summer session at North-western University. Of the fifteen students enrolled in the course the majority were graduate students from various sections of the United States."—*Institute News*, September, 1924.

[25] "Dr. J. V. Van Sickle of the University of Michigan spent two weeks in July at the Institute. Dr. Van Sickle was conferring with members of the Institute's staff in regard to the content and arrangement of a survey course in Land Economics which will be given at Michigan for the first time this fall. The Ely and Morehouse book, "Elements of Land Economics," will be used as a text."—*Institute News,* September, 1924.

[26] See *Institute News*, September, 1924.

[27] "A. G. Hinman, formerly of the Institute staff, has accepted an appointment as Assistant Professor in the School of Commerce in the University of Nebraska, where he will conduct courses in Land Economics and Principles of Real Estate Practice."—*Institute News*, September, 1924.

[28] See *Institute News*, February, 1924, pp. 1,4; May, 1924, p. 4; September, 1924, pp,. 2, 4.

supervised by Professor Ely himself, published by the A. W. Shaw Company, and the first number of which will appear in November of 1924![29]

But this is not all. Hand in hand with this spectacular rise of the Institute in power and influence, has grown the finances of the organization. Beginning with nothing in the year 1920 its receipts and expenditures now (September, 1924) aggregate between $40,000 and $50,000 a year.[30] Since the University of Wisconsin itself is contributing nothing towards the support of the Institute[31] this whole fund must of necessity come from private sources. Just what and where these sources are, and how much is contributed by each, is not publicly known. But that the Institute's funds are provided by the same special privilege and monopoly groups that stampeded the farmers in 1920 and aroused them to bitter hostility by false assertions that the "Ralston-Nolan bill is a vicious scheme to let the rich city man escape and place a heavier tax burden on agriculture" may be readily gathered from the following statements made by Professor Ely himself in an address delivered before the annual convention of the "American Railway Development Association," held in St. Louis on May 10, 1923:

> "One topic that I have mentioned is taxation of Land and Public Utilities. This brings to my mind that it was an official of one of our railways, Mr. W. W. Baldwin, Vice-President of the Chicago, Burlington and Quincy Railroad Company, who suggested the importance of this special topic and induced the Burlington Railroad to make subscription to our funds. He said that the land and the railways are in much the same situation, and he felt that this was a

---

[29] "Readers of the *Institute News*, will welcome the announcement that a new quarterly Journal of Land and Public Utility Economics will appear in November under the editorship of Dr. Richard T. Ely. … The A. W. Shaw Company of Chicago are the publishers. … The Institute, under Dr. Ely's leadership, is assuming editorial responsibility."—*Institute News,* September, 1924.

[30] "Our Institute for Research in Land Economics and Public Utilities … is spending now from $40,000 to $50,000 a year."—Professor Ely in an address delivered before the Tri-State Development Congress at Duluth, Minnesota, January, 1924. See the *Taxation of Farm Lands,* (Webb Publishing Company, St. Paul, Minnesota), p. 13.

[31] "The Institute is supported entirely by private funds."—Prof. R. T. Ely in a circular dated Madison, Wisconsin, December, 1922.

topic that could well engage our attention. Both are tangible, easily reached and are in no position to escape taxation by flight, as they are fixed and cannot run away … The taxes paid by the railways run into hundreds of millions per year, and their interest in our taxation work must be very great.

"Twice the work of our Institute has been investigated and endorsed by great organizations. The first time the endorsement came from the Carnegie Corporation. A trained investigator was sent to our headquarters, and after meeting the men engaged in the work and examining our equipment, made so favorable a report that the trustees of the Carnegie Corporation have made an annual appropriation for a period of five years. Later we were investigated by the officers of the National Association of Real Estate Boards and received endorsement as an institution to which they would entrust their research and also an appropriation. The National Association of Real Estate Boards is comprised of 475 Boards, representing every part of the United States.

"I am especially pleased to mention to you the fact that we have received endorsement and subscriptions from some of the leading railway companies of the country. I may mention the Great Northern; the Northern Pacific; the Baltimore and Ohio; the Atlantic Coast Line; the Nickel Plate Road; the Chicago and Northwestern; Chicago, Burlington and Quincy; the Illinois Central; the Minneapolis, St. Paul and Sault Ste. Marie; and the Chicago, St. Paul, Minneapolis and Omaha."

Such, in brief, is the history of the "Institute for Research in Land Economics and Public Utilities," located in the State University of Wisconsin and directed by Professor Richard T. Ely. Born in October of 1920 the Institute has, within the short period of four years, written seven of its proposed fifty books on land economics; has published numerous circulars and pamphlets; has begun teaching in six of the largest educational institutions of the country with early connections arranged with many more; has launched two journalistic ventures with newspaper publicity and lecturing on the side; and has successfully built up its private funds with which it expects to mold "state, national and international policy" from nothing to between $40,000 and $50,000 a year. Never has so cunning and so gigantic a

scheme to swing the people away from the right solution of our economic problems ever been attempted within the memory of living men.

And The Institute's Growth Has Just Begun!

Chapter III—
An Examination of Prof. Ely's Three "Key" Books

We have now seen how the "Institute for Research in Land Economics and Public Utilities," directed by Prof. Richard T. Ely in the University of Wisconsin, originated. We have learned when it was formed; who is on its staff; who is putting up the money to run it; and why the money is being furnished. Moreover, we have shown that the real purpose of Professor Ely and his financial backers is not research to find the scientific solution of our economic problems, but an insidious attempt to get control of the well-springs of knowledge and to lead the people away from what increasing numbers of men are certain is the scientific solution—namely, the gradual abolition of all taxes except that upon land values.

But our story is not yet ended. Let us now take a look at the shrewdness of the professor, the marvelous ingenuity by which he expects to carry out his great scheme of hiding economic truth and fostering economic error—and not get caught at it!—the matchless skill by which he proposes to have fifty books written on land economics to guide the public mind out of the right road into the wrong one—and not be suspected of having such an object in view. But to see this clearly it will be necessary for us to examine with some care the roots that he has planted for the growth of his great "educational" tree.

Let us be perfectly fair with Professor Ely. Let us assume that his motives are the purest and his intentions are the very best. Let us assume that his one desire is not to promote error, but to seek truth, and that his sole object is not to hide the solution of our land and tax problems, but to discover and disclose that solution, regardless of what it is or where it may be. Let us give him the benefit of every doubt and extend to him the fullest credit for courage, honesty and sincerity in what he is doing.

Can any charge then be laid against him?

Yes. The charge of incompetency must then be laid against him. If Professor Ely is sincere in the task that he has undertaken, then, as an economist, he is incapable, inefficient, and utterly unfitted for the position he holds. Then the books which he has already written and

which he proposes to have his assistants, under his direction, write for the "guidance of state, national and international policy" must be relegated to the scrap-heap as unscientific, illogical and unsound.

The first thing that anyone must do when undertaking a technical discussion or analysis of any kind is to lay down carefully the terms, and the meaning of the terms, that he expects to use. For unless this is done the discussion will inevitably wind up in genera misunderstanding and confusion of thought.

In the field of economics full and complete definition of terms and absolute accuracy in the use of these terms, is especially necessary. For economics is essentially an abstract science; it deals with the natural laws underlying the production and distribution of wealth; it has for its goal, not merely the finding of the right economic relations between man and man and the earth upon which he lives, but the prescribing of the best measures for the maintenance of such right relations. Hence in economic discussion, unless the terms to be used are first carefully laid down, defined and adhered to, the reasoning is almost certain to be faulty and the final conclusions as equally certain to be wrong.

Of course the number and kind of terms to be employed may vary somewhat in the different economic branches. For example, the terms used in a scientific discussion of capital may vary to a degree from the terms used in a scientific discussion of labor, and the terms used in a scientific discussion of land may vary somewhat from the terms used in a strictly scientific discussion of either capital or labor.

But while some of the terms employed in one division of economics may not be exactly like the terms employed in another division, yet in all divisions of economics there are certain basic and common terms—dove-tailing with one another—that must be laid down and precisely defined before the analysis of any economic problem can safely proceed. These basic and correlated terms are "land," "labor" and " capital"—called the factors of production; "rent," "wages" and "interest"—called the factors of distribution; and "wealth."

The extreme importance of having these seven terms accurately defined, and their underlying laws thoroughly understood by a student before carrying him into any discussion in the realm of economies, is very apparent. For these terms are the guides by which the student steers his course. They are the elements by which he tries all

his reasoning. They are the lamps under whose light he tests all his conclusions. Hence, without a full knowledge of these terms, and the laws underlying each, the student's ability to reason in a straight line is hopelessly out of the question, and the action of his mind will be a good deal like the movement of a kite without a tail, or a ship without a rudder.

Naturally, therefore, any book or series of books which attempted to analyze a great economic problem without first settling beyond all dispute its terminology, would have a fatal weakness that could never be overcome. But it is just such fatal weakness that the books written by Professor Ely for the guidance of his Institute have. In his three "foundation" books written for the Institute in 1922, three books which he has entitled the "Outlines of Land Economics,"[32] and which he says "form the basis" for forty-seven other "more specialized works,"—in these three foundation books the definition of the primary terms in economics, and the laws governing them, are not only inadequately developed, but in many cases missing altogether.

There is, in these books, absolutely no definition to be found anywhere of the term "wealth"—doubtless the most important term to the seeker of truth in the whole sphere of economics. "Land" and "labor" are sufficiently defined for clarity of thought, but "capital" is not. To the definitions "rent" and "wages" no objection can be made, but because of the absence of any definition of "wealth" and an inadequate definition of "capital" the definition of "interest" is very much in the dark.

But this is not all. The usage of such terms as have been laid down is of times not consistent—the usage being frequently in one sense and as frequently in another sense. Moreover—and here is the worst defect of all—an explanation of the necessary laws underlying the three factors of distribution—rent, wages and interest—is, in these foundation books, absent entirely.

This being the substance and the quality of the base upon which the economic philosophy of Professor Ely and his Institute is to be raised, what chance has the student for clear and logical thinking! What hope is there that his reasoning will bring him to a sound con-

[32] Published by Edwards Brothers, Ann Arbor, Mich.

clusion? What possibility is there of his ever finding the scientific solution of our land and tax problems? There is no possibility at all.

With his primary terms confused and undefined, and the essential laws and principles governing them remaining unexplained, the student who would follow Prof. Ely is as helpless mentally as a mechanic without his tools. He cannot, from the knowledge that has been given him, distinguish clearly between a false premise and a correct one; cannot tell the difference between a right and wrong conclusion. To him the most fundamental questions of political economy could be submitted with but small chance of receiving an answer that could stand the test of careful examination. He cannot know for sure whether slaves are wealth or not; whether they should be placed in the category of labor or capital; or whether the returns for their services should be classified as wages or interest. He will not be able to state without guessing whether a commercial bond is capital or whether it isn't; whether its income represents wages, interest or rent, a combination of two, or a combination of all three. Ask him whether an increase in land values represents an increase in the wealth of the community and he will not be able to answer you positively—and prove it. He cannot know for certain and without a reference to Professor Ely's books, whether land values should be placed on the debit side of the economic ledger or on the credit side; whether there is more unearned increment in land rent than there is in wages or interest, or whether there is less unearned increment; which is the most fitting subject for taxation and which is the least fitting. He cannot, in short, prove or disprove in a scientific manner any economic proposition of a fundamental nature laid before him. For the chemicals by which he makes his tests are missing; the elementary principles by which he tries his reasoning are gone. He is lost. He is like a vessel that has slipped her moorings and drifted into the whirlpool; like a mariner sailing the seas without a compass. The only certain thing that could be expected from one attempting to build upon the three basic books written by Professor Ely for the guidance of his Institute members would be, not that his labors would bring him nearer to the solution of our land and tax problems, but that they would carry him farther away.

Even, therefore, if Professor Ely were honest, even if his motives and intentions were the very purest, he would have to be charged

with incompetency and his three foundation books, upon which forty-seven other books are to be published by his Institute for the "guidance of state, national and international policy," relegated to the limbo of economic fallacies as unscientific and unsound.

But the charge of incompetency cannot be made against Professor Ely. Professor Ely is competent. He has been professor of economics in famous universities for well-nigh forty years. He has read as many books on politico-economic subjects as any living man. He as studied the works of Henry George. He knows the constructiveness of correct definition and complete terminology and the destructiveness of incorrect definition and incomplete terminology. He understands well the analytical power of him who is equipped with a full knowledge of the fundamental terms, principles and laws of political economy, and he understands equally well the analytical weakness of him who is not so equipped.

It cannot be said, therefore, that Professor Ely is incompetent. He is not incompetent; he is intellectually dishonest. His purpose is not to enlighten the subject of land economics, but to befuddle it; not to inform his students and followers, but to confuse them; for only by so doing can he and his financeers effectively halt the world-wide movement in the direction of the only sound solution of our economic problems—namely, the abolition of all taxes save that upon land values.

Let us remember in passing that the movement to transfer taxes from the fruits of capital and labor to the value of the bare land only —a proposal commonly called the single-tax—owes its origin to Henry George, whose book "Progress and Poverty"[33] was first published in 1879. In this masterful work, Henry George—without doubt the most powerful thinker in the field of economics that the world has ever seen—raised political economy to an absolute science, defined the primary terms with a precision and thoroughness that has since admitted of no dispute, showed the harmony and the necessary relation of these terms to each other, revealed the co-ordination of the natural laws and principles underlying them, and by a chain of reasoning which has stood every test of logic and scientific analysis, reached the conclusion that the remedy for our gravest economic

[33] Published by Doubleday, Page & Co., New York.

problems, and particularly our land and tax problems, lies in deflecting all taxes from the fruits of human industry to the value of the bare land.

Incidentally, one of the truths, hazily recognized by numerous economists previous to his time, but conclusively proved by Henry George in his "Progress and Poverty," is that the economic rent of land is a surplus unearned fund, created, not by individuals but by society—the whole community—and a surplus fund therefore which properly belongs to the whole community; while wages of labor and interest on capital are funds created, not by the whole community but earned by the individual members of the community, and are funds therefore which rightly belong to those individual members. It is perhaps upon this truth, more than upon any other, that the justice and soundness of Henry George's proposal to abolish all taxation save that upon land values rests.

Of course there has always existed from the very beginning a most bitter hostility on the part of "vested-interests" and land speculation groups to the land value tax and much prejudice among the mass of the people has been worked up against it. But owing to the firm foot-hold in actual legislation that the doctrine has now secured in many parts of the world and the great satisfaction that it is giving wherever tried to any extent—notably in Australia, New Zealand, South Africa, Denmark and other places—this prejudice is gradually passing away. So steady, in fact, is the progress of the land value tax movement throughout the world that it has now become clear to the interests fattening on the unearned increment in our own country that, unless the Henry George theory is combated in a scientific manner, or in a manner that has all the appearance of being scientific, and its underlying principles discredited, its adoption in the United States is, within another decade or two, a foregone conclusion.

But to overthrow the Henry George doctrine by scientific methods is like trying to overthrow the law of gravitation. For the Henry George doctrine is built upon principles as fundamental in their character as the law of gravitation. It rests upon natural laws that govern the actions of men and these laws never change. They are eternal. Notwithstanding this the decree of the beneficiaries of special privilege and monopoly is that the doctrine of Henry George must be

scientifically overthrown and discredited beyond all hope of redemption!

The task resting upon Professor Ely is therefore not a simple one. His job of trying to discredit the land value tax principle in a scientific way is a good deal like trying to prove in a scientific manner that water runs up hill, that three plus three equals seven, that a man can go in opposite directions at the same time, or that a curved line is the shortest path between two points.

To an ordinary scientist such a task would be quite impossible. But not to Professor Ely. Professor Ely knows exactly how it can be done—and not be caught at it!

He has two methods at his command—both very simple but very effective.

His first method is to avoid complete terminology, accurate definition, and consistency in the use of his terms; also to omit showing the necessary relation of the primary economic terms to each other and disclosing the laws underlying them.

His second method is to cover his efforts thickly with "professional authority," "educational sanction," and university ranks, titles and degrees.

The first method he has learned from experience, will effectively prevent clarity of thought, logical reasoning and any challenge of his arguments by his students; the second method will insure belief and confidence in his conclusions.

With the skillful use of these two methods of attack Professor Ely can make himself complete master of the situation. He can prove or disprove any economic proposition his heart desires without running the slightest risk of being checked up but with the most perfect assurance of being believed. He can demonstrate beyond all shadow of a doubt that a man who holds land idle is just as useful to society as a man who improves his land—if not a little bit more so; that land values are wealth just like houses and haystacks and horseshoes are wealth; that there is no difference between a natural resource and a factory so far as income is concerned; that taxation of thrift and enterprise is not harmful to the body economic, but beneficial; that taxes should not be deflected from industry and consumption to land values, but should be deflected from land values to industry and consumption; that the economic principles underlying the land value tax

theory, even if they were all right many years ago, are not now applicable; that economic rent is no longer unearned by landowners, but earned; and that wages and interest are no longer earned by labor and capital, but largely unearned.

Professor Ely, with his two powerful methods of procedure, can not only go through these mental gymnastics and intellectual contortions and get by with it, but he does do it! Observe, for example, the ease with which, in the second of his three basic volumes written for the benefit of his Institute and for the "guidance of state, national and international policy," he juggles and shapes to suit his purpose the character of the income of all the land, labor and capital in the world:[34]

> "The older economists of the Classical School looked upon the rent of land as a surplus over and above the costs of production. It was the one great illustration of unearned wealth. Some attributed it to the bounty of nature, others thought it due to the niggardliness of nature; but in either case rent was a surplus. The doctrine of rent made a rift, as it has been called, in the economic harmonies, for all other kinds of income were thought to be earned.
>
> "As economic evolution has proceeded, however, changes have come about; and one of the chief peculiarities of this evolution has been the emergence of one form of surplus after another. Scattered all over the economic field of production and distribution we find the surplus—the excess over and above the return that is required to secure the application of the requisites of production. … Another type of surplus is the personal surplus—the return made for extraordinary capacity. This is very large—perhaps the largest—at the present time. … Interest is in part a surplus. … It is likely that in the last few years the largest item in the economic surplus has been the gains of conjecture—that is, the gains that are due to luck and chance and are not within the control of the individual, nor even in some cases, within the control of society.
>
> "The surplus then is no anomaly. It results from unequal advantages of producers—those peculiar advantages derived sometimes from human resources, sometimes from natural resources. … Con-

[34] "Outline of Land Economics," (Edwards Brothers, Ann Arbor, Mich., 1922) Vol. II, pp. 16, 17, 18, 19; 21, 34, 36, 39, 53.

sidered as property yielding income, land and capital are on exactly the same footing. A single-taxer is much disturbed because the owner of a certain piece of land receives $30,000 a year in ground rents without any burden of taxes, expense of improvements, etc., all of which are paid by the tenant. The same man seems quite unworried by the fact that trust companies are turning over incomes just as great from stocks and bonds, to clients who perform no personal services whatever, some of whom are moral delinquents and intellectual incompetents.

"From the individual point of view, at any given moment in civilized society, there is no surplus in land income … The return to the pioneer in increased value of the land is a cost—a payment for the continuous toll, often lasting for several generations, that has been expended upon the land. … Land requires more care and gives smaller returns in proportion to what is put into it in the way of capital and enterprise, than standard investments of other kinds. … It is probable that nobody works harder for what he gets, considering it by and large, than the landowner; and he usually gives a big return to society for what he receives."

There are, in the above sentences and paragraphs, just eleven fundamental errors—eleven errors involving the prosperity, the happiness and the very safety of civilization, but Professor Ely's students evidently do not know it. How can they know it? The economic equipment by which they may try his reasoning has not been given them. The necessary terminology, principles and laws by which they can test his conclusions have been withheld. They are helpless. They are like a mariner sailing the ocean without either rudder or compass. No guides are at hand to steer by, no anchors to let down in ease of trouble, no sheltering harbors to enter in case of storm. Professor Ely can make the gravest errors and he does make them; he can omit the most essential discussions and he does omit them; he may advance the most preposterous propositions and he does advance them, but his students will not crack a smile. They are under his control completely—as completely as a farmer's bull led by a ring in his nose, and what is at once both tragic and comical their minds are being lulled into an hypnotic sleep by the accumulation of professional authority and university degrees with which all his books are so lav-

ishly stamped. Only one possible course appears to be open to the students and that is to follow Professor Ely like a flock of sheep follows its shepherd—timidly, blindly, faithfully—never stopping for a moment to question his motives, his logic, his conclusions, or to inquire whether he is leading them to green pastures or to the slaughter pen.

Perhaps never before in the history of economic science has the great difference between truth and fallacy been more strikingly illustrated. For truth can be both understood and believed; but fallacy can only be believed, it can never be understood. The teacher who asserts that the multiplication table is correct need not ask the pupil to believe her; she need only ask that the pupil rightly understand her. But the teacher who, for any reason, insists that the multiplication table is wrong cannot allow herself to be understood, her chief hope of winning her point will have to be placed on simply being believed.

This is exactly the difference between Henry George and Professor Ely. Henry George, when setting out in his "Progress and Poverty" to find the scientific solution of our economic problems, discouraged every tendency on the part of his readers to accept his statements on mere faith, and begged his readers only to understand him. For he always felt certain that "when men think right, they will vote right." But Professor Ely, who has a very different object in view, must pursue an entirely opposite method. He must first take precautions to see that he is not clearly and fully understood, and second, he must take equally great precautions to see that in the end he will have the student's confidence and belief in what he says.

Here is the first lesson that Henry George hammered and drilled into those who came to sit at his feet:[35]

> "The power to reason correctly on general subjects is not to be learned in schools, nor does it come from special knowledge. It results from care in separating, from caution in combining, from the habit of asking ourselves the meaning of the words we use and making sure of one step before building another on it—and above all, from loyalty to truth."

[35] Henry George, *A Perplexed Philosopher*, Introduction, Doubleday, Page & Co., New York.

Taking this firm ground as a starting point Henry George laid down in his great book the all-essential terms and definitions in economic science, showed their laws and relation to each other, gave his followers the instruments by which they may try his reasoning and test his conclusions, and with these inspiring words plunged into the prodigious task before him:[36]

> "I propose to beg no question, to shrink from no conclusion, but to follow truth wherever it may lead. Upon us is the responsibility of seeking the law, for in the very heart of our civilization to-day women faint and little children moan. But what that law may prove to be is not our affair. If the conclusions that we reach run counter to our prejudices, let us not flinch; if they challenge institutions that have long been deemed wise and natural, let us not turn back."

That was the spirit of Henry George! That was the mental quality and moral fibre of him who discovered the only sane and logical solution of our serious economic problems, who gave to bewildered humanity the knowledge of how it may elevate society to a better, higher and grander civilization, and whose constructive and practical doctrines have now taken deep and firm root throughout the world. Different indeed is the case with Professor Ely. Professor Ely likewise knows the importance to logical thinking of correct and complete terminology. He knows the relation of the economic terms to each other and the laws and principles that underlie them. He realizes also the benumbing effect that an overdose of professional authority has upon the mind of the average person. Yet this, by his actions, is exactly what he says:

> "I shall write three basic books on land economics, upon which the members of my Institute shall write forty-seven more books, supposedly for the purpose of finding the solution of our land and tax problems. In these three books I shall avoid defining any terms or explaining any laws or principles by which my students can analyze my arguments or test my conclusions. To make sure, however, that my statements, and the statements of my assistants, will not be questioned by anyone, I shall label them with school,

[36] *Progress and Poverty*, p. 13.

college and university authority and stamp them with all the professional ranks, titles, and degrees that I can assemble.

"In my apparent search for the solution of the problems of land and taxation, I shall challenge no predatory institution; I shall disturb no monopoly; I shall offend no citadel of privilege; on the contrary I shall do all I can to uproot the very measure that is most hostile to them—the land value tax doctrine of Henry George. For upon me is the responsibility, not only of safeguarding for the future, but of increasing if I can, the large unearned profits of the corporations and organizations who are financing me."

That is the spirit of Professor Ely! That is the mental and moral calibre of the man who, sitting in the University of Wisconsin, is now reaching out to grasp the well-springs of knowledge and who has laid down the foundation upon which fifty books are to be written for the guidance of state, national and international policy!

Chapter IV—
Prof. Ely Answers Our Charges—The Insufficiency of His Answer

It is November, 1924. In the October issue of his paper—the "Institute News"—Prof. Ely writes a lengthy editorial which he signs himself and which he captions "An Open Letter."

In this editorial he attempts to refute the charges made in this series of articles—namely, that the Institute of which he is the head in Wisconsin University is not an unbiased research organization whose purpose is to discover the true solution of our land and tax problems, but an organization financed by certain selfish individuals and groups and whose intent is to uproot for all time what increasing numbers of men believe to be the true solution of these problems—to wit, the taxation of land values proposed by Henry George.

Notwithstanding his editorial, Professor Ely's refutation of these charges is not convincing. He has a good deal to say about how, when and where his Institute was formed, the "integrity" and "honesty" of its purpose and the absolute "impartiality" with which it intends to conduct its investigations, but no reference is made to the real issue. What the attitude of his Institute is, and has been from the very day it was founded, towards the land value tax doctrine of Henry George—that subject is carefully avoided.

Prof. Ely also tells us in his reply something about the "very peculiar nature" of economic research, how it "deals with social facts in a laboratory consisting of a world of human beings whose interests and desires clash;" and how the facts must first be "gathered, analyzed and interpreted." But the reader who examines with care the three basic books written by Prof. Ely for the instruction of his Institute—three books upon which forty-seven other books are to be founded—cannot fail to be struck by the fact that while scores of references are given in these three books to authors who are known to be hostile to the taxation of land values, not a single reference is made anywhere to the works of Henry George himself, or to the multitude of great writers who have followed him. How Professor Ely expects his Institute to gather all the facts of land and tax economics by this method is beyond understanding. We are also informed by Prof. Ely in his

editorial just how economic research work should be conducted. First he says the "facts must be gathered, analyzed and interpreted;" then a "principle is discovered," and last of all the "conclusions are reached." He is right; this is the proper way that research work of any kind should be conducted. But this is not the method he has pursued. In his fifty-volume project to "find" the solution of our land and tax problems, Professor Ely has laid down his conclusions before he has gathered his facts. His prescription has preceded his diagnosis. Instead of submitting his recommendations in the very last of the Institute's proposed fifty books, they have been submitted in the very first of these books. And curiously enough too, these conclusions and recommendations harmonize precisely with the views of the particular corporations and organizations who are paying the expenses of the Institute.

Of course, this is something that Professor Ely flatly denies. He insists that any prospective subscribers who expect "research work" which would "fit their particular notions or help their private interests" are "not wanted." But how, may we ask, does it happen that the funds to support his Institute come entirely—or almost entirely—from those individuals and groups who have most to lose by the taxation of land values, while practically nothing comes from those individuals and groups who have most to gain from such taxation?

Among the supporters of Prof. Ely's Institute, as we have seen, is the National Association of Real Estate Boards—an association whose leading members traffic so largely in the unearned increment of the land values of the nation. While of course, the financial support of this Association might be given to Professor Ely purely for patriotic or philanthropic reasons, yet there is certainly considerable ground for doubt in the matter when the Secretary of the Association, in sending that organization's first check to the Institute, not only assured Prof. Ely of its "future support," but congratulated him most heartily on the "splendid work" he was doing "for the benefit of our profession in particular."

Another contributor to Prof. Ely's Institute is the Carnegie Corporation of New York—an educational foundation. Here surely, it may be thought, is a contribution given for the sake of science only and regardless of whether the "research Corporation work" would "fit their particular notions." But the words of Prof. Ely himself, in this

connection, are very suggestive. Re says ("Outlines of Land Economics," Vol. II, p. 142):

> "Directly and indirectly our educational and philanthropic Institution rest to no inconsiderable extent upon the ownership of land and the rents which it yields. Our educational and benevolent institutions are growing in wealth by leaps and bounds, and many universities have now an annual income which a generation ago would have been considered a large endowment."

While therefore it might be true that the donations given by the directors of the Carnegie Corporation to Professor Ely might not be because the Institute's "research work" would "fit their particular notions or help their private interests," yet because of the nature of the bulk of the Corporation's income and in view also of the growing sentiment in favor of the taxation of land values, is there not at least room for a faint suspicion to the contrary?

On Professor Ely's list of contributors, moreover, are land and colonization companies. It may be of course that the purse strings of these contributors have been loosened purely out of love for economic truth and not because the Institute's "research work" would "help their private interests;" nevertheless, the statement of Professor Ely ("Outlines of Land Economies," Vol. III, p. 29) that "because a colonization company must operate with a large area of land, a high land tax may hamper or ruin such a company," is not without some significance.

So with certain large railroads owning lands, terminal sites and rights-of-way of enormous value—there might conceivably be no connection between their contributions and the particular brand of "research work" that Professor Ely's Institute is putting out, but the ordinary person, who has observed the opposition of these railroads to any 'proposition to tax land values to a larger extent, cannot avoid the conclusion that there is.

Similarly with the public utilities which Prof. Ely admits form the Institute's second largest contributors. The public utilities might also be furnishing funds to the Institute from a pure love of science only, but that they are furnishing these funds because they expect the Institute's "research work" to "fit their particular notions," is much more likely. One of the first tasks, for instance, undertaken by Professor

Ely immediately after the formation of his Institute, was to attack the Ralston-Nolan land value tax bill in Congress—an attack, which more than any other led to the bill's defeat in 1921. In this attack, which was broadcast throughout the nation by the National Association of Real Estate Boards, Prof. B. H. Hibbard of the Institute gives the following warning:

> "Few public utilities will escape taxation under the Ralston-Nolan bill. While some of these do not own large quantities of land, the land has a very high value, often representing up to 30 per cent or the total value of some of these corporations."

These are merely a few of the reasons why Professor Ely's statement that the financial supporters of his Institute do not expect "research work" that would "help their private interests" cannot be accepted at full value.

Yet, says Professor Ely in his editorial:

> "A classification of the contributors to our fund reveals a wide variety of sources. The largest contributor is the Carnegie Corporation of New York which is also supporting the Institute of Economics, Washington, D. C. The Laurta Spelman Rockefeller Memorial Foundation has also made a large contribution for the specific purpose of studying farm tenancy and rural land ownership. The public utility companies are the next largest contributors. Railways, building and loan associations, land companies, lumbermen, farmers, bankers, lawyers, insurance men, business men, government employees, men in educational institutions and libraries represent our principal contributors."

Professor Ely should have shown in the above the specific amount that each donator was giving. There would then have been no doubt as to just who the "principal contributors" are, but as the explanation now stands there is room for a great deal of misunderstanding. It is very questionable if farmers, lawyers, insurance men, government employees, libraries, and so on, really belong on the side of the "principal contributors."

Just how much the total annual contributions to the Institute now amount to we have no way of knowing. It may be $75,000 or it may be $100,000 a year. We do know however that in January of 1924—five months before the contribution statement from the Laura Spel-

man Rockefeller Memorial Foundation was received, and before various other donations were secured—that the Institute, in the words of Professor Ely himself, was "spending between $40,000 and $50,000 a year." Just where and from whom, since none of it was given by the University, did this total sum come from? How much came from farmers, government employees, and libraries, and how much from the National Association of Real Estate Boards, the Carnegie Corporation, railways, land companies, public utilities and other organizations whose incomes are drawn so largely from the landed privileges and monopolies of the nation? Until a satisfactory answer to this question is given, we must assume, in all frankness, that Professor Ely's explanation in regard to his finances is not correct.

But let this pass. The most conclusive evidence of the spuriousness of Prof. Ely's "Institute for Research in Land Economics" is not to be found in the sources from which he obtains his funds, nor in his extraordinary procedure of submitting his recommendations before he has made his investigations, nor in the frequency with which he refers his readers to books that are hostile to the taxation of land values, while not once referring them to books that advocate such taxation—we repeat, the most conclusive evidence of the spuriousness of his Institute is not to be found in this; it is to be seen in the colossal economic fallacies he has set forth, the misleading statements he has made, and the intellectual gymnastics and twistings he has gone through in his effort to mold public opinion away from the proposal to transfer all taxes from industry to land values and towards the proposal to transfer more taxes from land values to industry.

Let us see what some of these economic fallacies, misleading statements, etc., are.

Chapter V—
The Fallacies of Prof. Ely

The chief errors, misleading ideas and monstrous—or better, perhaps, laughable—propositions that Prof. Ely, in his three basic books, has laid down for the guidance of his "research" Institute, and by which, he expects (1) to destroy the Henry George movement for the deflection of taxes from industry to land values, and (2) to start a counter movement for the deflection of taxes from land values to industry, may be summed up briefly under the following heads:

1. That the confusion of the primary terms in economics is not illogical, but logical.
2. That land and capital arc governed, not by different, but by the same laws.
3. That land cannot be monopolized, while capital and the products of industry can be monopolized.
4. That the value of buildings may rise, while the value of their locations fall.
5. That a growing population does not always increase land values.
6. That invention, discovery and material progress have the effect of reducing land values instead of raising them.
7. That the rent of land has not risen during the last hundred years, but has remained stationary.
8. That unearned increment is not to be found in land rent, but is to be found in wages and interest.
9. That the solution of our land problem lies, not in taxation, but in classification.
10. That the amount of good land held out of use is not large, but very small.
11. That speculation in vacant land is an asset to a community instead of a liability.
12. That high land values arc not harmful to society, but beneficial.
13. That most land is owned by poor people, and not by rich people.

14. That taxes upon land values are largely shifted, while taxes upon industry and consumption are not shifted.
15. That the separation of land and improvements is not practicable, but impracticable.
16. That the singletax will not yield sufficient, but insufficient revenue.
17. That land value taxation does not measure "benefits received," while indirect taxation does.
18. That taxes on land value discourage production, while taxes on capital and labor do not.
19. That land speculation should be rewarded and land utilization penalized.
20. That laborers are not now over-taxed, but are practically exempt from taxes.
21. That indirect taxes are not heavy, but easy to be borne.
22. That consumption taxes will not hurt the poor people, but will hit the rich people.
23. That to take the socially created rent of land is confiscation, but to take the earnings of capital and labor is not confiscation.
24. That the singletax means, not individualism, but socialism and communism.
25. That the singletax would substitute public ownership for private ownership of land.
26. That the public purchase of land is preferable to the taxation wealth.
27. That high earnings for capital and labor are not a preventive, but a cause of unemployment.
28. That farm tenancy is not a step downward in the agricultural but a step upward.
29. That a large percentage of tenant farmers is not to be deplored, but to be desired.
30. That the interests of land speculators are not less important than the interests of homebuilders, but more important.
31. That tax-exemption of buildings has resulted in decreasing home ownership, instead of increasing it.
32. That the singletax movement of Henry George is not advancing, but receding.

These, it should be repeated, are not all the economic fallacies of wealth and absurdities that Prof. Ely, in his foundation books, has fabricated for the benefit of future generations, but they are sufficient at least to reveal the lengths to which the worthy doctor will go to achieve his purpose. Let us consider them briefly in the order named.

1. That the Confusion of the Primary Terms in Economics Is Not ILLOGICAL, But LOGICAL

Space will not permit us here to define the fundamental terms used in economic science to the extent that they ought to be defined, yet without a general idea of what these terms do, and do not, stand for, we cannot properly comprehend the gigantic scheme that Prof. Ely, through his privately-financed "Institute for Research in Land Economics and Public Utilities" in Wisconsin University, is endeavoring to foist upon the American people.

Three things then, economic science tells us, unite in the production of wealth—land, labor and capital.

Land means Nature—the earth, and everything above, upon and within it that has not been made by man. The sun and the moon, by this token, are land; so are lakes, rivers and oceans; and so are city lots, waterfronts, farms, coal deposits, mineral beds, railway sites, terminals, waterpowers and like natural opportunities, after all man-made improvements connected with them have been deducted.

Labor means human effort—mental as well as physical. Not only day-laborers and wage-workers, but doctors, lawyers, teachers, railroad managers, business executives and the like, all come under the head of lab or. Whoever performs a service of any kind—whether by brain or brawn that individual is a laborer in the economic sense of the term.

Capital means that part of wealth which is used to produce more wealth. But what, it will be asked, is wealth? Wealth is matter that labor has extracted from land and moved, shaped and fitted to satisfy human wants. Food on the table, for instance, is wealth; so are clothes and houses; and so are man-made luxuries, comforts and conveniences of every kind. Obviously, therefore, land is not wealth; and wealth is not land. Land includes every material thing in the universe that has not been made by man, excepting man himself;

wealth includes every material thing in the universe that pas been made by man, outside of man himself. Since wealth, therefore, is not land, so neither can capital, which is merely a part of wealth, be land. Capital, roughly illustrating, can include only such things as tools, implements, seeds, mills, freight trains, factories, machinery and similar labor-made means and devices intended to aid in the further production of wealth.

It is clear therefore from the character of these three factors of production that they are absolutely separate and distinct. They dove-tail with one another but they do not inter-lock or over-lap. Nothing that is land can be called labor or capital; nothing that is labor can be termed land or capital; and nothing that is capital can be classified as either labor or land. Let us now turn to the factors of distribution. Three elements also, economic science teaches us, distribute the wealth that bas been produced—namely, rent, wages and interest.

Rent is that part of the wealth produced which goes to the landowner for the use of the land.

Wages is that part of the wealth produced which goes to the laborer for services performed.

Interest is that part of the wealth produced which goes to the capitalist for the use of capital.

As with the factors of production these three factors of distribution are likewise absolutely separate and distinct. A man may at once be all three, a landowner, a laborer and a capitalist—and such is often the case—but no part of his income that is due to his effort as a laborer or his services as a capitalist, can, in the science of economics, be spoken of as rent. In every-day speech for instance we may properly talk of the rent of houses and buildings, but in economics such returns will be designated, not as rent, but as interest on capital.

Likewise in common parlance we may refer to a man's reward for services rendered as a salary, a fee, a stipend, a profit or emolument, but in the science of political economy such reward will be known simply as wages of labor.

And so in the case of interest. We may in everyday speech refer to the income of a stock or bond based upon a railroad franchise, coal deposit or other natural resource as interest on capital, but in eco-

nomics the income will have to be classified, not as interest on capital, but as the rent of land.

So exceedingly important to clear thinking and sound reasoning is a correct understanding of these terms and their usage that they should be restated at the beginning of every economic discussion, and where the treatment of the subject is intended to be exhaustive, as in Prof. Ely's fifty-volume project to "guide state, national and international policy," they should be laid down in the most complete manner and adhered to with religious care. But this, as we have already seen, is the very thing that Prof. Ely has not done. Not only has he failed, in his three basic books, to define all of his primary terms with the thoroughness and precision that they logically require, but in the four or five cases where he has done so, he utterly neglects to stick to the definitions that he has laid down. Observe, for example, how, after having defined land and labor, rent and wages in a manner against which no objection can be made, he goes on and hopelessly confuses wages of labor with the rent of land ("Outlines of Land Economics," Vol. II, p. 36):

> "The return to the pioneer in increased value of the land is a cost—a payment for the continuous toil, often lasting for several generations, that has been expended upon the land."

Or again how he mixes the rent of land with the wages of labor ("Outlines of Land Economics," Vol. II, p. 39):

> "It is probable that nobody works harder for what he gets, considering it by and large, than the landowner; and he usually gives a big return to society for what he receives."

Or yet again, how he lumps together land and capital and refers to the return of both as interest ("Outlines of Land Economics," Vol. II, p. 21):

> "Considered as property yielding income, land and capital are exactly on the same footing. A singletaxer is much disturbed because the owner or a certain piece of land receives $30,000 a year in ground rents without any burden of taxes, expense of improvements, etc., all of which are paid by the tenant. The same man seems quite unworried by the fact that trust companies are turning over incomes just as great from stocks and bonds to clients who

perform no personal services whatever, some of whom are moral delinquents and intellectual incompetents."

One certainly does not have to be a trained economist to see that the two ideas which Prof. Ely desires to convey in the above are absurd. In the first place it is not true that the income from land and capital are "exactly on the same footing;" on the contrary they are on very different footings—a fact which we have already seen and which we shall more fully see later on.

It is not true in the second place that the properties of trust companies consist of capital only; they consist, as the most casual examination will show, of both capital and land. The stocks and bonds of trust companies do not represent merely buildings, machinery and other man-made structures, but represent also mineral beds, coal and oil deposits, water-fronts, public-utility franchises, railway sites, valuable locations in industrial centers, terminal advantages, water-powers and other natural resources of the nation. Hence the income from such stocks and bonds cannot be said to consist of interest only; they consist also in large, if not oftimes much the larger, part of the rent of land.

At all events it is just this confusion in the usage of the elementary terms of political economy that is the despair of the student who would earnestly follow the reasoning of Prof. Ely—a confusion moreover that renders worthless as an economic work, not only the tree primary books he has written for the guidance of his Institute members, but all books that in the future are to be based upon them. If these books will indeed serve any purpose at all-and this apparently is the very purpose for which they are intended—it will be to destroy effectively all capacity of the economic student for clear and logical thinking.

2—That Land and Capital are Governed, Not BY DIFFERENT, But by the SAME Laws

Having launched his vessel and set his crew drifting upon the sea of economic study without a compass to guide it, Prof. Ely lays down the tenet that the laws that determine the value of land are also the laws that determine the value of capital. Here is how he states it ("Outlines of Land Economics," Vol. II, p. 78):

"Land is simply one of the requisites of production, and its value is governed by the same laws that govern the values of other requisites of production."

Obviously, this cannot be true. Beneath the natural law of supply and demand which of course influences the three factors of production alike there comes into play another law which derives its power from the essential difference between the character of the two things—land and capital.

Land, be it observed, is natural; capital is artificial. Land can not be duplicated or reproduced; capital can be duplicated or reproduced as often as desired. You may have as many crops of corn, or trees, or implements, or houses or skyscrapers or railroads, as you wish to have, but you can have only one crop of land. Capital can be burned up, moved away or demolished, but land cannot be burned up, moved away or demolished. The supreme factor that determines the value of land is location; the supreme factor that determines the value of capital is cost of production. Land will not deteriorate and decay; capital will and does deteriorate and decay. Land always remains the earth; capital comes from the earth and returns to earth. Land being a gift of the Creator and non-reproducible, always begins at zero and goes up in value; capital, being a product of labor and reproducible, always begins at its cost of production and temporary fluctuations aside—goes down in value.

The laws therefore that govern the value of land and the value of capital are plainly not alike, as Professor Ely says, but are essentially opposite.

3—That Land CANNOT be Monopolized, While Capital and the Products of Industry CAN be Monopolized

Growing out of his assertion that the value of land is determined by the same laws that determine the value of capital, is the more ridiculous assertion that land is much harder to monopolize than capital. To quote his own language ("Outlines of Land Economics," Vol. II, pp. 52, 53, 73):

"Of all the factors of production land is the most difficult to monopolize. Monopoly of land has often been attempted but rarely with success. … In land ownership there is usually the freest and fullest competition, so that the returns yielded by land are reduced

> to a lower level than the returns to fluid capital. Land requires more care and gives smaller returns in proportion to what is put into it in the way of capital and enterprise, than standard investments of other kinds. … It is a. curious thing that people speak of land as a monopoly, when it, of all things, is the least monopolizable."

Exactly the opposite of all this is true. Land is not harder to monopolize than capital, but easier; it is not subject to fuller competition than capital, but to lesser competition; and the care that land requires is not greater than the care that capital requires, but smaller.

This is so because, as we have already seen, land is natural while capital is artificial. Land cannot be duplicated, but capital can be duplicated indefinitely—hundreds, thousands, millions of times if need be—and capital must be constantly duplicated to keep it from returning to the source whence it came—the dust of the earth. Competition, therefore, cannot affect land in the same manner and to the same degree that it affects capital.

Take the simplest illustration we can find. Suppose you emigrate from a large city into a new and far-off country on the outskirts of civilization, and you take with you a supply of tools and weapons to sell to the scattered farmers and hunters round about. You arrive at your destination with your load of goods; you look over the expanse of wild and virgin territory around you; you select a piece of land—anywhere; procure title to it from the government land-office and put up your store.

You are now obviously both a landowner and a capitalist as well as a laborer. Your capital consists of a rough-hewn log hut which serves as a store, and a stock of rifles, plows, harness, cooking utensils and other merchandise which you have brought from the industrial center whence you came. Your land, on the other hand, consists simply of a small lot upon which your store stands.

Since the law of supply and demand operates here as well as any-where else the price you can charge for your merchandise will be high, and the price must be high to reward you adequately for the heavy cost of time, labor and expense involved in purchasing and hauling the goods to where they are. What is equally important the hunters and settlers in the vicinity, will, since you have no competi-

tors, be glad to pay you the high price you ask for your articles rather than go without: them.

The price you can charge for your land, however—provided you care to sell—will be extremely low; your lot, in fact, would not bring as much as the cheapest knife or frying-pan in your possession, for plenty of other lots in the vicinity, just as good as yours, can be had for the mere taking.

But let new settlers come in, let the community grow around you and at once the radical difference between your land and capital stand out. The price of your merchandise starts to go down; the price of your lot starts to go up. Why? Because your merchandise—your capital—is artificial, hence reproducible, whereas your land is not.

Plenty of others can make rifles and plows just as good, if not a little bit better than your rifles and plows, and sell them to your customers for a little less than you do. But no one can make another lot, or find one located precisely where your lot is located. Its exact geographical position can never be duplicated. No matter how much the population increases or how large your community grows, you cannot—speaking as a whole—charge any more for your goods, but for your land you can command a higher and higher price. If you try to raise the price of your fifty-dollar plows to, say, a hundred dollars each, or even to seventy-five dollars each, you will not succeed, for your competitors will sell your customers plows equally good for close to fifty dollars each, and you will have to meet your competitors' price or go out of business.

Not so, however in the case of your land. The supply of your land is rigidly fixed; it cannot be duplicated. Over it you are an absolute monopolist. As population grows, therefore, and the demand for the use of your lot increases, the price you can charge for it automatically rises. If a small village springs up the value of your particular lot will run into the hundreds of dollars, if a town, city or large metropolitan center builds around you—a St. Paul, a Louisville, a Denver, a Los Angeles or a Chicago—its value will mount, not only into the tens and hundreds of thousands, but into the millions of dollars.

Plainly, therefore, the assertion of Prof. Ely that capital is the least difficult to monopolize, and land the most difficult, is preposterous. Just the contrary is true, Land is the easiest in value to monopolize because it is subject to little competition, Land—whether a city lot, a

piece of agricultural ground, a mineral bed, a coal deposit, a water-power site, a location for a railway, or any other natural opportunity—is a gift of the Creator, a product of Nature. It cannot be reproduced and the quantity of it can be neither increased nor decreased.

Capital, on the other hand, is the hardest to monopolize, because it is constantly subject to competition. For capital is not natural, but artificial. Its supply therefore is not rigidly fixed, as in the case of land, but is variable and unlimited. Land has no cost of production, capital has. And whereas in civilized society land always starts at zero and appreciates in value, capital—minor disturbances apart—always starts at its cost of production and depreciates in value.

4—That the Value of Buildings May RISE, While the Value of Their Locations FALL

Equal in absurdity to Prof. Ely's statements that there is no difference between land and capital, so far as the laws governing them are concerned, and that land is much harder to monopolize than capital, is his statement that the value of a piece of land may fall, while the value of the improvement on it rises. As he expresses it ("Outlines of Land Economics," Vol. II, p. 13):

> "When a corporation owning land puts up a building a sharp line is drawn, and it is said, 'You must always remember that the building declines in value; and if there is any increment in value, it must be an increment in the value of the land.' This is always so, when the investment is made by competent business men. Frequently, as just stated, there are two opposite movements in the value of the building and in the value of the land."

The fallacy of this assertion must be obvious from the analysis we have just made. A piece of land may indeed rise or fall in value according as the population around it increases or decreases, but a building—assuming a stable currency and a free market—can never rise in value; it can only fall in value.

Why is this true? It is true because land is nature-made. It has no cost of production. Its value is essentially a monopoly value. But a building or like improvement, on the other hand, is artificial; it is something that is produced, not by nature, but by capital and labor;

and its value therefore is regulated primarily by what it costs to reproduce it.

Of course there may be cases where a strong sentiment or tradition—the birthplace of a great poet or the death-place of a notorious bandit, for example—is attached to a particular building that makes it a curiosity among sightseers, and that tends to add to its value as time goes on, but these cases are so rare and exceptional that they have no place in a fundamental economic discussion. The general principle holds true that a building or other man-made improvement will—all things considered—never rise in value with the passing of time, but always fall.

LAND AND INDUSTRY-THEIR DIFFERENCE
(A Boston lot and building illustrated by
C. B. Fillebrown in his "A B C of Taxation")
Not reproduced /pma

Nor have the competency or incompetency of individuals anything to do with it, as Prof. Ely suggests. For individuals have no control over the natural laws that underlie the economic life of society. The most stupid owner of a piece of land cannot prevent that land from rising in value, if the community around it grows; and the most sagacious owner cannot keep a piece of land from falling in value, if the community around it disappears. Similarly, the shrewdest business man cannot, in a progressive society, make a given building go up in value without adding new improvements to it, nor can he, in any society—whether progressive or retrogressive—prevent that given building from going down in value, without constant attention and repair.

There may indeed be opposite movements in the value of buildings and the value of land, but never in the direction that Prof. Ely states.

5—That a Growing Population Does Not ALWAYS Increase Land Values

"There are some people," wrote Herbert Spencer in 1850, "who hate anything in the shape of exact conclusions. According to such, the right is never in either extreme, but always half-way between the extremes. They are continually trying to reconcile Yes and No. Ifs

and buts and excepts are their delight. They have so great a faith in ‘the judicious mean’ that they would scarcely believe an oracle, if it uttered a full-length principle. Were you to inquire of them whether the earth turns on its axis from East to West, or from West to East, you might almost expect the reply—‘A little of both,’ or ‘Not exactly either’."

This very properly may be said of Prof. Ely. Prof. Ely hates a full length principle—especially if it supports the Henry George theory of taxation—like a small boy hates castor oil. If he cannot deny the principle outright, processes he seeks to weaken its authority by exceptions, ifs, ands and buts. Take, for instance, the relation of population to ground rent—or the value of land. It is now recognized by all observing people and admitted by all economists, that an increase of population in a community results in an increase of land values in that community. Prof. Ely frankly admits all this. But on the other hand, he is not quite sure about it. He believes, indeed, that population might increase without any increase in land values. As a matter of fact, it is even possible, he says, for population to increase and land values, at the same time, to decline instead of rise. His language follows ("Outlines of Land Economics," Vol. II, p. 59):

"On the other hand, if population is increasing there is no certainty that an increase in land values will result. We have no way of telling what rate of increase is needed to increase land values. We can have a growth of population co-incident with stationary or even declining land values."

The fact, of course, is that this is not so. Land values—that is to say ordinary land values unaffected by speculation—cannot, as Prof. Ely says, decline in the face of a growing population; they can only increase. This is true because the supply of land—the earth—is rigidly fixed, whereas population—which makes the demand for land—is not.

Take a new country. So long as there is no population there will be no land values because there is no demand for the land. Let population appear however and land values will at once appear because a demand for the land arises. And just in proportion as the population grows so will the land values also grow, because the demand for the land correspondingly grows.

This is the case everywhere. The farm lands of the Mississippi Valley, for example, the coal fields of Pennsylvania or of Kansas, the business locations of San Francisco, New Orleans or New York, or the numerous other natural opportunities of the nation which in the time of Columbus were worth nothing, have now risen to scores, hundreds, thousands and even millions of dollars per acre, not because these opportunities are any bigger or better or different than they were then, but simply because the demand for their use has enormously multiplied.

The process by which a value attaches to land by virtue of the increase of population has never been better set forth than by Henry George himself in his "Progress and Poverty" (Book IV, Chap. II):

> "Here, let us imagine, is an unbounded savannah stretching off in unbroken sameness of grass and flower, tree and rill, till the traveler tires of the monotony. Along comes the wagon of the first immigrant. Where to settle he cannot tell—every acre seems as good as every other acre. As to wood, as to water, as to fertility, as to situation, there is absolutely no choice, and he is perplexed by the embarrassment of richness. Tired out with the search for one place that is better than another, he stops—somewhere, anywhere—and starts to make himself a home. The soil is virgin and rich, game is abundant, the streams flash with the finest trout. Nature is at her very best. He has what, were he in a populous district, would make him rich; but he is very poor. To say nothing of the mental craving, which would lead him to welcome the sorriest stranger, he labors under all the material disadvantages of solitude. He can get no temporary assistance for any work that requires a greater union of strength than that afforded by his own family, or by such help as he can permanently keep. Though he has cattle, he cannot often have fresh meat, for to get a beefsteak he must kill a bullock. He must be his own blacksmith, wagonmaker, carpenter, and cobbler—in short, 'jack of all trades and master of none.' He cannot have his children schooled, for, to do so he must himself pay and maintain a teacher. Such things as he cannot produce himself, be must buy in quantities and keep on hand, or else go without, for he cannot be constantly leaving his work and making a long journey to the verge of civilization; and when forced to do so, the getting of a vial of medicine or the replacement of a broken

auger may cost him the labor of himself and horses for days. Under such circumstances, though nature is prolific, the man is poor. It is an easy matter for him to get enough to eat; but beyond this, his labor will suffice to satisfy only the simplest wants in the rudest way.

"Soon there comes another immigrant. Although every quarter section of the boundless plain is as good as every other quarter section, he is not beset by any embarrassment as to where to settle. Though the land is the same, there is one place that is clearly better for him than any other place and that is where there is already a settler and he may have a neighbor. He settles by the side of the first comer, whose condition is at once greatly improved, and to whom many things are now possible that were before impossible, for two men may help each other to do things that one man could never do.

"Another immigrant comes, and, guided by the same attraction, settles where there are already two. Another, and another, until around our first comer there are a score of neighbors. Labor has now an effectiveness which, in the solitary state, it could not approach. If heavy work is to be done, the settlers have a logrolling, and together accomplish in a day what singly would require years. When one kills a bullock, the others take part of it, returning when they kill, and thus they have fresh meat all the time. Together they hire a school-master and the children of each are taught for a fractional part of what similar teaching would have cost the first settler. It becomes a comparatively easy matter to send, to the nearest town, for someone is always going. But there is less need for such journeys. A blacksmith and a wheelwright soon set up shops and our settler can have his tools repaired for a small part of the labor it formerly cost him. A store is opened and he can get what he wants as he wants it; a post-office, soon added, gives him regular communication with the rest of the world.

Then come a cobbler, a carpenter, a harness-maker, a doctor; and a little church soon arises. Satisfactions become possible that in the solitary state were impossible. There are gratifications for the social and the intellectual nature—for that part of the man that rises above the animal. The power of sympathy, the sense of companionship, the emulation of comparison and contrast, open a

wider, and fuller, and more varied life. In rejoicing, there are others to rejoice; in sorrow, the mourners do not mourn alone. There are husking bees, and apple partings and quilting parties. Though the ballroom be unplastered and the orchestra but a fiddle, the notes of the magician are yet in the strain, and Cupid dances with the dancers. At the wedding, there are others to admire and enjoy; in the house of death, there are watchers; by the open grave, stands human sympathy to sustain the mourners. Occasionally, comes a straggling lecturer to open up glimpses of the world of science, of literature, or of art; in election times come stump speakers, and the citizen rises to a sense of dignity and power as the cause of empires is tried before him in the struggle of John Doe and Richard Roe for his support and vote. And, by and by, comes the circus, talked of months before, and opening to children whose horizon has been the prairie, all the realms of the imagination-princes and princesses of fairy tale, mail-clad crusaders and turbaned Moors, Cinderella's fairy coach, and the giants of nursery lore; lions such as crouched before Daniel, or in circling Roman amphitheater tore the saints of God; ostriches who recall the sandy deserts; camels such as stood around when the wicked brethren raised Joseph from the well and sold him into bond-age; elephants such as crossed the Alps with Hannibal, or felt the sword of the Maccabees; and glorious music that thrills and builds in the chambers of the mind as rose the sunny dome of Kubla Khan.

"Go to our settler now, and say to him: 'You have so many fruit trees, which you planted; so much fencing, such a well, a barn, a house—in short, you have by your labor added so much value to this farm. Your land itself is not quite so good. You have been cropping it, and by and by it will need manure. I will give you the full value for all your improvements if you will give it to me and go again with your family beyond the verge of settlement.' He would laugh at you. His land yields no more wheat or potatoes than before, but it does yield far more of all the necessaries and comforts of life. His labor upon it will bring no heavier crops, and, we will suppose, no more valuable crops, but it will bring far more of all the other things for which men work. The presence of other Settlers—the increase of population—has added to the productiveness, in these things, of labor bestowed upon it, and this added

productiveness gives it a superiority over land of equal natural quality where there are as yet no settlers. If no land remains to be taken up, except such as is as far removed from population as was our settler's land when he first went upon it, the value or rent of this land will be measured by the whole of this added capability. If, however, as we have supposed, there is a continuous stretch of equal land, over which population is now spreading, it will not be necessary for the new settler to go into the wilderness, as did the first. He will settle just beyond the other settlers, and will get the advantage of proximity to them. The value or rent of our settler's land will thus depend on the advantage which it has, from being at the center of population, over that on the verge. …

"Population still keeps on increasing, giving greater and greater utility to the land, and more and more wealth to its owner. The town has grown into a city—a St. Louis, a Chicago, or a San Francisco—and still it grows. Production is here carried on upon a great scale, with the best machinery and the most favorable facilities; the division of labor becomes extremely minute, wonderfully multiplying efficiency; exchanges are of such volume and rapidity that they are made with the minimum of friction and loss. Here is the heart, the brain, of the vast social organism that has grown up from the germ of the first settlement; here has developed, one of the great ganglions of the human world. Hither run all roads, hither set all currents, through all the vast regions round about. Here, if you have anything to sell, is the market; here, if you have anything to buy, is the largest and the choicest stock. Here intellectual activity is gathered into a focus and here springs that stimulus which is born of the collision of mind with mind. Here are the great libraries, the storehouses and granaries of knowledge, the learned professors, the famous specialists. Here are museums and art galleries, collection, of philosophical apparatus, and all things rare, and valuable, and best of their kind. Here come great actors, and orators, and singers, from all over the world. Here, in short, is a center of human life, in all its varied manifestations.

"So enormous are the advantages which this land now offers for the application of labor that instead of one man with a span of horses scratching over acres, you may count in places thousands of workers to the acre, working tier on tier, on floors raised one

above the other, five, six, seven and eight stories from the ground, while underneath the surface of the earth engines are throbbing with pulsations that exert the force of thousands of horses.

"All these advantages attach to the land; it is on this land and no other that they can be utilized, for here is the center of population—the focus of exchanges, the market place and workshop of the highest forms of industry. The productive powers which density of population has attached to this land are equivalent to the multiplication of its original fertility by the hundred fold and the thousand fold. And rent, which measures the difference between this added productiveness and that of the least productive land in use, has increased accordingly. Our settler, or whoever has succeeded to his right to the land, is now a millionaire. Like another Rip Van Winkle, he may have lain down and slept; still he is rich—not from anything he has done, but from the increase of population. There are lots from which for every foot of frontage the owner may draw more than an average mechanic can earn; there are lots that will sell for more than would su1llce to pave them with gold coin. In the principal streets are towering buildings, of granite, marble, iron and plate glass, finished in the most expensive style, replete with every convenience. Yet they are not worth as much as the land upon which they rest—the same land, in nothing changed, which when our first settler came upon it had no value at all."

It may be said perhaps that there are places in the United States where ordinary land values have declined. This is doubtless true. But it does not alter in any way the general principle that an increasing population will increase land values. For in those particular communities where land values have declined, population, it will be found, has also declined, and where the population has gone there the land values also have gone.

Someone has said that land values are like a man's shadow. The comparison is well made. Land values follow population just as a shadow follows the movements of a man. If the man changes his position the shadow's position will change with him; if population shifts from one point to another, land values will also shift to the

same point. To the extent that land values go down in one place they are destined to go up in another place.

While population is thus the main cause of land values, it is not however the only thing that contributes to the making of land values. There is yet another factor that tends most powerfully to give land a value above that which the mere number of inhabitants can give it. What this factor is we shall see in our next topic. Meanwhile enough has been said to show that while we can have an increasing population with increasing land values, we cannot, as Prof. Ely states, have an increasing population coincident with stationary or declining land values.[37]

---

[37] In a letter dated Feb. 12, 1925, Mr. Louis F. Post, former Assistant Secretary of Labor, kindly calls attention to the fact that the force of this generalization may be weakened by captious critics seeking to give particular instanced to the contrary. Particulars have, of course, no legitimate place in a discussion where broad generalization is required, but lest there be those who may be thrown off their guard, Mr. Post's letter is herewith reprinted in full:

"You say that land values cannot decline in the race of a growing population. It depends, for a time at least, upon the kind of population already on the spot and the kind that makes the increase. I was once faced with a statement that a locality in Kansas had declined in land values in spite of a 1,500 increase in population. It did not seem to me possible until I was informed that the increase consisted of a body of especially undesirable immigrants. Of course such declines can only be for a time. The values will catch up again. Land values must have declined in lower New York when the aristocratic and the respectable middle class population were succeeded by prostitutional groups. Bus as business drove the prostitutes farther up town those same localities became more valuable than ever.

"Another instance of decline of land values following changes for the better, but in the way of neighboring improvement rather than increase of population, came to my attention several years ago in connection with a city in New York State. I was told that the trolley had resulted in a decrease of land values in the city. Of course, I didn't believe it. But it was explained to me. Before the trolley, the business region had been in the center and the residence region round about. At a distance the land was in farms. When the trolley came, workers at the center went beyond the city to live, and the former residence land grew cheaper. So the trolley had reduced the value of the residence land. But it increased the value of the farming land by leaps and bounds, prices going up from a couple of hundred dollars an acre to hundreds of dollars a building lot. The business region also increased. And after a time the former residence region increased also in consequence of greater demands upon it both for business uses and for residence uses, caused by the speculative values that arose in the suburbs.

6—That Invention, Discovery and Material Progress Have the Effect of REDUCING Land Values Instead of RAISING Them

The primary factor in the making of land values—i. e., ground rent capitalized at the current rate of interest—is, as we have seen, population.

But besides population there is, as has already been suggested, another factor that contributes very largely to the creation of land values. This second factor is "material progress"—invention, discovery, scientific knowledge, quicker transportation, better modes of production, improved methods of distribution, and the like. These all have the result of giving to land a value over and above that which population alone can give to it.

Thus, if population alone created land values, land values would not have risen in the United States during the last hundred years as fast as they have risen. What is more, if population alone created land values, then if population became stationary, land values would also become stationary.

But we know this is not the case. We know from a comparison with other countries that land values in the United States have increased much more rapidly than population has increased. We also know from observation that in communities where population has become stationary, land values have not become stationary, but have still kept on increasing. And we know too that this added increase in the value of land over and above what population has given it, is simply the result of the social and industrial progress that the people have made.

More absurd therefore than Prof. Ely's contention that we may have declining land values in the face of an increasing population, is his contention that material progress—improvement in the modes of production, transportation and exchange—has the effect of lowering land values instead of raising them. Here is what he says ("Outlines of Land Economics," Vol. II, p. 58):

"It is such instances as these that the mumbly-cum-spludge economists cite, passing along only some of the facts, and with reference only to some parts of the locations they mention. It isn't their fault so much perhaps as the fault of the economic system they adopt—a system with no principle buck of it and nothing but a hodge-podge of miscellaneous facts before it."

"Progress brings economy in the use of land, making the same area go farther toward satisfying the need for land. With a stationary population, if society progresses, a land supply, though constant in area, increases relatively through improvements in the utilization of agricultural land and through improvements in transport in the case of urban land. As a result land will fall in value."

Or as he states it elsewhere ("Elements of Land Economics," MacMillan, 1924, pp. 261, 262):

"The elevator, together with modern steel frame construction, has made 30-story buildings practicable. If Ford can supply the world with cheap fertilizer, we may see a revolution in agricultural production which may upset land values tremendously. A practical cotton picker may do the same for the South. … In the case of farm land, it is safe to say that much higher land values would have resulted from the growth of population in the last 100 years if the development of farm machinery and agricultural technique generally had not tended to hold down prices.

The relation between these factors may be stated as the law of the movement of land values: OTHER THINGS REMAINING EQUAL, IN A PROGRESSIVE SOCIETY WITH INCREASING WEALTH AND STATIONARY POPULATION, LAND VALUES WILL DECLINE."

Needless to say just the reverse of all this is true. Material progress cannot result in forcing the value of land down, as Prof. Ely asserts; it can only result in forcing it up. Why? Because there is no limit to human wants and consequently there is no limit to the demand for land. Human wants are endless, insatiable. As Henry George has said ("Progress and Poverty," Book II):

"Man is not an ox, who when he has eaten his fill, lies down to chew the cud; he is the daughter of the horse leech, who constantly asks for more. … The demand for quantity once satisfied, he seeks quality. The very desires that he has in common with the beast become extended, refined, exalted. It is not merely hunger, but taste, that seeks gratification in food; in clothes, he seeks not merely comfort, but adornment; the rude shelter becomes a house; the undiscriminating sexual attraction begins to transmute itself into

subtile influences, and the hard and common stock of animal life to blossom and to bloom into shapes of delicate beauty."

As human wants, therefore, have no end, the logical effect of material progress—labor-saving machinery, invention, science, discovery, improvements in transportation, and so on—is to raise the standard of living, to elevate taste and refinement, and to make It possible for the people to consume a larger quantity and better quality of the necessities and comforts of life than they consumed before. Since all this necessarily increases the demand for land, the value of land inevitably tends to go up instead of down.

Experience shows this everywhere to be the case. As Henry F. Ring in his "Problem of the Unemployed," (pp. 64-65) says:

"That labor-saving inventions in themselves, as well as increase of population, directly increase the value of land and raise rent, is everywhere apparent. To illustrate:

"Electricity, the trolley line and the automobile have superseded the horse in the operation of street cars. Land miles away has been brought in point of time to the very centers of cities and thus greatly increased in value, and rents on such land have advanced accordingly. By the aid of barbed wire the cheap lands of the Southwest in the timberless districts have been fenced for a fraction of what it would otherwise have cost, and for this reason have been rendered more attractive to the homeseeker and the price of the land has on this account increased. Improvements in pumping water in great quantities, and also in harvesting processes, were applied some years ago to the cultivation of rice on the sour, fiat prairies of Southern Texas, and these lands, within two or three years, doubled and quadrupled in value. Improved highways, telephone, light, water and street car service, all combine to make the land in connection with which such advantages can be enjoyed, more desirable, and the fact of its being more desirable adds to its selling price, and increases the rent which must be paid for the privilege of using it. So, also, good neighbors, good schools and good government make land more attractive and increase rents accordingly. … That not only increase of population but every thing which adds to the efficiency of labor and improves the conditions under which men live, simply adds in the long run and in the main

to the value of land—the rent of ground—is a proposition that needs no further discussion."

The closer one examines Prof. Ely's argument that material progress results in decreasing the value of land, instead of increasing it, the more ridiculous does it become. For if this argument be correct then land lying adjacent to a railroad or public highway will be worth less instead of more, than land that is farther away. Then land values in a town with its various improvements will be lower, instead of higher, than land values in a desert where there are no improvements; and land values in a large city with its multitude of advantages will be still lower than the land values in a small town. Similarly, total land values in the United States with its high degree of civilization will be far below, instead of away above, the total land values in a nation such as Russia, India or China where civilization is much less developed.

Look at it in another way. If material progress reduces the value of land as Prof. Ely says, one might properly ask how much progress it would take to decrease the present land values in a large commercial center like Chicago or Detroit to one-half? How many more improvements would have to be made in these centers before the land values fell to zero? And again, how high would the buildings have to become, how numerous the subways and elevated lines, and how rapid the transportation, before the value of land fell below zero?

Maybe it will be objected that the value of land could not fall below zero. But according to the economics of Prof. Ely it can! If we take this famous scientist's word for it the value of land can not only fall below zero, but it can engulf with it the value of whatever improvements are upon the land. Listen to what he says ("Outlines of Land Economics," Vol. II, p. 73):

"Dwelling site rent can go down to zero, like any other land rent, or it can fall even below zero, and drag down with it the value of improvements."

It may be said with reasonable assurance however that Prof. Ely does not believe his own nonsensical stuff. Prof. Ely has made what is said to be a very handsome fortune in land speculation and is even now taking advantage of his position to dabble in various subdivid-

ing[38] and land selling schemes[39] that, whatever else may be said for it, is rather unbecoming for one holding the high chair of political economy in a famous state university. In any event it is not on record that Prof. Ely has reversed the practice of real estate promoters and sold land lying close to highways, street car lines and other public improvements for less than he has sold land lying far away from such improvements.

Just the contrary then of what Prof. Ely says is true: material progress does not have the effect of decreasing the value of land; it only has the effect of increasing it. And no one, it may be safely added, recognizes this fact better than Prof. Ely himself. As Dr. Adam Smith ("Wealth of Nations," Book I, Chap. XI) wrote one hundred and fifty years ago:

> "Every improvement in the circumstances of the society tends either directly or indirectly to raise the real rent of land, to increase the real wealth of the landlord, his power of purchasing the labour or the produce of the labour of the people."

Or, as Prof. Thorold Rogers ("Six Centuries of Work and Wages") has succinctly stated it: "Every permanent improvement of the soil, every railway and road, every betterment in the general condition of society, every facility given to production, every stimulus supplied to

---

[38] In the "Institute News" of May, 1924, we read:

"Dr. Richard T. Ely, director of the Institute, has recently been chosen to serve as a member of the board of directors of the City Housing Corporation, a limited dividend company organized to build better homes and communities in New York… Eleven hundred lots in Long Island City comprise the purchase for the first project."

[39] Dr. Ely is also a director of the Fairway Farms Corporation, operating in Montana and North Dakota. Relative to this corporation the "Institute News" of October, 1924, says: "During the first two weeks of October, a party consisting of Doctor Richard T. Ely, Professor B. H. Hibbard, Dr. George S. Wehrwein and Prof. M. L. Wilson made an inspection trip of farm lands in Montana, the object of which was to study the properties which the Fairway Corporation intends to buy or lease, This corporation has the loan of n considerable sum of money to be used to purchase or lease farms to experiment with the "agricultural ladder."

The party spent one day in Minneapolis consulting with Mr. Quamme of the Federal Land Bank and others; one day in Fargo, North Dakota, where several farms were inspected; another day was spent in Sidney, Bainesville and Culbertson, Montana; and one day in Plentywood and Outlook, Montana. Other points in Montana at which the party inspected lands are Poplar, Havre, and Great Falls."

consumption, raises rent. The landowner sleeps, but thrives. He alone, among all the recipients in the distribution of products, owes everything to the labor of others, contributes nothing of his own. He Inherits part of the fruits of present industry, and has appropriated the lion's share of accumulated intelligence."

7-That the Rent of Land Has Not RISEN During the Last Hundred Years) BUT Has Remained STATIONARY

Having put forth his untenable theory that the effect of material progress generally is to decrease the value of land and not, as Henry George has shown, to increase that value, Prof. Ely proceeds to bolster it up with the nonsensical statement that the rent of land has not risen during the last hundred years, but has remained stationary. His language follows ("Outlines of Land Economics," Vol. II, p. 74):

> "Henry George and others hold that the rent of land absorbs the increase in wealth. The history of the world in the last hundred years, however, shows wealth increasing and the rent of land remaining fairly stationary. In the period from 1850 to 1910 the rent of land never amounted to as much as ten per cent of the annual wealth of the United States, while in England the rent of land has decreased."

Of course, if all this were true, there would be nothing of consequence to worry about. The great economic problems that now confront the nation, and for which men in all walks of life are vainly trying to find a solution, would not exist. There would be no such things as chronic business depressions, inequality of opportunity, involuntary unemployment, excessive concentration of wealth or destructive wars between capital and labor. Everything in the economic organism—minor troubles excepted—would run as smoothly as could be expected.

Unfortunately, however, what Prof. Ely states is not true. Rent—the value of land—has not, as he says, remained stationary during the last hundred years; on the contrary, it has been steadily rising. What is more, it is still rising—and rising as rapidly as the wealth-producing power of the people will allow.

Take the United States. Go back one hundred years—or, better yet, go back two hundred years when the earliest settlements on the American continent were being made. At that time, it is clear, the

percentage of ground rent in the total product was nil. Land was free. From the blue Atlantic to the deep Pacific, and from the Great Lakes to the Gulf of Mexico, the vast natural resources, farming regions and town sites of the country were to be had for the mere taking. There was no value attached to land. Ground rent stood at zero and capital and labor as a consequence received the full value, or 100% of what they produced.

Since this time, as everybody knows, the rent of land has not remained at zero, but has enormously increased. Just how much it has increased we are not able to tell exactly, but we may be certain that the amount of total wealth produced by capital and labor which is absorbed by the rent of land is more—a great deal more—than the eight or ten per cent that Prof. Ely allows.

We know at least that the rent of farmland, which two hundred years ago stood at zero, now absorbs from 20% to 60% of the farmer's annual income. We know further that the rent of residential sites in towns and cities which, in the days of Benjamin Franklin, was next to nothing, now takes from 12% to 40% of the earnings of the people who live on them—some of the tenants in New York, for instance, pay as much as 45% of their earnings in the shape of dwelling site rent. We know also that the rent of ground under mills, warehouses, shops, office buildings and stores which, but a few generations back, was hardly worth mentioning, now has risen to a point that yields a princely income for those who own but a few square feet of this ground—the rent for the land alone under the Marshall Field Store in Chicago is $900,000 a year.

So with iron, oil, coal deposits, etc. The customary royalty paid by oil operators to the owners of oil lands is from 12½% to 20% of the price of the oil at the well. Coal operators in the anthracite fields of Pennsylvania pay for the privilege of mining coal up to 26% of the price the coal sells for at the mouth of the mine—the royalties thus collected in 1921 by the Stephen Girard land holdings amounting to $1.27 per ton, or a total for the year to this one estate alone of $3,788,000,-. And so, too, with the rents and royalties of railway terminals, right-of-ways, copper and lead deposits, stone quarries, waterpower sites and natural resources of all kinds—these have advanced in two hundred years from zero to a point that leaves to capital and labor but the slenderest margin of profit.

In short, we know that the rent of land which, in the seventeenth century absorbed nothing from the wealth produced by capital and labor, now absorbs twenty, thirty, forty and sometimes sixty per cent of that wealth, instead of less than ten per cent as claimed by Prof. Ely.

Moreover, we know that this rent of land is not remaining "stationary," as he says, either as to quantity or as to percentage of the total product, but is steadily increasing with every increase of wealth-producing power. From nothing at the beginning of our country the total capitalized rent—or selling value—of land has ascended, according to the estimates of economists, to the stupendous sum of $160,000,000,000. And the end is not yet!

What is true of the United States is also true in greater or less degree of every other civilized nation. It is true of England—a country in which Prof. Ely says the rent of land since 1850 has declined. It is true of the Scandinavian countries, of Belgium, of France, of Germany, of Spain, of Italy. It is true of Mexico, the South American countries, Australia, New Zealand, Japan and other Asiatic nations —India and China not excepted.

Said the first President of the Chinese Republic, Dr. Sun Yat Sen (*New York Independent*, June 13, 1912):

> "If you compare the value of land in Shanghai today with what it was one hundred years ago, it has increased ten thousand fold. Now industry in China is about to be developed. Commerce will advance, and in fifty years' time we shall see many Shanghais in China. Let us take time by the forelock and make sure the unearned increment of land shall belong to the people and not to private individuals who happen to be the owners of the soil."

8--That Unearned Increment Is Not to Be Found in Land RENT BUT Is to Be Found in WAGES and INTEREST

What, it may now be asked, can be Prof. Ely's object in putting forth such absurd propositions as that population does not necessarily increase land values; that material progress has the effect, not of raising land values, but of reducing them; and that the rent of land has not risen during the last hundred years, but has remained stationary?

Evidently it is to enable him better to show that there is no economic "surplus" or unearned increment in the rent of land, but that

such unearned increment lies chiefly in the returns to labor and capital—i. e., in wages and interest. For when this proposition is once established it is a simple matter for him to argue, as his supporters desire, that the tax burden should be lightened on the value of land and increased on the earnings of human industry.

Be this as it may, however, Prof. Ely does contend that the unearned increment lies mostly, if not altogether, in the returns of capital and labor, and that very little, if any unearned increment at all, lies in the rent of land. Here is how he states it: ("Outlines of Land Economics," Vol. II, pp. 34, 55):

> "From the individual point of view, at any given moment in civilized society, there is no surplus in land income. … Whenever there is, from the individual point of view, an unearned Increment from land ownership, it is due to unforsee-able combinations of circumstances and should be called rent of conjecture or conjectural surplus rather than unearned increment of land."

On the other hand ("Outlines of Land Economics," Vol. II, pp. 17, 18) he says:

> "Scattered all over the field of production and distribution we find the surplus—the excess over and above the return that is required to secure the application of the requisites of production. Another type of surplus is the personal surplus—the return made for extraordinary capacity. This is very large—perhaps the largest at the present time. … Interest is in part a surplus."

Or yet again ("Outlines of Land Economics," Vol. II. p. 56):

> "Unearned increments appear in all parts of the industrial field and they are due to two great causes; namely, monopoly and conjecture. In the case of land ownership the first is eliminated, whereas in many other parts of the economic field both operate."

If black were white or if men walked upon their hands instead of their feet all this might be true.

There cannot, unless human language and reason be thrown to the winds, be any unearned increment in either wages or interest, as these terms are known in political economy, for the simple reason that wages means the reward that is given to labor for services per-

formed; while interest means the return that is given for labor that has been "congealed" or "stored up" in concrete form.

That there is no unearned increment in wages of labor certainly needs no argument. Consider what labor represents. Labor represents human exertion—mental as well as physical—that is expended in producing from the earth the things that go to satisfy human wants. Now what are the things that go to satisfy human wants? (roughly speaking, they are food, clothing, fuel, shelter, comforts and luxuries of all kinds. But none of these things can be obtained from the earth without labor. Therefore the returns—or wages—that labor receives for producing them cannot be unearned, but earned.

Likewise with interest on capital. Interest on capital is properly wages of labor that have been deferred. This is true because capital is properly stored-up labor. Capital itself is something that can come into existence only through the exertion of labor; more than that, it is something that can be prevented from going out of existence, through wear and tear, deterioration and decay, only by the continuous attention of labor.

Consider. Labor alone can produce wealth from the earth with-out the aid of capital. Fish, for example, can be caught with the hands instead of the hook, and goods carried on the bare backs of men instead of being transported by rail. But while labor can produce wealth from the earth without the assistance of capital, labor can produce wealth much easier and far more rapidly if it has capital to assist it. And that is just what capital is for. Capital, no matter what its form or shape or size may be—a fish hook or a flour mill, a farm pump or a factory building—is simply a tool that labor has made to aid it in the further production of wealth.

But after labor has once produced capital this does not end the matter. Capital naturally deteriorates and depreciates in value—iron rusts, wood rots, glass breaks, machinery wears, paint peels, paper tears, metals corrode and bricks crumble, so that labor must continue to give capital constant attention and repair to keep it in good working order. Unless labor does this capital soon becomes useless and eventually goes back to the place whence it came—the elements of the earth.

Capital, consequently, is properly labor that has been accumulated and stored up in concrete form, and the interest on it is properly

wages that have been deferred or postponed. Like wages, therefore, interest on capital is certainly earned, and not unearned.

Not so however with rent—the value of land. Rent is not earned by individuals, as Prof. Ely avers, but is unearned. This is obvious for two simple reasons:

First, rent cannot be earned by individuals because land is not man-made but nature-made. It is not a product of capital and labor, but is a free gift of the Creator.

Second, rent cannot be earned by individuals because land values can only arise through the growth of population and the progress of society as a whole. No one man can make land values any more than he can make the land itself. Land values spring from the demand for land and to cause this demand a community of people is necessary. If the community is small or unprogressive, land values will be very low; if it is large or progressive, land values will be very high.

In other words, land values do not depend upon the thrift or industry of him who happens to hold title to a piece of land, but upon the extent to which population centers around the land and the degree to which the community is developed. A man may be industrious or he may be lazy; he may be wise and learned or he may be a fool; he may live directly on his land or he may live ten thousand miles away from it; he may be a high deacon in a church or a notorious bandit in a penitentiary—it makes no difference which. If the community builds around his land he will grow rich. For every increase of population, every labor-saving machine and discovery, every addition to scientific knowledge, every improvement in the arts of production and every betterment in the modes of transportation and exchange simply increases the demand for his land and consequently advances its value.

As John Stuart Mill ("Principles of Political Economy," Book V, Chap. II, Sec. 5), observes: "The ordinary progress of society which increases in wealth is at all times tending to augment the incomes of landlords; to give them a greater amount of the wealth of the community independently of any trouble or outlay incurred by themselves. They grow richer as it were, in their sleep, without working, risking or economizing."

Exactly the reverse therefore of what Prof. Ely says is true: wages of labor and interest on capital are not unearned, but earned; rent—the value of land—is not earned, but unearned.

9-That the Solution of Our Land Problem Lies, Not in TAXATION, But in CLASSIFICATION

People want their food, their clothing, their houses and their luxuries just as cheaply as they can get them.

Because the people want these things as cheaply as they can get them, men put forth all their efforts to supply them cheaply—they specialize their labor, they invent fine tools and powerful labor-saving machines, they seek better modes of manufacturing, hunt quicker means of communication, devise faster methods of transportation—in a word, because the people want their food, clothing, shelter, comforts and luxuries at as low a price as possible, men strive, by improving their methods of production, to supply them at as low a price as possible.

But if food, clothing, houses, comforts and luxuries are to be cheap, is it not absolutely necessary that land be cheap too? Plainly so. For the materials that make up food, clothing, houses, luxuries and the like are produced from land; they are shaped and fitted for human needs on land; and they are transported to the consumer over land. If the price of the land therefore be high, how can the price of the things produced and distributed on land be low? And if the land of the nation constantly rises in price, how can the goods that the people want, fall in price?[40]

---

[40] This should not be taken to mean that increasing land values can increase the price of goods. Rising land values cannot do this. The manner in which rising land values are responsible for the high price of goods is simply by preventing the average price of goods from falling to its normal level.

In the natural order of things invention, discovery and improvements in the arts should raise "real wages," or, to put it in a better way, should greatly lower the price of all commodities to the consumer. But just to the extent that invention, discovery and improvements are brought forth, just to that extent rent—the value of land—rises and holds up to its former altitude the price-level of all commodities.

For a fuller discussion of this subject sec the author's article "The Real Trouble With Business," published in the Report of the National Tax Relief Convention of the Manufacturers and Merchants Federal Tax League, (1923) pp. 127-138.

Clearly, therefore, the price of the land lies at the very heart of the land problem. It is indeed what has created the land problem. As land prices in the United States have risen higher and higher, it has become more and more difficult for the masses of men to acquire land. Tenancy consequently has not only steadily increased, but all communities have become too crowded in some places and too scattered in other places. Hundreds of thousands of farmers have, by reason of the high price demanded, been turned away from land lying close to markets and driven up into the hills or out into the wilderness—wheat, for example, is now grown a thousand miles north of the Canadian boundary line; miners have, by virtue of the excessive charges demanded, been forced away from rich deposits of coal or minerals, onto the poorer deposits; while home builders. manufacturers, merchants and other workers in the field of industry have been compelled, in countless instances, to pass up lots that were splendidly located and to establish themselves on lots that were cheaper but which are not well located at all. The consequence is that the production and distribution of wealth is now being carried on everywhere under the most wasteful circumstances and in a most expensive manner, with the further result that the final cost to the consumer of food, clothing, shelter and luxuries is far above what it naturally ought to be.

A sweeping reduction in the price of land is therefore the only true solution of the land problem. It is the only means whereby the necessities and luxuries of life can be supplied to the people at a lower cost.

But how can land be cheapened? Only by the practical method that Henry George proposed—by removing gradually the tax burden from the products of human industry and raising the public revenue from the unearned rent of ground. This will not merely eliminate completely a heavy tax charge that is now shifted to tenants and consumers, but by taking the rent of ground for public purposes the speculative value of land will be wiped out. Land monopoly will be destroyed. Landlordism will be checked and homeownership encouraged. Farmers will find it easier to buy agricultural land lying closer to good roads and markets; miners find it easier to get deposits lying nearer to populous districts; and shippers, retail merchants, wholesalers and manufacturers of every variety find it easier to acquire loca-

tions lying closer to the centers of business, industry and trade. Thus the unnecessary cost and enormous wastage involved in the present production and distribution of wealth will be mainly avoided, with the result that food, clothing, comforts and luxuries of all kinds can be obtained by the people at a much lower price than now.

But a reduction in the price of land is not the kind of a solution of the land problem that Prof. Ely wants. He wants a "solution" that will leave the price of land not merely as high as it is, but a good deal higher. Not only this but he wants a "solution" that will take from one hundred to two hundred years of preliminary investigation; that will involve the publication of countless books, maps and documents; and that will require the supervision of hundreds if not thousands of university professors and graduate students. In other words, Prof. Ely wants, not the simple and effective taxation of land, but the nebulous "classification" and "planning" of land.

A more elaborate and comical program to solve the land question has doubtless never been proposed by anyone who claimed to be a scientist. Prof. Ely would card-index and blue-print every foot of ground in the United States, whether covered by water or not, indicate all the peculiarities and characteristics of each foot, and give a complete history of it—past and present. To quote his own words ("The Taxation of Land," National Tax Association, 1922, p. 52):

> "I venture to recommend a cadastral and economic survey of the land as one necessary step in the solution of our land problems in general and of our problem of land taxation in particular. You are all doubtless familiar with the cadastre of France. This is a careful survey of the land, giving the characteristics of each piece, in order that the annual rental of the land may be properly estimated. In France it took forty-three years to make this survey, and naturally when it was finished the earlier parts were not entirely satisfactory, inasmuch as changes had occurred. Corrections are made from time to time and in spite of all its imperfections it is extremely useful. What I think we need is something more than a cadastral survey. We want a general economic and social survey of the land of the country. The problem is to make a survey which shall be continuous and yet every year yield valuable results, a crop as it were. Naturally, this would have some relation to our

geological survey, but it should be distinct from it although co-operating with it."

How would Prof. Ely go about making this vast geographical, geological, economic, political and sociological land survey? First he would (see "Outlines of Land Economics," Vol. I, pp. 45-49) classify all land in the United States under a dozen or more great grand divisions—classification with respect to "water supply," classification with respect to "use or non-use," with respect to "kind of use," with respect to "density and organization of its population," "kind of service the land renders," "actual and desired forms of ownership," "excellence," "natural vegetation," "topography," "soil," "temperature," etc.

Then, under these various grand divisions he would further sub-classify each piece of land and determine whether it be "irrigable," or "non-irrigable," "Timber," "pasture" or "dry-farming" land; whether rain falls on it and how much the "rainfall" amounts to; whether it be "dead" land or "living" land; if there be any "natural gifts" under the surface, such as coal, oil, or minerals; if the surface consists of "natural forest," "natural pasture," "swamp land" (salt marshes and other marshes yielding hay, wild grains and fruit, he explains, such as wild rice and cranberries), "placer deposits," "game preserves," or "fertilizer producing land" (e. g., guano); if it be "cultivated land," such as "meadows," "plowed field," "garden," or "artificial forest"; whether the land is adapted, or could be adapted, for "building sites"; whether it has "highways of general use" (e. g., ordinary public roads) or "highways of limited and generally unified use" (e. g., steam railways and trolley lines); if it be "shore land" or have "riparian rights"; if it be "under water" and if the water be a "running stream," "brook," or "river" with a "weak or strong current"; also if it be subject to "tidal" or "non-tidal" waters.

Going on Prof. Ely would determine whether the land is used for "mercantile" purposes—either "wholesale" or "retail"; whether it lies in a "manufacturing section," or in a "dwelling zone"; whether it consists of "recreation land," ministers "indirectly" to man through material products or "directly" serves man's need as "wild recreation land," "artificial parks," or "home lands"; if the land be held in "common or community ownership," in "private ownership" or

"under public ownership"; whether it be of the "first quality," "second quality" or the twenty-ninth quality (in a country like the united States, he goes on to explain, there "should be well over thirty quality classes").

Furthermore, Prof. Ely would establish what the "length of the growing season" on the land is, and the "temperature during the "growing season"; whether the land be "level," "rolling," "hilly," "broken," "mountainous," "clay," "loam," or "sandy"; if it contains "all the elements needed for plant food," lacks "one or more elements" or "lacks a number of needed elements," and so on down to the adaptability of the land for "aeroplane" and "radio" purposes.

Such a task would undoubtedly have all the qualities of the kind of a "solution" of the land problem that Prof. Ely desires—it would not only detract very successfully the people's attention from the taxation of land values, but it would take generations if not geological ages to complete, would require the skillful direction of thousands of highly trained university men, and would afford wonderful opportunities for the building up of some great professional reputations—M. A.'s, Ph. D.'s, LL. D.'s, J. O. B.'s, etc.

But when finished—if it ever would be finished—what value would such a "classification" of land have? Save for some geographical and geological significance it would have no economic value at all. No land policies could be framed from it that cannot be framed now. It would do about as much good to the victims of our existing economic system as the classification of food would do to a starving man; as the classification of houses would do to those who had no houses; or as the classification of negroes into tall, thin, ugly, strong, old, young, married, obedient, sassy, baldheaded, illiterate, pigeon-toed, temperamental, lazy, etc., would have done to bring about a solution of the slavery question before the civil war.

With every inch of ground in the United States carefully dissected, analysed, mapped and card-indexed, the price of the land would still be as high as before. The same economic difficulties that producers now find to secure the land they need would still prevail. Land monopoly 'would be as strongly entrenched and speculation as rife as ever. Tenants-whether in country or city-would find it no easier to get homes of their own; farmers and mine operators find it no easier to get closer to transportation and markets; and manufacturers, ship-

pers, wholesalers and retailers find it no easier to get nearer to the core of trade and industry. The enormous wastage of time and expense resulting from land speculation and the high price of land would still be with us, and the final cost to the people of their food, clothing, shelter, comforts and luxuries be not a whit lower than before.

In the simple shifting of taxes from human industry to land values, as Henry George proposed, and not in any microscopic "classification" or "planning," of land as Prof. Ely suggests, lies the only real solution of our land problem.

10-That the Amount of Good Land Held Out of Use Is Not LARGE, But Very SMALL

One of the outstanding evils of our present tax system is that it penalizes the man who puts his land to good use and rewards the man who holds his land idle. He who plants a. field, builds a home, erects a factory, paints a fence, or makes an improvement of any kind, is at once compelled to pay higher taxes, while he who lets his land lie vacant and makes no improvements at all is given the advantage of lower taxes. The result is, of course, that industry and enterprise are discouraged while idleness and waste are encouraged.

Not the least therefore of many advantages of Henry George's proposition to tax land values only, is, that it would reverse this tendency. By removing all taxes from the fruits of human effort the greatest possible inducement would be given to industry, thrift and enterprise to go ahead, while by placing the revenue burden on the value of land only—unimproved as well as improved land—waste would be penalized and the holding of large areas of desirable land out of use would be stopped.

As might be expected, of course, this wholesome doctrine does not meet with Prof. Ely's approval. He therefore seeks to checkmate it by denying that much land of a desirable character is now vacant. As he expresses it ("Outlines of Land Economics," Vol. III, p. 98):

> "This idea that good land is held out of use in large areas is a fiction."

To substantiate this statement, at least so far as urban land is concerned, he presents a table showing the amount of vacant land now to be found in thirteen American cities. The table follows:[41]

Vacant Land in thirteen American Cities
Table not reproduced here /PMA

Now what does this table show? Assuming the table to be correct it shows very distinctly that, contrary to Prof. Ely's assertion, much valuable land is held out of use.

But the situation is emphatically worse than the table indicates. For one thing its accuracy in several places is rather doubtful—Chicago, for instance, having, according to the assessment officials, approximately 55% of its land vacant instead of 31%.

But even if the table were correct as it stands it would not be a true indication of the full amount of urban ground that should be properly classed as unimproved. In all cities there is a vast amount of land which is so underdeveloped or land underbuilt as to be practically vacant, yet which is marked down by the public officials as improved. Old houses and delapidated buildings—one, two, three and sometimes five stories high—are everywhere to be found that bear no relation whatever to the value of the land they rest on, and that are considered to be worthless by those who own them. Yet all of this land is classed on the assessment books as improved land. Indeed, in most places land having no more than a small shanty on it, and sometimes only a billboard, is listed by the officials as improved. It is perfectly safe to say, therefore, that the figures given in the above table should be considerably increased, and that, so far as the average American city is concerned, over 60% of it consists of "vacant" ground.

But let us leave the domain of urban land and pass out into the field of mining, water-power, timber and agriculture. Here we find the same condition to be true. Not only is there an immense amount of desirable land above the "margin of production" that is not being used, but a very large part of what is used is not being employed to its full capacity.

[41] "Elements of Land Economics," MacMillan, 1924, p. 346.

Hundreds of thousands of acres of coal land in the anthracite region alone are being held out of use for higher prices by a few large corporations. We have 326,000,000 acres of cut-over timber, says the Forestry Department, bearing no saw timber, while 81,000,000 acres of this are completely. In Arkansas, states the federal report agricultural on "The Lumber Industry", 265 holders own 3,318,000 land acres of potential agricultural land, or almost one-half as much as all the improved farm acreage in the state; in Colorado 14 holders own 3,355,000 acres; in Louisiana 270 holders own 5,315,000 acres; in Upper Michigan 136 holders own 6,395,000 acres; in Florida 290 holders own 18,949,000 acres—eight times as large an area as the improved acreage farmed by the 54,005 farmers in the whole state; while three railroads, the Northern Pacific, the Southern Pacific, and the Atchison, Topeka and Santa Fe, still own a total of 33,483,000 acres. Of the 955,833,715 acres of land in the United States listed by the Census of 1920 as agricultural land only 503,073,007 acres, or slightly over one-half, is classified as "improved." Finally, "one hundred twenty public service corporations," says Gifford Pinchot, "own and are holding undeveloped and out of use an amount of water-power equal to four-fifths of all there is developed and in use by all the public service corporations in the United States."

That a vast amount of desirable land is withheld from service throughout the nation is, therefore, distinctly not a "fiction" as Prof. Ely says, but a conspicuous fact.

Figures here not reproduced.

11—That Speculation in Vacant Land Is an ASSET to a Community Instead of a LABILITY

Prof. Ely is a cautious man. "When one method will not work he tries another. So, now. Fearing lest his "fiction" argument regarding the amount of good land held out of use might be overthrown he proceeds to put in a plea for the very ones who are holding such un-used land—a plea that is as pathetic as it is ludicrous.

Time was when slave-owners were extolled for their great kindness to the negro by kidnapping him from heathen Africa, bringing him to Christian America and teaching him to do hard work; or when notorious robbers, like Robin Hood, were lauded for the noble service they rendered to the countryside by feeding those upon whom

they preyed. So far, however, no one has ventured to defend the mere gambler in vacant lands whose endeavor is always to reap where others sow. But now we have it! If we may believe Prof. Ely, the holding of desirable land out of use is not a detriment to a community but a positive benefit—keeping down taxes on improvements, beautifying the surroundings by gardens and lawns, improving the general health of the people by open air spaces, etc. Listen ("Outlines of Land Economies," Vol. III, pp. 103, 105, 106) to what he says:

> "What are the services rendered by the owner of land awaiting use? … It should be apparent that the owner of vacant land supplies these conditions (available ground for gardens, lawns and open air spaces) at a rather low cost … Did we not have the public revenues yielded by vacant land privately owned while undergoing the ripening process, the tax rate would have to be raised … Many an owner of vacant lots is, almost literally, lying awake at night to devise some system of bringing the present use of his vacant lot into a higher use … He (the owner of vacant land) has made an investment: he has performed economically desirable functions, he has taken great risks, he has paid significant sums in taxes and assessments. Very uncertain and often inadequate are the gains that finally come to him."

Noble land speculators! What unselfish sacrifices for society they do make and what valuable services to the people they do perform!

Unfortunately, however, for this exalted view quite the opposite is the case. The holding of land out of use for speculation is not, as Prof. Ely says, a benefit to society but an immeasurable loss. It does absolutely nothing for the good of the people but imposes upon them the heaviest of economic burdens and the most extensive of social wastes.

Prof. Ely speaks first of the services rendered by the owner of vacant city land in making ground available for gardens, lawns, etc. But vacant lots in towns and cities do not consist in the main of gardens, lawns an similar scenes of beauty; practically all of them consist of eye-sores—weed patches, mud puddles, dumping places for Junk and garbage and so on. And the reason the vacant lots consist of eye-

sores rather than beauty spots is simply because the price of the lots is too high for those who would like to improve and beautify them.

In New York, for instance, where over thirty-five per cent of the land area of the city is totally vacant, there live within a single square mile 500,000 people, so squeezed together that eight, ten and twelve persons oftimes occupy the same room. In this vast over-crowded multitude tens of thousands of men and women may be found who long for the greater freedom, the fresher air and the more abundant sunlight that are to be found upon the area of the city that is not used. But the high price demanded by speculators for the vacant land prevents them from getting it. So instead of general civic beauty with plenty of room, grass, flowers and fresh air for everybody, New York has a sickening human congestion on the one hand and unsightly vacant land spaces on the other.

What is true of New York is also true, in greater or less degree, of every other city. Land held out of use for higher prices does not facilitate the making of "gardens," "lawns," and the like; it effectively prevents them from being made.

Prof. Ely next talks about how the taxes paid by the owners of vacant land help to keep down the burden on the improved property round about. This is like saying that if it were not for the kindness of the slave-owner in feeding the slave who produces for him the slave would starve. The fact is, of course, that if it were not for the chronic under taxation of vacant land everywhere there would be no resultant over taxation of improved land.

Just what are taxes for? Taxes are to pay for the services rendered by government—services such as police protection, fire protection, public sanitation, the administration of justice, schools, streets, high-ways, etc.

Since this is the purpose of taxation should not taxes in all fairness be levied upon property owners according to the amount of services they receive from the government? Should not lots, for example, that adjoin one another, that are of the same size, and that receive identically the same advantages from the government in the way of pavements, sewers, police and fire protection, educational facilities, etc.,—should not such lots justly contribute the same amount to the support of government! Plainly so. But this is something they do not do. No matter where they are located, vacant lots always pay less

taxes than do improved lots of the same size situated next to them. Hence, thanks are not due, as Prof. Ely suggests, to the owners of vacant lands for bearing a portion of the public revenue burden; the thanks are due entirely to the owners of improved lands for bearing a great deal more than their rightful share of this burden.

Prof. Ely further tells how "many an owner of vacant lots is, almost literally, lying awake at night to devise some system of bringing the present use of his vacant lot into a higher use." But for every owner who is doing this a thousand are "literally lying awake at night" planning how they can "hold up" some one else who wants to bring the vacant lot into a higher use.

That this—the getting of "something for nothing"—is the primary purpose of those holding idle lands certainly needs no argument. Evidence of it may be seen on all sides. Just now Muscle Shoals is in the limelight as a place that may ultimately become a "second Chicago." But the land speculators have already platted the vicinity and are holding the land titles, not for the purpose of using the land themselves, but for the purpose of levying as large a toll as possible upon the home builders, shop keepers, merchants and manufacturers who wish to live and do business in that probable industrial center. So it is from one end of the country to the other. Wherever population shows any indication of drifting, wherever a town is laid out, a transportation line contemplated, or an improvement is to be built, the surrounding land is at once grabbed up by speculators and held for as stiff a price as those who later on must use the land can possibly afford to pay.

Of course, these land speculation ventures do not always pay out as profitably as those engaging in them hope—especially if the land has already passed through several men's hands, each time at an increased price. But for making such "investments" and taking such "risks" Prof. Ely argues that the speculators are entitled to a profit.

Figs! The bandit who purchases a revolver and waits all night for his victim to come by, is not always successful either. He, too, has made an "investment," has "worked hard" and has "taken great risks" and if the vacant land monopolist whose object is to hold up the land user is fairly entitled to a profit, so is the bandit.

The real loss however that the holding of land out of use imposes on a community does not lie in the prevention of gardens, lawns and

similar beautifications; nor in the heavier tax burden levied upon those who improve their property; nor in the stiff price that men must pay for locations before they can proceed with the making of farms, the opening of mines, or the building of homes, stores, offices and factories. The real loss of holding land out of use lies chiefly in two other directions:

(1) In the greatly increased cost that it imposes on all government—federal, state and local; and

(2) In the enormous obstacles that it puts in the way of the legitimate production und distribution of wealth.

Now how does the holding of land out of use for higher prices increase the cost of government? One way, of course, is by making it more expensive for the public to obtain land needed for new improvements, such as school houses, hospitals, asylums, libraries, courthouses, parks, play-grounds, bridges, post-offices, navy yards, highways, etc. The site for the new post-office in Chicago, for instance, will come to about $6,000,000—a site that could have been bought sixty-five years ago for about $28. In this way a large public burden is placed on all taxpayers that could be avoided if such speculative values of land did not constantly have to be bought and paid for.

Another manner—and this is the more important way—in which the holding of land out of use increases the cost of government is by compelling states and municipalities to build and keep in repair an enormous amount of unnecessary improvements.

In the natural order of things when a new country is settled or a new town springs up, population spreads out from the center like batter poured into a big pan. There are no gaps or wide open spaces in between. All lands lying near to the centers of trade and industry are occupied before land that is farther away is touched.

But this unfortunately is not the manner in which our country has been settled or our towns and cities built. Because of the holding of land out of use—a practice that very foolishly has been allowed from the very beginning—our population has not been able to spread itself out naturally, but has been compelled to spread out in a fashion that gives it the appearance of a crazy quilt. Between all the farms of the country there now lies a vast amount of agricultural land that is unimproved, and between all the lots that are built upon in our towns

and cities there lie countless patches of ground that have nothing on them at all. Half of our potential farming area and over half of our urban centers consist of vacant land.

Yet past all these countless vacant spaces public improvements of all kinds must be constructed in order to reach the citizens who are living farther on. In the rural districts roads, ditches, bridges, tele-phone lines and the like, must be established; in the cities sewers, pavements, sidewalks, water-mains, street car lines, electric lighting, etc., must be installed. To build and install such public improvements past a territory so immense as our vacant lands amount to requires an initial expenditure that is appalling—an expenditure that amounts to scores of millions of dollars a year.

Moreover, in order to maintain and keep in constant repair such public improvements after they have been built, a government budget is required that amounts to other scores of millions of dollars a year.

But there is more yet to be said. The losses sustained by the people in the higher cost of government by reason of the holding of land out of use is infinitesimal as compared with the losses sustained by the whole population in the higher cost of producing an distributing wealth.

How to visualize the prodigious losses effected in this way is not an easy matter. Have you ever seen a workroom in an old shop where the machines are poorly located and far apart—a workroom where the materials that the mechanics need are difficult to reach, and where the space between the machines is littered with empty boxes, barrels and crates that obstruct the free movement of the men—in brief, a workroom where the production of goods can be carried on only at a frightful loss of time and labor? That, notwithstanding its superiority over the rest of the world, is the workroom of the United States as it is.

On the other hand, have you ever seen a workroom in a factory that is modern in every respect—a workroom where all the machines are well placed and conveniently arranged, where the various materials are within easy reach of the mechanics and where every part of the floor is free from needless obstructions so that laborers can move quickly from place to place—in short, a workroom where the production of goods may be carried on with the greatest case and rapidity? That is the workroom of the United States as it might be.

Just as hundreds of empty cases, boxes and barrels scattered in front of laborers in a factory interferes with the output of goods in that factory, so do the millions of pieces of vacant land scattered throughout our nation interfere with the aggregate production and distribution of wealth in the nation.

Think what the wastage of time and labor from this cause amounts to in one locality alone. In Cook County, Illinois, for instance—the county in which the city of Chicago is situated—the Board of Assessors in 1915 appraised 195,681 acres of unimproved rural land as against 185,290 acres of improved rural land, and 467,243 vacant city lots as against 392,126 improved city lots—the unused portion of the county being thus over one-half.

To overcome the handicaps caused by these hundreds of thousands of pieces of land held out of use, millions upon millions of dollars of extra fixed capital has to be steadily employed, a vast army of extra men have to be hired, myriads of extra tons of coal and tanks of gasoline have to be burned, and an untold quantity of extra transportation equipment—horses, wagons, automobiles, trucks, busses, freight cars, etc.,—must be constantly moving. The amount of capital squandered, labor wasted and time consumed in passing and repassing these in-numerable gaps of vacant land—daily, monthly, yearly—is something appalling and for the nation as a whole it is beyond all calculation or conjecture.

FRAMED FIGURE:
Not reproduced

THE EVILS OF LAND SPECULATION

Few people in American towns and cities realize the enormous loss in time and money that results from holding valuable land out of use. For one thing government expenses are greater. The cost of building and keeping in repair public improvements such as street car lines, sewers, telephone and electric lighting systems, water mains, pavements, sidewalks, etc., that go past idle lots and tracts of vacant land amounts to scores of millions of dollars annually. But this is the least of it. The capital consumed and time wasted by men, horses and transportation equipment in constantly passing and re-passing these same vacant spaces is beyond all calculation.

Note the illustration below, typical of the average American city: Not reproduced /pma

It goes without saying, therefore, that the holding of land out of use for higher prices is not an asset to the people, as Pro£. Ely argues, but an unparalleled liability. First, it does not make possible the planting of "gardens, lawns, etc.," but prevents them from being planted. Second, it does not give the inhabitants of cities more "fresh air," but keeps them from getting it. Third, it does not cause the taxes on improved property to be "lower" but causes them to be higher. Fourth, and worst of all, it makes the acquisition of ground for farms, homes, mines, mills, warehouses, office buildings, stores and factories much more difficult, increases tenancy in both country and city, raises the cost of government—federal, state and local—far above its normal point, and, finally, interferes to a colossal extent with the daily production and distribution of wealth. Since the holding of land out of use for higher prices produces such harmful consequences to society, think how immense the benefits would be if such a practice were eliminated. To remove gradually all taxes from the fruits of capital and labor and levy them on the value of land only would result in a gain to all the people that can hardly be overstated. Land speculation would be destroyed and the price of ground everywhere would fall. Men would find it easier, not only to obtain the needed space for "gardens," "lawns," etc., but to obtain it for the making of farms, for the building of homes, and for the erection of plants, mills, stores and factories. At the same time the cost of government would be largely reduced; first, because land for public enterprises would be cheaper to get and, second, because the communities would eventually grow more compact, thus making unnecessary the construction and maintenance of a vast amount of public improvements past vacant territory. Last but not least, with the contraction of communities to their natural point the production of the necessities and comforts of life would be enormously facilitated and could he carried on, not only with the minimum wastage of time but with the smallest possible expenditure of human energy.

12—That High Land Values are Not HARMFUL to Society, But BENEFICIAL

On a par with Prof. Ely's grotesque assertion that land speculation is an advantage to a community instead of a disadvantage is his assertion that high land values are a good thing for society, and not a bad thing. This is how he states it ("Outlines of Land Economics," Vol. II, pp. 84, and 111):

> "There is constant agitation against high land values—not speculative values but values that are sound and substantial and which people are willing to pay… sound land values mean real value, just as a high price for a horse means real value when horses are scarce and their value is high. … Those who think that high land values are unfortunate may be a little perplexed by the fact that increasing prosperity and the development of economic virtue in the population, other things being equal, inevitably add to the selling price of the land."

The idea that Prof. Ely wishes to convey in the above is plainly that an increase in land values in a community represents an increase in the wealth of that community, and is therefore to be hailed with joy instead of grief.

But, as usual, just the contrary is true. Land values are not an item of credit in the economic ledger, but an item of debit. They do not represent an addition to the total wealth of a community; they represent merely a power on the part of some people to subtract from that wealth.

What is the difference between land values and wealth? The difference is this: Wealth is matter that has been produced from the earth by capital and labor and fitted to satisfy human wants. Machinery, for example, is wealth. Food is wealth. Clothing is wealth. Houses are wealth. Horses are wealth. So are all other goods produced by capital and labor, wealth.

But land values, on the other hand, are not wealth at all. You cannot see or hear land values. You cannot smell, touch or taste them. No matter therefore how much land increases in value it cannot add one iota to the existing sum of wealth. No more food, no more clothing, no more homes, automobiles, radios, comforts or luxuries of any

kind will be in the world after an increase in land values than there were before.

But this is not all. Land values merely do not represent wealth; they give no additional power to produce that wealth. A virgin piece of farmland, for instance, that rises in price from $10 to $100 an acre will not yield a single additional grain of corn or wheat on that account. A city lot that jumps from $1,000 to $1,000,000 in value will not be a bit bigger or deeper or stronger than it was before the jump occurred. Neither will a tract of coal land that trebles or quadruples in price contain any larger quantity or better quality of coal than it contained in the beginning.

What, then, are land values? If they do not represent wealth and give no additional power to produce that wealth, what do they represent? They represent nothing but the power of those who hold title to land to appropriate a larger and larger share of the wealth that is produced.

More wheat or corn, as we have seen, cannot be grown on land that rises in price from $10 to $100 an acre, but such increase in price will enable the owner of the land to take, by way of rent, a bigger share or whatever wheat or corn is grown upon it. Likewise a city lot that advances in price from $1,000 to $1,000,000 will not allow any bigger or finer building to rest upon it, but such advance will allow the owner of the lot to collect a heavier rent-toll from the one who uses that lot. In the same way more coal cannot be taken from a coal deposit that trebles or quadruples in value, but such trebling or quad-rupling of value will enable the owner of the deposit to demand that much larger royalty from whomever mines the coal.

The notion therefore that a rise in the value of land represents a gain to the wealth-producing citizens of a community, is an error of the first magnitude. As David Gibson ("Commerce and Finance," New York, March 17, 1920) truly says:

> Land values are not an item of industrial or community wealth.
>
> Land values as they stand are an item of industrial debt.
>
> Land values belong on the debit side of the ledger of the whole business system, employer and employed-moor and productive capital.

Let us analyze this item of land values.

Let us see if a site or location value does not involve another principle of economy than that of labor created property values in the form of houses, machinery and the like.

Let us see whether it is an item of debit or credit to labor and productive capital.

We will use the city of Cleveland, Ohio, as an illustration, where I am a resident and am fairly familiar with the figures—any other community, large or small, would serve; for the land and tax laws are practically the same.

Land values:	$800,000,000
Population (Chamber of Commerce estimate)	817,000
Non-land owning population	732,000
Number of land owners.....	85,000
Number of persons owning half the land values	500
Number of families owning one-third the land values	129
Annual increase in land values	$50,000,000
Annual interest (rents) on land values at 5%	$40,000,000

This $800,000,000 land values is not an evidence of community wealth. It is a liability on the business system, production and exchange; for the land values are not owned by the whole population, and not necessarily by the productive units in the population.

It is a debt; for the 732,000 non-land owning population must pay interest to the 85,000 land owners—this in the form of rental, not only on lands where goods are produced and sold but on lands for dwelling places.

If this land value is but the normal rate of interest, say 5 per cent, it would amount to $40,000,000 annually. This interest fund, in the form of rent, on land values (not buildings) is in the nature of an "underfoot" charge upon industry.

Land values are not an industrial or community item of asset, when it is observed by the foregoing table that one-half of the land values are owned by only 600 persons, or those owning the most valuable down-town sites.

One-half the interest fund, $20,000,000, is paid by 816,500 persons to 500 persons. One-third of this total interest fund is paid to only 129 families, or those owning the double cream of the down-town site values.

Clearly, therefore, an increase in land values does not, as Prof. Ely suggests, represent an addition to the wealth of a community; it represents merely a power on the part of landowners to subtract from that wealth. It is not an evidence of industrial gain, but an evidence of industrial debt. In other words, the only thing that a high value of land is good for is to transfer a substantial share of the wealth from the hands of those who produce it into the hands of those who do nothing to produce it.

Prof. Ely has previously told us (see topic 6 of this chapter) [hilt It progressive society which increases in wealth operates to "reduce the price of land." Now, however, we are informed by him that just the opposite is the case—that a progressive society which increases in prosperity" inevitably adds to the selling price of the land."

Of these two self-contradictory positions it is quite evident that the latter is correct. But just how it is a "fortunate" thing for society to have a rising price of land Prof. Ely nowhere condescends to explain. Certain it is that his statement, as it stands, can only lead to a confusion of cause and effect. It is not the high price of land that brings on the prosperity of a people, but the prosperity of a people that brings on the high price of land.

A rich residential district, for instance, may be infested with more robbers than a poor district, but it will not be the larger number of robbers that makes the first district richer. Similarly a fine field of corn may have more cut-worms in it than a field that is not so good, but it will not be the greater number of cut-worms that makes the first field better.

Just so with the rising price of land. A community in which the prosperity of the citizens is fast increasing will undoubtedly have higher land values than a community where prosperity is at a stand-still. But it will not be the high and rising price of land that makes the prosperity of the first community greater. In truth, the rising price of land in any community bears the same relation to the prosperity of that community as an increase in the number of pirates bears to the welfare of an expanding commerce or as a multiplication of chinch-bugs in a growing field of wheat bears to the healthfulness of that field of wheat.

As Harry Gunnison Brown, Professor of Economics in the University of Missouri in his recent book "The Taxation of Unearned Incomes" (p. 152) has rightly said:

"High land prices may mean prosperity for some. But there can be no question that they tend to make the situation of the propertyless person, even though he be hardworking and thrifty, comparatively hopeless.

> To tax land values more and other things less would be, therefore, a reform SOMEWHAT SIMILAR IN PRINCIPLE TO THE ABOLITION OF IMPRISONMENT FOR DEBT, TO THE DOING AWAY WITH DEBT SLAVERY, AND TO THE ESTABLISHMENT OF BANKRUPTCY LAWS. We would protect the individual—ourselves, our children, our grandchildren—from the danger of falling so hopelessly low in the economic scale as is now possible."

13—That Most Land Is Owned by POOR People, and Not by RICH People

One of the main reasons why Prof. Ely is so opposed to the single tax on land values or any part of it is, he says, because it would remove the burden from the rich man and put it on the poor man. For the rich man, he goes on to explain, does not own any land worth mentioning, while the poor man—the farmer and the small home-owner in particular—owns practically all of the land in the nation. To quote his exact words ("Outlines of Land Economics," Vol. III, p. 98):

> "Few of the men of great wealth whose names are familiar to us have made their money in land. … Land is the poor man's investment and should be such."

Or as he states it in his bitter attack on the Ralston-Nolan (now the Keller) land value tax bill in Congress:[42]

> "With few exceptions the great millionaires prefer other forms of investment [than country and city land] and the only inference one can draw from their action is that they believe other things pay better than land. The unearned increments of railway stock, bank

[42] "An Analysis of the Ralston-Nolan Bill," written by Prof. B. H. Hibbard of the Institute Staff and distributed by the National Association of Real Estate Boards, Chicago, June, 1921.

stock, of manufacturing and commercial enterprises continue to attract the Vanderbilts, the Goulds, the Sages, the Gateses, the Morgans, the Marshall Fields, the Rothschilds, the Havemeyers,—their name is legion."

There! You see how it is now, don't you? Why shouldn't men of enormous wealth favor the singletax? Why shouldn't they want to take the taxes off their big industries and put them on land? Owning no land to speak of they could thus make themselves almost entirely tax-free?

But Prof. Ely—bless his soul!—will have none of it. He, at least, will not stand idly by and let the wealthy men of this great country—"the Vanderbilts, the Goulds, the Marshall Fields, the Rockefellers, the Morgans, and the rest of the "great millionaires"—unload their taxes on the small homeowner and the hard-working farmer. That is why his privately financed "Institute for Research in Land Economics and Public Utilities" has been organized! That is why he is giving professional aid to the National Association of Real Estate Boards and other benevolent groups to defeat the unjust Keller bill now before Congress! That is why he has set out to write fifty books on land economics and related subjects, to invade the field of journalism, and to train teachers in high schools, colleges and universities so they can better protect the interests of the helpless masses! No, sir-ee! Let others advocate, if they must, the unholy proposal to remove the tax burden from "the Vanderbilts, the Goulds, the Marshall Fields, the Rockefellers, the Havemeyers, and the Morgans," and to put this burden on the poor owners of land, but Prof. Ely—NEVER!

This tender regard for the welfare of the masses is beautiful to see. It warms the cockles of the heart and tends to revive one's faith in the innate goodness of man. But there is something about it all that does not ring quite true. The concern expressed for the poor man is so extraordinary that it looks suspicious. And, indeed, if we examine it closely we shall find our suspicions to be based on fact. The tender solicitude of Prof. Ely for the poor man, as against the "great millionaires" is simply bunkum—a smoke screen thrown out to hide his assistance to the very ones he pretends to oppose—the "Vanderbilts, the Goulds, the Gateses, the Marshall Fields, the Rockefellers, the Morgans" and the special privileged interests of the country.

As the famous Australian economist Max Hirsch ("Democracy versus Socialism," p. 398) has truly said: "Whoever examines such large fortunes—whether they are those of territorial magnates, as the Dukes of Westminster and Bedford, the Earl of Durham, the Marquis of Bute, or the Astor family; or whether they are those of commercial and industrial magnates, as the Rothschilds, Rockefellers, Goulds, Vanderbilts, and others—can see at once that they mainly consist, not of real wealth, but of the value of land and monopoly rights."

This is not to say of course that no land at all is in the hands of the "poor man." There is. But the amount of land in the hands of the poor man is infinitely less than Prof. Ely wants us to believe. The 1920 Census shows that there are 6,448,366 farms in the United States. Of this number 38,1% are rented, 6.9% "not specified," while 22.7% are mortgaged. This leaves but 32,1% of all farms that are now owned free from encumbrance. Furthermore the 1920 Census shows that there are 24,351,676 homes in villages, towns and cities. Of this number of homes 54.4% are rented and 17.5% more are mortgaged. Thus out of all homes in villages, towns and cities only 28.1% are owned free of any debts. These figures indicate very conclusively—if they indicate anything at all—that one-half of the population in the United States does not own a single foot of land, while only about 30% of the people have any ground that they can call their own. This is a very long ways from Prof. Ely's sweeping assertion that "land is the poor man's investment and should be such."

But this is only a small part of the story. It is not area that counts but value. It is not the number of land owners that is important, but the amount of land value in each owner's hands. A small lot in the down town section of any—may and usually does—equal in value scores of lots in the residential districts, as well as scores of farms in the territory round about. Take the site upon which the new Palmer House in Chicago is being built. This one site, valued at $20,000,000, exclusive of the building, would pay for two thousand farms valued at $10,000 each, or would buy five thousand residential lots at a price of $4,000 each. It is, in fact, worth more than all the land (including buildings) owned by 6,000 small farmers in Ohio, or more than all the land (including buildings) owned by 14,053 small farmers in Georgia. In New Mexico, to put it another way, 9,884 farmers own a total of 153,220 acres of land. Yet this whole vast

area, including the thousands of buildings upon it, is not worth as much as the site alone upon which the new Palmer House in Chicago stands.

WHERE THE LAND VALUES ARE
(From Congressman Florian Lampert's Speech: House of Rep., July 25, 1923)

This Table not reproduced./PMA

It is therefore, not the land's area that counts but the land's value. Now the proportion of people owning valuable lands in the United States is exceedingly small. In Chicago less than fifty families own the land in the heart of the city. In New York twenty per cent of the land value is in the hands of thirteen families. So it is every-where, not merely in urban centers, but in coal, oil, timber, water-power and mining regions. The larger—by far the larger—proportion of the land values in the nation is concentrated in the hands of a very small part of the people. The following table shows, as nearly as can be estimated from all reliable information, how the aggregate land values in the United States are distributed among the total population;

10 per cent of the people own 90 per cent of the total land values.
40 per cent of the people own 10 per cent of the total land values.
50 per cent of the people own 0 per cent of the total land values.

We see, therefore, that exactly the opposite of what Prof. Ely says is true—the overwhelming bulk of the land values in the nation is not in the hands of the many poor but in the hands of a comparatively few rich, with the "Vanderbilts, the Goulds, the Gateses, the Marshall Fields, the Rockefellers and the Morgans" standing at the top.

Let there be no misunderstanding. Prof. Ely insists that few of the men or great wealth "whose names are familiar to us" have made their money in land. Even if the statement were entirely true—which it is not—it would not alter in any way the fact that fully 90% of our $160,000,000,000 of land values is in the hands of less than 10% of the people. For the names of very few wealthy persons are familiar to the public at large. The ordinary man could not mention one in a thousand. Of the 22,950 persons in the United States who have incomes from $50,000 on up to approximately $16,000,000 a year, (see Report of the Secretary of the Treasury, 1923, p. 11) the average man

could not give the names of two hundred and he would be lucky if he could give the names of one hundred.

Now there is a particular reason for this. This reason is that for every real producer of wealth falling in the income class receiving $50,000 a year or more, there are a dozen who are chiefly non-producers. Since wealth producers have constantly to advertise their wares in order to market them, their names soon tend to become much better known throughout the world than do the names of non-producers who have no goods to advertise, nothing to sell, and whose occupation consists mainly in extracting rents, royalties, and monopoly profits out of other people.

An analysis of the personal income tax receipts in 1924 conclusively shows this to be true.

Tens of millions of people, for instance, know who Cecil B. DeMille, the big motion picture producer, is. But how many people, even in his own city of Los Angeles, know who the land monopolist, G.A. Hancock is—Hancock whose personal income in 1924 was approximately seventy times as large as DeMille's?

There is hardly a boy or girl in America who has not heard of "Charlie" Chaplin, "Bill" Hartand "Jackie" Coogan—the high priced movie stars. But how many boys or girls—or grown folks—have ever beard of Gertrude V. Whitney, William H. Harkness or Edith Harkness? Yet the combined income of Chaplin, Hart and Coogan was less than one-eleventh of the combined income of Whitney, Harkness and Harkness.

Again, how many persons are familiar with the names of Florence Burden, C. E. Mitchell, G. A. Ellis, Jr., G. A. Cochran, George Blumenthal, H. H. Rogers, Electra H. Webb, Mrs. Penfield or E. E. Rice? Yet Charlie Chaplin's income in 1924, on the basis of the Treasury reports, was less than one-thirteenth of Florence Burden's, one-sixteenth of Mitchells, one-seventeenth of Ellis's, one-seventeenth of Cochran's, one-twentieth of Blumenth's, one-twelfth of Rogers's, one-eleventh or Webb's, one-eleventh of Mrs. Penfield's and one-eighteenth of Rice's.

The name of William Randolph Hearst, the newspaper king, is familiar from coast to coast. How many citizens however are familiar with the names of James H. Metcalf, Arabella D. Huntington, A. W. Erickson, Max D. Steuer or William C. Porter. Yet Hearst's personal

income in 1924 was less than one-seventh of Metcalf's, one-tenth of Huntington's, one-eighth of Erickson's, one-sixth of Steuer's and one-seventh of Porter's.

Looking further we discover that Hearst's income in the same year was approximately one-sixth of Eleanor M. Patterson's, one-seventh of D. V. Morrow's, one-sixth of R. S. Clark's, one-sixth of John F. Gorman's, one-fifth of E. T. Bedford's, one-fifth of H. P. Bingham's, one-eleventh of Doris Duke's, one-eighth of Laura Kirkwood's, one-sixteenth of G. F. Baker's, one-seventeenth of G. F. Baker, Jr.'s, and one-twenty-fourth of A. W. Mellon's.

The world famous prize fighter Jack Dempsey is known wherever newspapers are read, while S. O. Metcalf, R. B. Mellon and Emma B. Auchinclause, from all that can be learned, have never been heard of outside of their own community. Yet the income received by Dempsey in the year of his most triumphant success was less than one-fourth of the income received by either Metcalf, Mellon or Auchinelause in the same year.

The name of Henry Ford is familiar in every corner of the globe. How many nations, however, are even slightly familiar with the name of Payne Whitney whose income is almost equal to that of Ford's, or even with the name of John D. Rockefeller, Jr., whose income is more than three times as large as Ford's?

Doubtless more people have seen the popular black-face comedian Al Jolson than have even read of Michael Friedham, C. H. Maekay, A. R. Prentice, or B. F. Holmes. But Jolson's income in 1924, as gathered from the figures of the Treasury Department, was less than one-eighth of Friedham's, one-twelfth of Mackay's, one-eleventh of Prentice's and one-thirteenth of Holmes's.

William Wrigley, Jr., the colossus in the chewing gum field, is known wherever the human jaw moves. How many people however have ever heard of Paul D. Oravath, Eldridge Johnson or Anna M. Harkness? Yet the income received by Wrigley in 1924 was but slightly above the income received by either Cravath or Johnson and was some $700,000 below the income received by Anna M. Harkness in the same year.

Thus we might go on giving instance after instance. But it is unnecessary. Enough has been said to show that of the 20,000 or more millionaires in the United States the overwhelming majority are little

known except to the people in their own community. They are not producers of wealth, but chiefly non-producers. Their incomes consist in the main, not of money received for goods sold or services rendered, but of money collected from the people in rents, royalties, and dividends from landed property in one form or another.

As the noted preacher and late editor of "The Outlook" Dr. Lyman Abbott ("The Industrial Problem," pp. 140, 141) has said:

> "The chief sources of the enormous individual wealth in this country are these three: Land, natural forces, state franchises. The multi-millionaires have accumulated their multi-millions, not chiefly as a product of their own industry; they have accumulated them by getting possession and control of the land and its contents, the natural forces of the world, and the franchises which the state has created."

Or as John R. Commons, himself a Professor of Economics in the University of Wisconsin, has well, though perhaps a little too strongly, stated ("The Distribution of Wealth," p. 253):

> "If the size of fortunes is taken into account, it will be found that perhaps 95% of the total values represented by these millionaire fortunes is due to those investments classed as land values and natural monopolies, and to competitive industries aided by such monopolies."

Clearly, therefore, the bitter hostility shown by Prof. Ely to the land value tax on the ground that it would relieve the "great millionaires"—the "Vanderbilts, the Goulds, the Gateses, the Marshall Fields, the Rockefellers and the Morgans"—and visit practically the whole tax burden on the "poor man," is mere flapdoodle-applesauce that is dished out to the masses to keep their heads turned while their pockets are being picked.

Let us look closer and see if this is not absolutely true.

On January 18, 1924, Representative Oscar E. Keller of Minnesota re-introduced into Congress his bill (H. R. 5733) to levy a federal tax. of one per cent on the privilege of holding land valued over $10,000, after deducting all improvements, standing timber and soil fertility. This bill, it is estimated, would raise approximately $1,000,000,000 of federal revenue, and would permit the same

amount of taxes on human industry to be repealed. It is the same bill that Prof. Ely, through Prof. Hibbard, has violently denounced as being drawn chiefly to enable the "great millionaires" of the country—"the Vanderbilts, the Goulds, the Gateses, the Sages, the Marshall Fields, the Havemeyers, the Morgans" and so on—to throw off their taxes onto the farmers and other poor owners of land. On the same day that Congressman Koller introduced his bill it was referred to the Committee on Ways and Means.

Now on the Committee on Ways and Means there is one Congress-man whose income is close to $1,000,000 a year, who paid a personal income tax in 1924 reported as $257,450, who is on the board of directors of several large railroads and manufacturing corporations, and who, above all members on the Ways and Means Committee is "recognized as the outstanding representative of the "great millionaires" of the country—"the Vanderbilts, the Goulds, the Gateses, the Marshall Fields and the Morgans." This congressman is Ogden L. Mills of New York.

Of course, being on the Ways and Means Committee, Congressman Mills would naturally be expected, not merely to try to prevent any increase in the taxes on the wealthy interests he speaks for, but to endeavor to bring about as large a decrease in these taxes as he possibly can. Within reasonable bounds this would be perfectly proper. But so persistent and so gluttonous has Mr. Mills shown himself in seeking tax reduction and means of tax evasion for the big interests he represents—"the Vanderbilts, the Goulds, the Gateses, the Marshall Fields and the Morgans"—that Congressman Green of Iowa, the Chairman of the Ways and Means Committee, and a member of Mr. Mills own party, denounced him on the floor of the House (see Congressional Record, Feb. 26, 1924, p. 3241) in the following fashion:

> Mr. GREEN of Iowa. The gentleman from New York (Mr. Mills) with all his brilliancy, and he has brilliancy, has been found in this House on every occasion, when we sought to introduce anything that would prevent evasion of a tax and its payment on a basis of fairness, equality and justice, opposing those amendments or at least voting against them. (Applause.) "Why, the gentleman from New York, in the committee and elsewhere, has been usurping the powers of the chairman of the committee or those that

> ought to belong to the chairman of the committee (Applause). When I state that, I state only something that has been known to everybody. In fact, he has gone further. He has been the whole committee.

Now what was the attitude of Congressman Mills—the tireless champion of "the Vanderbilts, the Goulds, the Gateses, the Marshall Fields, the Morgans" and the "great millionaires" Mr. Mills of the country—towards the Keller bill which Prof. Ely declares would relieve these wealthy men of the heavier part of their tax burden? Did he eagerly get behind the bill as soon as it was introduced and seek to jam it through? No, Mr. Mills did nothing of the kind. On the contrary he used all the art and influence at his command to bury the bill beyond all hope of recovery.

What is equally interesting the man on whom Congressman Mills most relied to help him kill the bill is that self-anointed "defender of the poor man"—Prof. Richard T. Ely of Wisconsin University!

Here are the facts. On January 18, 1924, as we have already stated, Congressman Keller re-introduced his bill to reduce the tax burden on industry by about $1,000,000,000 and to raise that much more revenue from the value of land. Within a month sentiment in the halls of congress had grown rapidly in its favor. The measure was discussed approvingly by numerous members, both in the House and in the Senate, with spokesmen of the farmers such as Senators C. C. Dill, Lynn J. Frazier, Woodbridge N. Ferris, Magnus Johnson, George W. Norris and E. F. Ladd, being strongest in its praise.

But no sooner did sentiment in favor of the bill begin to grow than something else happened. The legislative representatives of the "Vanderbilts, the Goulds, the Marshall Fields, the Gateses, the Morgans and the "great millionaires" of the country—in whose interest, Prof. Ely warns us, the Keller bill is drawn—pricked up their ears!

"What!" they whispered in uneasy tones, "Sentiment for the Keller bill increasing?—the Keller bill that will lift $1,000,000,000 in taxes from industry and place it on land? This will never do. The Keller measure, at all costs, must be headed off. We must, if necessary, show the legislators here the desirability of doing just the opposite of what Mr. Kellers bill proposes. We must secure evidence from 'impartial' and "unprejudiced' sources showing conclusively, not merely

that land is now heavily overtaxed, but that business, industry and the big corporations are grossly undertaxed. Sentiment for the Keller bill must develop no further!"

The "impartial" and "unprejudiced" information was promptly secured. It was in the nature of a comprehensive communication from Richard T. Ely to the National Association of Real Estate Boardss—Richard T. Ely, the Director of the "Institute for Research in Land Economics and Public Utilities," and Professor of Economics in the State University of Wisconsin. In this communication Prof. Ely stressed most emphatically the over-taxation of land—particularly farm land—and the gross under-taxation of business, industry and improvements. Not only this but he urged "an entire overhauling of our ideas on taxation" to the end that taxes—federal, state and local—be largely reduced on land and correspondingly increased on industrial enterprises and big business corporations.

Needless to say Prof Ely's communication was most illogical and unscientific, loaded with half-truths and omissions of important facts. But it read logical, sounded convincing, looked scientific and contained just the sort of arguments that the "great millionaires" wanted. So on February 23, 1924—slightly over one month after the Keller bill had been introduced—Prof. Ely's "impartial" report was read into the Congressional Record (see pages 3092, 3093) for the benefit of the legislators by Congressman Ogden L. Mills—the watchful representative of "the Vanderbilts, the Gateses, the Goulds, the Marshall Fields, the Rockefellers and the Morgans" of the country!

The deadly shot took immediate effect. Confusion set in. The rising sentiment in favor of the Keller bill—a bill that would do more to lighten the crushing tax burden on industry and agriculture and to improve the condition of the mass of the people than any similar measure ever before introduced into Congress—began to slow up, then eased growing altogether. The bill died in the Ways and Means Committee.

Thus the Keller land value tax bill, which Prof. Ely warns us would remove the burden from the "great millionaires" and put it on the "poor" was, for the second time, killed in its infancy—killed, not by the representatives of the "poor" but by the representatives of the "great millionaires," aided by Prof. Richard T. Ely of Wisconsin University!

14-That Taxes Upon Land Values are Largely SHIFTED, While Taxes Upon Industry and Consumption are NOT Shifted

The more we study Prof. Ely the plainer it becomes that his purpose is not to lead the people towards the right solution of our economic problems but to lead them in another direction.

Consider, for instance, his remarks on the shifting and incidence of taxation. It is now an established dictum of political economy that a tax levied on the value of land cannot be "passed on" either to tenants or consumers, while a tax levied on industry, or the products of industry, can be passed on.

Prof. Ely cautiously avoids denying this principle directly. Nevertheless at no point in the literature put out by him and his Institute does he attempt to make this principle clear; on the contrary the suggestion is frequently thrown out that a tax upon land values can be shifted to tenants and consumers, while a tax levied upon industry, or the products of industry, cannot be shifted.

Take, for example, this statement ("Outlines of Land Economics," Vol. III p. 94):

> "The landowner has to bear taxes as truly as the owner of capital and it is generally held that he is less capable of shifting them. There is, however, a good deal of shifting of taxes upon land, just as there is a good deal of distribution of rent."

On the other hand take this statement ("Taxation of Farm Lands" Webb Publishing Co., St. Paul, 1924, p. 24):

> "It is a great mistake to suppose that necessarily indirect taxes roll up like a snowball from producer to ultimate payer of taxes."

Now the fact, of course, is just the opposite: indirect taxes (as well as all direct taxes imposed upon industry and its products) do roll up like a snow ball from producer to consumer, while a tax imposed upon land values has, on the other hand, no tendency to roll up at all. Or, to put it more accurately, a tax upon land values cannot be passed on to tenants or consumers, whereas a tax upon industry and its products can be—and ultimately always are—passed on.

If you-place, for instance, a tax upon houses the landlords must add the tax to their house rents and the tenants will have to pay it. For, until the landlords recoup the tax the letting of houses will be unprofitable and no new houses will be built. Again, if you place a

tax upon money, or credit, or notes, or bonds or mortgages, the borrower must pay the tax in higher interest charges, or further money, credit, notes, bonds, mortgages, etc., will cease to be issued. Similarly, if you impose a tax upon manufacturers, upon capital, upon industry or upon the products of labor in any form, the tax will have to be added to the price of the goods or production will before long come to an end. Inevitably, therefore, all taxes levied upon industry, or the products or industry, are finally paid either by the tenant or by the ultimate consumer of those products.

Not so, however, with a tax upon land values—or ground rent. This tax cannot be shifted to the tenant or consumer. For the tax will fall (provided the locations are the same) as heavily upon vacant land as upon improved land; competition among land speculators for tenants or buyers will thus increase; and rent—the value of land—will tend to decline. The landowners will thus not be able to raise their rents when the land value tax is applied, but will have to lower them.

That a tax upon land values—or ground rent—cannot be shifted to tenants or consumers, while taxes upon industry and its products can be so shifted, is agreed upon by all economists of repute, as the following extracts will sufficiently show:

> "The question is whether, if a new tax should be put upon land, the owner would not escape by adding it to his tenant's rent?
>
> It is not a sufficient answer to quote the authorities: the query still remains, what are the arguments upon which the authorities rely? Following is an attempt at the clear statement which these arguments deserve.
>
> Ground rent, "what land is worth for use," is determined, not by taxation, but by demand. Ground rent is the gross income, what the user pays for the use of land; a tax is in the nature of a charge upon this income, similar to the encumbrance of mortgage interest. It is a matter of every-day knowledge that even though land be mortgaged nearly to its full value, no one would think for a moment that the owner could rid himself of the mortgage interest that he has to pay through raising his tenant's rent by a corresponding amount. Mortgage interest is a lien held by an individual; similarly a tax may be clearly conceived as a lien held by the State. Both affect the relation between the property owner and lien holder; neither has any bearing upon the relations between owner and tenant.

"Tax" is simply the name of that part of the gross ground rent which is taken by the State in taxation, the other part going to the owner; the ratio these two parts bear to each other has no effect upon the gross rent figure, which is always the sum of these two parts, viz., net rent plus tax. The greater the tax, the smaller the net rent to the owner, and vice versa. Ground rent is as a rule, "all the traffic will bear;" that is, the owner gets all he can for use of' his land, whether the tax be light or heavy. Putting more tax upon land will not make it worth any more for use, will not increase the desire for it by competitors for its tenancy, will not increase its market value.

To illustrate, let us consider the case of a piece of land for which the land owner gets $1,000 rent from the man who uses it.

First: The owner, let us say, pays over to the city in taxes $100 of this 11,000 rent. Is there any indication that this $100 tax has any influence in fixing the present rent at $1,000?

Second: Let us suppose that next year the city decides to take another $100 of the $1,000 rent in taxes. Could the owner then add the $200 tax to the tenant's rent, making it $1,200?

Third: Let us suppose that the following year the tax is increased by another $100 and so on, by an annual increase, until, for extreme illustration, the tax is $1,000, an amount equal to the entire rent; would such a condition make it possible for the owner to raise his tenant's land rent to $2,000?

These questions would seem to answer themselves in the negative, and thus bring us to a fair conclusion in the matter."—C. B. Fillebrown, "A B C of Taxation," p. 31.

"While a few respectable and sincere students of economic science hold to the doctrine of transferability of the ground-rent tax to the tenants, no one will dispute that an overwhelming weight of authority, both in numbers and in reputation, scout that doctrine as absurd. Not only the entire school of Ricardo and Mill, but also nine-tenths or more of other economic writers make it a fundamental doctrine of their science that such a tax never can be transferred to tenants."—Thomas G. Shearman, "Natural Taxation," pp: 129-132.

"A, land tax, levied in proportion to the rent of land, and varying with every variation of rent, is in effect a tax on rent; and such

a tax will not apply to that land which yields no rent, nor to the produce of that capital which is employed on the land with a view to profit merely, and which never pays rent; it will not in any way affect the price of raw produce, but will fall Wholly on the landlords."—Ricardo, "Principles of Political Economy and Taxation," McCulloch's edition, p. 107.

"A tax on rent would affect rent only; it would fall wholly on landlords, and, could not be shifted. The landlord could not raise his rent, because he would have unaltered the difference between the produce obtained from the least productive land in cultivation, and that obtained from land of every other locality."—Ricardo, "Principles of Political Economy and Taxation?" Chapter X., Section 62.

"A tax on rents falls wholly on the landlord. There are no means by which he can shift the burden upon anyone else. … A tax on rent, therefore, has no effect other than its obvious one. It merely takes so much from the landlord and transfers it to the State."—John Stuart Mill, "Principles of Political Economy," Book V., Chapter III., Section 2.

"The power of transferring a tax from the person who actually pays it to some other person varies with the object taxed. A tax on rents cannot be transferred. A tax on commodities is always transferred to the consumer."—Thorold Rogers, "Political Economy," 2nd edition, Chapter XXI., p. 285.

"A land tax levied in proportion to the rent of land and varying with every variation of rents … will fall wholly on the landlords."—Walker, "Political Economy," edition of 1887, p. 413, quoting Ricardo approvingly.

"A tax laid upon rent is borne solely by the owner of land."—Bascom, "Treatise," p. 159.

"If land is taxed according to its pure rent, virtually all writers since Ricardo agree that the tax will fall wholly on the land owner, and that it cannot be shifted to any other class, whether tenant-farmer or consumer. … The point is so universally accepted as to require no further discussion. … A permanent tax on rent is thus not shifted to the consumer, nor does it rest on the landowner who has bought since the tax was imposed."-E.R.A. Seligman, "Incidence of Taxation," pp. 222, 223.

"With these assumptions it is quite clear that the tax on economic rent cannot be transferred to the consumer of the produce, owing to the competition or the marginal land that pays no rent, and therefore no tax, nor to the farmer since competition leaves him only ordinary profits.

The amount of each particular rental depends upon units or surplus produced (varying to any extent according to the superior natural conditions), and on the marginal price, which is independent of these superior conditions and accordingly, a tax that strikes the surplus only, remains where it first falls;"—Nicholson, "Principles of Political Economy," Book V., Chapter XL, Sections 1 and 4.

"Though the landlord is in all cases the real contributor, the tax is commonly advanced by the tenant, to whom the landlord is obliged to allow it in payment of the rent,"—Adam Smith, "Wealth of Nations," Book V., Chapter II., Part 2, Art. I.

"Attention is commonly called, by economists, to the fact that a tax on land rent cannot be shifted. The owner or the land cannot, when a tax is levied, get any more rent. The tax does not increase the marginal product of the land. It does not decrease the marginal product or waiting or the marginal product of labor. It cannot make interest lower or wages lower. It cannot, therefore, increase the difference between the total product of the land and the amount going to capitalists and wage earners. It does not make land space any scarcer. The tax-paying landowner can even less afford to keep his land idle than the landowner who is untaxed. It does not decrease the quantity of goods produced on the land and does not increase prices… A tax upon the SITUATION rent or value of land, or upon the rental value resulting from any natural and indestructible advantages, falls upon the owner and upon no one else."—Professor H. G. Brown, "Economic Science and the Common Welfare," p. 201, 202.

15—That the separation of Land and Improvements Is NOT PRACTICABLE, But IMPRACTICABLE

But, continues the nimble minded professor, there are other reasons why we should not impose a tax on land values and one of them is the difficulty of separating the value of the improvements from the

value of the bare land. To express his own language ("Outlines of Land Economics," Vol. III, p. 115):

> "Among the many reasons why we should not tax separately the value of the land and the value of improvements is the difficulty of separating the two values."

Even if the above were true, that it would be hard to separate the value of the improvements from the value of the bare land, this would certainly not constitute a valid argument against doing so, any more than the difficulty of separating the grain from the chaff constitutes a valid argument against threshing wheat.

As a matter of fact, however, no difficulty at all would be—or rather is—experienced by assessors in separating the value of improvements from the value of the bare land.[43] Such difficulties of assessment as we now encounter result almost entirely from our failure to do this very thing.

Our present tax laws require that land be now assessed fairly and equitably. These same laws also require that thousands of other things—from buildings and box cars to combs and collar buttons—be also assessed fairly and equitably. It certainly requires no strain on the imagination to see that it is a great deal harder to assess thousands of different things with an approach to fairness and equity than it is to assess merely one thing. As Louis F. Post points out:[44]

"If you wish to test the merits in point of certainty of land value taxation as compared with other taxes, go to a real estate agent in your community and, showing him a building lot upon the map, ask him its value. If he inquires about the improvements, instruct him to ignore them. He will be able at once to tell you what the lot is worth. And if you go to twenty other agents their estimates will not materially vary from his. Yet none of the agents will have left his office. Each will have inferred the value from the size and location of the lot. But suppose when you show the map to the first agent you ask

---

[43] See, for instance, "The Principles of Real Estate Appraising" by John A. Zangerle, for many years county assessor for Cuyahoga County, Ohio, and recognized as one of America's foremost authorities on real estate assessments. Published by "The Stanley Mc'Michael Publishing Organization, Realty Building, Cleveland, Ohio, 1924.

[44] "The Taxation of Land Values," (pp. 107, 108) Bobbs-Merrill, Indianapolis.

him the value of the land and its improvements. He will tell you that he cannot give an estimate until he examines the improvements. And if it is the highly improved property of a rich man he will engage building experts to assist him. Should you ask him to include the value of the contents of the buildings he would need a corps of selected experts, including artists and liverymen, dealers in furniture and bric-a-brac, librarians and jewellers. Should you propose that he also include the value of the occupant's income, the agent would throw up his hands in despair. If without the aid of an army of experts the agent should make an estimate of these miscellaneous values, and twenty others should do the same, their several estimates would be as wide apart as ignorant guesses usually are. And the richer the owner of the property the lower as a proportion would the guesses probably be. Now—turn the real estate agent into an assessor, and is it not plain that he could appraise land values with much greater certainty and cheapness than he could appraise the values of all kinds of property? With a plot map before him he might fairly make almost all the appraisements without leaving his desk at the town hall. And there would be no material difference if the property in question were a farm instead of a building lot. A competent farmer or business man in a farming community can, without leaving his own dooryard, appraise the value of the land of any farm there; whereas it would be impossible for him to value the improvements, stock, produce, etc., without at least inspecting them."

Of course, there are a few improvements such as the removal of boulders or the filling up of a ravine, which, when they are made become blended with the land itself a to be indistinguishable. But even these few indistinguishable improvement can be separated from the land and thereby exempted from taxation the same as other improvement, by the simple process of deducting for a certain period of time, but on a diminishing scale, the amount that the improvement cost.

In the case of artificial soil fertility which is the one big illustration of an "indistinguishable improvement," this can be exempted from taxation like any other product of labor simply by deducting a definite percentage of the value that the farm land has after all other improvements have been subtracted—provided, of course, the fertility in question is kept up to, or in excess of, its original state.

Outside of the above there is absolutely no thing that justifies Prof. Ely in stating that the separation of the land from the value of improvements is in any way difficult. The fact is that in hundreds of districts, towns and cities over the earth—from New York City with its population of 6,000,000 soul on down to the shires of Australia or the fertile irrigation districts of California—such separation has already been made. And not only are the improvement values now separated from the land values in these cities, towns and districts but the land, as a result, is being assessed with an ease and precision that before the separation of the values was entirely out of the question.

While there is, of course, more than one method for establishing scientifically the value of land apart from improvements, the most widely known method, as well as the best perhaps, is that which is called the Somers System. this system was devised by Mr. W. A. Somers, a prominent real estate appraiser, who first demonstrated its exceptional value in the city of Cleveland, Ohio, in 19l0.[45] Since this time the system has been adopted with the most satisfactory results in over fifty large towns and cities in the United States,[46] among them being Springfield, Joliet and East St. Louis in Illinois; Denver and Pueblo in Colorado; Redlands in California; Johnstown and Bradford in Pennsylvania; Augusta in Georgia; Lancaster in Wisconsin, New London and Stratford in Connecticut; Houston, Beaumont, Waco, Galveston, San Antonio, Corpus Christi and Hillsboro in Texas; Phoenix, Tucson, Douglas, Bisbee, Prescott, Globe and Miami in Arizona; Columbus, East Cleveland, Lakewood, Chagrin Falls and Berea in Ohio; and Des Moines and Dubuque in the state of Iowa.

But we need not confine our observations to the United States alone. The value of improvements has also been separated from the value of the bare land in many parts of practically In every other country on the globe-in Canada, in South America, in Europe, in Asia, in Australia and in Africa. In 1918 the city of Budapest, Hungary, with its population of one million, scientifically separated the

[45] For official knowledge regarding the operation of this system see, for instance, "1924 Assessments-Unit Value Land Maps with Building Schedules and Photographic Types of Cleveland, East Cleveland, Lakewood, Cleveland Heights, Baker Heights and Rocky River." Price $6.00. Address County Auditor, Cleveland, Ohio.

[46] "Somers System for City Tax Assessment," p. 3. Published by The Manufacturers' Appraisal Company, 1 South 7th St., Philadelphia, Pa.

value of the land from the value of the improvements and accomplished the task in less than a year.[47] In numerous towns, districts and cities in British South Africa, Australia and New Zealand the land alone is assessed, and in some cases—Brisbane, for example—a valuation of the improvements is not even made.

Finally a complete separation of the value of improvements from the value of the bare land has just been made throughout the whole of Denmark—from the large city of Copenhagen on down to the smallest rural community.[48]

Needless to say, therefore, the separation of the value of the land from the value of the improvements is not so difficult or so impossible a task as Prof. Ely would have us believe.

16--That the Singletax Will Not Yield SUFFICIENT, But INSUFFICIENT Revenue

The best humorists are sometimes those who are unconscious of it. This may aptly be said of Prof. Richard T. Ely. Prof. Ely does not believe it possible for others—especially assessors and expert real estate appraisers—to separate properly the value of improvements from the value of the land alone. But he thinks he is perfectly able to make such a separation himself. And—shiver our timbers—if, in making his separation between the value of improvements and the value of the bare land, he doesn't find another monumental objection against the Henry George doctrine! That objection is that the single-tax will not be able to raise enough revenue to run the government—federal, state and local. To quote his exact words ("Elements of Land Economics," MacMillan, 1924, pp. 323, 32-1):

> "It is clear that the expenses of government have increased so rapidly in recent years that the single tax will not yield enough revenue to meet those expenses. It is estimated that barely 60 per cent. of the normal governmental expenses could be paid by taxing all the net income from land."

---

[47] See report of "International Conference on the Taxation of Land Values" held at Oxford, England, 1923, pp. 45-50.

[48] See "Land & Liberty," January, 1925, p. 9. Published at 11, Tothill Street, London, S. W. 1.

Supposing now that the above were true, that the singletax would not be able to raise enough revenue to meet all the expenses of government, why should this be an objection against the raising of as much revenue a possible from land value? Moreover, why should it be all argument against the placing of any further taxes upon land values? To many people the question whether the taxation of land values exclusively will yield enough revenue for governmental purposes may sound important. But the question is really not as important as it seems. It is not proposed to shift all taxes from industry to land values at one fell swoop, but to carry the proposition out by easy and gradual stages, thus giving plenty of time to make any adjustments, solve any problems, or meet any conditions that might arise. Hence, if it were finally found that the singletax on ground rent—or land values—was inadequate to meet all the costs of government, why then, the taxation of other things besides land values would have to continue.

But Prof. Ely's opinion that the taxation of land values exclusively will not raise sufficient revenue to defray the expenses of government is evidently not based upon the most complete facts.[49]

[49] Thomas G. Shearman in his famous work *Natural Taxation,* (pp. 159-160) says:

"The average annual cost of necessary government for any community can never be greater than the average annual value of its land. To say that it can, is a contradiction in terms. How can any government be necessary, which costs more than the privilege of living under it is worth? And what is the cost of the privilege of living in any particular place, except the ground rent of that place? It makes no difference how you assess the price of the privilege. A landlord can, if he chooses, fix his asking price for rent upon a computation of his tenant's personal property. If the price thus fixed is less than the market value of the land, the tenant will gladly pay it, and bless the stars which gave him a fool for a landlord. If it is more, the tenant will move away, and the landlord will get nothing. The state can do no more. No one will pay more taxes than the privilege of residing within the jurisdiction of the state is worth. If any one pays less, he is better off than people who live in another place and pay full value. This difference is so much natural rent; which he puts into his own pocket or is compelled to pay to a private landlord.

Ground rent, therefore, is invariably sufficient to meet all the expenses of necessary government. But as government never exists where society does not exist, and as society offers many advantages in addition to the mere benefits of government, the privilege of living in society is worth much more than the mere cost of government. This privilege is dependent upon the privilege of living within a tract of land in which society exists. Outside of such land, there is other land, with no soci-

According to the most reliable information we can secure the taxation of land values exclusively will raise a good deal more revenue than is necessary to cover the ordinary expenses of government.

In Australia, New Zealand and British South Africa, for instance, where scores of cities, towns and districts raise practically all their local revenue from land values alone, the amount of gross ground rent taken in taxation is so slight that no one there longer doubts that all state and national revenues could easily be raised from the same source—and still leave a considerable surplus of rent in the hands of the landowners.

What is true in foreign countries should certainly hold good in the United States where the rent of land is proportionately much higher. And that it would hold good in the United State all careful investigations into the matter quite conclusively show. Instead of producing insufficient revenue, as Prof. Ely says, a tax on land values only would be able to produce enough revenue to run, not merely the state and local governments, but the federal government as well—and that without taking probably more than three-fourths of the present gross rent of ground.

To quote from the report of the National Tax Relief Convention of the Manufacturers and Merchants Federal Tax League:[50]

> "In Boston, some years ago, the well known merchant and tax authority, Mr. C. B. Fillebrown, made a searching inquiry into the question of ground rents and taxation in that city—the results of which he has set down in the first chapter of his book, 'The A B C of Taxation.'
>
> The gross ground rent of Boston in 1907, Mr. Fillebrown found, amounted to $55,000,000, of which only $10,382,700 was taken in taxation for state and municipal purposes. As the total city tax (including state tax) was only $23,421,542 the owners of the land in Boston could have paid all the state and city revenues in that year and still had $30,000,000 of unearned increment left over for their

---

ety and no government. The difference between the value or no-value of the right to live in solitude and the value of the right to live in society is so much economic rent.

Rent, therefore, will at all times, in all places and in all circumstances, exceed the entire cost of necessary government."

[50] "Report of the National Tax Relief Convention," pp. 222-226. 1923.

own personal enjoyment, besides having all their improvements absolutely tax free.

An analysis of the Annual Reports of the Commissioner of Taxes and Assessments in New York City discloses a similar situation in that metropolis. Between 1911 and 1917—six years—the GROSS ground rent of land in New York City was $2,014,342,982, of which only $544,903,537, or about one-fourth, was taken in taxation during this time. As the aggregate amount of taxes collected by the city of New York during these six years for state and local purposes was $932,162,293, this shows that the land owners could have borne the entire burden; and still had left in their own pockets a clear ground rent of about $1,100,000,000, in addition to the saving made from the removal of all taxes on their buildings and improvements.

In Chicago accurate figures are not available, but an approximation can easily be made. The GROSS ground rent of the land within the city of Chicago in 1923 was estimated to be between $196,000,000 and $216,000,000. Of this amount approximately $71,000,000 was taken in taxation—the other $71,000,000 (out of the total $142,198,879 of revenue collected by the city for all state and local purposes), being secured from personal property, buildings, business and trade in various forms.

With the total tax burden however for state and local purposes at only $142.000,000, of the land in the city of Chicago, the owners could have paid all taxes for these governments in 1923 and still had left in their own pockets a net ground rent of $50,000,000 to $70,000,000, besides being ahead the full amount they compelled to pay in levies on their personal property, buildings and other improvements.

Passing from the larger municipalities to the nation as a whole we find the situation holds good—the unearned increment of land could bear all expenses of government and still leave a handsome surplus for those who now hold title to the land.

The well-known corporation lawyer and tax authority, Mr. Thomas G. Shearman estimated thirty years ago in his famous work 'Natural Taxation' (p. 147), that 'all national and local taxes, if collected exclusively from ground rents, would absorb only 44½ per cent of those rents, leaving to the owners of the bare land a

clear annual rent of $763,252,000, BESIDES THE ABSOLUTELY UNTAXED INCOME FROM ALL BUILDINGS AND IMPROVEMENTS UPON THEIR LAND."

No doubt the recent World War with its accompanying heavy revenue burdens has considerably raised this percentage but that ground rents could stil1 maintain our various governments and yet leave a comfortable margin for the landowners is evident from all known facts.

The total 'national wealth' is now placed by the Census Bureau at $320,803,862,000, of which about one-half—

or $160,000,000,000—

is estimated by economists to consist of land-and-natural-resource values in one form or another. On a five per cent basis the untaxed annual value of the land—or NET ground rent—is therefore $8,000,000,000. This is the sum remaining to landowners after paying to our various governments about $2,500.000,000 in the shape of taxes on the land. Adding, then, the $8,000,000,000 of NET ground rent, to the $2,500,000,000 now taken by way of taxes on the land, gives a GROSS ground rent of all lands and natural resources in the nation of $10,500,000,000.

Since the total tax burden of all governments—federal, state and local—in 1922, as just made public by the Census Bureau, was only $7,428,749,000 it is obvious that the unearned increment of ground alone could have supplied all the revenue needed, and still left a margin of more than $3,000,000,000 in the hands of the landowners for their own private enjoyment, besides giving them a vast benefit in the way of exemption from taxation on all incomes, buildings, improvements and other products of industry that they may own."

Whether the taxation of land values excluively would raise more or less revenue than the above estimate only time and the gradual application of the tax can determine. In any event it is safe to say that Prof. Ely's assertion that "barely 60 per cent of the normal governmental expenses could be paid by taxing all the net income from land" is not founded upon the best of facts.

17-That Land Value Taxation Does NOT Measure "Benefits . Received," While Indirect Taxation DOES

The deeper we look the more evidence do we find that the primary motive of Prof. Ely is to instill into the minds of the people, not economic doctrine that are logical and sound, but economic doctrines that are false and misleading.

Take for instance, his treatment of the fundamental principles underlying the collection of revenue for the support of government—these principles he twists and distorts in a fashion that can only lead the student in every direction but the right one.

Let us see if this is not true. Everybody knows, of course, that the function of government is to render certain services to the people—services such as protection of life and property, the building and maintenance of streets, highways, sewers, water mains, parks, play-grounds, public libraries, asylums, schools, etc. Everybody understands, too, that these governmental services must be paid for—and paid for by taxes levied upon the whole people. What is not so generally known, however, except among economists, is that there are three guiding principles by which governments may impose the taxes they require. These three principles

1. Payment of taxes "indirectly"—i. e., according to the amount of goods consumed by the individual.
2. Payment of taxes according to "ability."
3. Payment of taxes according to "benefits received" from the government.

Now it is a demonstrable fact that of these three principles of taxation the third is the only logical, sound and fair one, while the first and second principles are distinctly illogical, unsound and unfair.

Take the first mentioned principle of taxation, that of paying for government services "indirectly," or according to the amount of goods consumed. Plainly this principle is wrong because it bears no relation whatever to the services rendered by the government, or to the value of these services. Indirect taxes of any kind spread the burden evenly over the whole population regardless of whether the individual members be rich or poor, producers or non-producers, residents in a big metropolitan center or settlers in a far-off desert. The humblest working man, by such taxation, is made to pay practically as much as the millionaire and may, indeed—if he has a wife and

several children—pay a. good deal more. He who lives on the outskirts of civilization where social advantages are few and far between is compelled to pay as much as he who lives in a populous district surrounded by governmental advantages of every kind. Hence, for government to demand payment for its services according to the amount of wealth consumed by the individual is as unsound and as ridiculous as for a theater to charge for its seats, not according to where the seats are located, but according to the amount of clothing the patrons have on their backs, or as silly as for a grocery man to charge his customers, not according to what his goods are worth, but according to the size of his customers' stomachs!

The second principle of taxation, that of paying for government services according to "ability" is almost as bad as the first. The ability-to-pay principle of taxation is not founded upon any .sound theory of economics and cannot be sanctioned by any ethical standard. It penalizes industry and rewards thriftlessness; it makes no distinction between income that is earned and income that is unearned; and it takes no cognizance of whether the members of society live in a community where government services are abundant or in a locality where they are scarce. The idea underlying "ability-to-pay" is the idea of the bandit, not the idea of the business man. Where the rule of the business man is to charge his customer only what his goods are worth, the role of the bandit is to take all the wealth that his victims have. The "ability-to-pay" principle of taxation is therefore not merely illogical and unsound; it is unjust and immoral.

Not so however with the third mentioned principle of taxation, that of paying for government services according to "benefits received" from the government. This principle is free from the numerous injustices and absurdities involved in the "consumption" or the "ability-to-pay" theories of taxation. It is a principle as logical in its basis as the idea that advertisers should pay according to the space and location of their advertisements, or that customers should pay according to the worth of the goods they buy. It is a principle that harmonizes perfectly with every dictum of sound economics, with every theory of wise statesmanship, and with every maxim of good morals.

But the question now arises what is the measure by which the value of government services to the people can be determined? That measure is simply ground rent—the value of land. This is the instrument that registers precisely the value of all governmental advantages—the natural yardstick that reveals exactly how much the numerous benefits to be derived from living and doing business in civilized society—benefits such as police protection, fire protection, public sanitation, streets, sewers, water, lighting, parks, schools, highways and the like—are worth to those who enjoy these benefits.

Is it not perfectly clear that this is the case? Build a highway in the country and what goes up in value? Not the houses or barns or livestock along the highway, but only the land. Erect a school house or install free mail delivery and what happens? Up goes the value of the surrounding land, not the value of the surrounding improvements. Lay out a street in a village or town, substitute electric lights for the kerosene lamp in a city, dredge a river, construct a railroad or dig a sewer and what occurs?

Up shoots; not the value of the products of capital and labor, but simply the value of the adjoining ground.

As the well known tax lecturer, James R. Brown ("A Plain Talk on Taxation," p. 15) aptly says:

All improvements in a town add to land values and to the value of nothing else. If you took a badly paved street in your town, and paved it beautifully, and swept it twice a day and sprinkled it with rose-water, what would go up in value? The furniture in the homes on that street? Not one cent. The personal property in the stores on that street? Not one cent. The buildings on that street? Not one cent. The salaries of the men who lived on that street? Not one cent. What, then, would go up in value? The land only—the vacant as well as the used."

Turn where you will, in country or in city, the same result will always be found: the services that governments render to the people—administrative, judicial, legislative, civil and political—inevitably tend to reflect themselves in the value of land and in the value of land alone. As Mr. Brown further goes on to say ("Plain Talk on Taxation," pp. 11, 12):

"A man comes to me, for instance, and asks: 'What do you want for that "Vacant lot?' I say to him: 'Five thousand dollars.' He says:

'What, five thousand dollars? Great Heavens, that is an awful price. Why, five years ago you only paid five hundred for it.'

I say: 'That's a fact, but let me tell you a few things. You know when I bought that lot, this street wasn't even graded; it was not sewered; it was not lighted; it was not policed. This was a miserable town to live in then. There were very few churches; there was no free delivery of mail, the poorest kind of stores; there wasn't a good theatre in the place; there was no fire department—Oh, pshaw! Why, it was the meanest kind of a hole that a white man could live in, and I paid all that lot was then worth, five hundred dollars; but, now, see what has happened? Population has moved in. Not only are the streets graded and the town paved, sewered, lighted and policed, but we have here a splendid fire department, a sanitary department, the best of common schools, a high school, a good free library, free delivery of mail, best of stores you can find anywhere—no human desire but what can be satisfied right here—Oh, this is some town; this town is worth living in now, and for that reason this little bare lot is worth five thousand dollars.'

Now, what am I selling this man? Land? Not at all. I could sell him a piece just as pretty and larger back in the bush for ten dollars. I am not selling him land; I am selling that man five thousand dollars' worth of good government, of social service; not service that I render, but that the community renders and pays for out of taxes."

Clearly, therefore, the very soundest and fairest tax that can be levied on the people is the one which measures, not their "ability to pay," nor the quantity of goods they consume, but the amount of services they receive from the government—in other words, the land value tax.

But here is where the rub comes in. The land value tax is not the kind of a revenue measure that the famous "scientist" Prof. Ely wants. Prof. Ely hates the land value tax like a little urchin hates soap and water. The mere mention the land tax of the name seems to give him hysterics, for, as he sarcastically remarks ("Outlines of Land Economics," Vo!. III, p. 90):

> "The taxation of land has become quite as much a social problem as a fiscal measure. To many people the taxation of land is now a veritable religion, with promise of social salvation."

What Prof. Ely wants therefore is not a tax levied upon the socially created value of land—the true measure of "benefits received." He wants taxes which fall upon the people according to their "ability to pay," and especially according to the amount of good they "consume." And—Heaven save the mark!—these indefensible taxes he seeks to sanctify under the name of "benefits received." Here is his exact language ("Outlines of Land Economics," Vol. III, pp. 91, 92, 93):

> "The benefits of public services are being more widely diffused without a corresponding broadening of taxation…. Where we have an income tax, as in some of our states, the income of the individual is a source of public revenue, but the exemptions are large, and the income taxes do not reach the great mass of people who receive these increasing benefits from public expenditures. … We are unable, without ruin, to meet our growing needs by direct taxation, but we must devise systems of taxation which spread abroad among the great masses of people public burdens that have some kind of relation to public benefits. Taxes on consumption and various indirect forms of taxation must be employed to a larger extent."

Here, then, we have it. But an interesting question now suggests itself. Why is Prof. Ely so opposed to just and scientific taxation and so much in favor of taxes that are anything but just and scientific? Why is he so hostile to a tax that falls upon the socially created value of land and so eager for indirect taxes—taxes which fall upon "the great masses of people" according to the food, clothing, shelter, luxuries, etc., they consume?

Only one logical explanation is possible and that is this: Prof. Ely's enthusiasm for indirect taxation is plainly because such taxation is the best scheme so far devised for "plucking the goose with the least amount of squawking." In other words, his eagerness for indirect taxes is because these are the sort of taxes that offer the very largest opportunities for a certain portion of .the people to plunder the rest of the people—and plundering them without their knowing that they are being plundered.

Does this sound impossible. Here, then, is the way it works:

(1) To the extent that government revenues are raised from ground rent-or land values-to that extent all the people are taxed but once—and the owners of land gain nothing.
(2) To the extent that government revenues are raised from things other than ground rent—or land values—to that extent the people who own no land are taxed twice-and the owners of land arc that much ahead.

Let us suppose, for example, that the singletax were applied—that all taxes were transferred from improvements and the products of human industry to the value of land. What would be the result? Since no one can live or work in a community without living and working on land each citizen would naturally have to bear his full share of the revenue burden. Those citizens who owned no land would pay ground rent, just as they do now, to their landlords, who would, of course, be called upon by the tax collector to turn the rent over to the government. (The name "singletax," it might be suggested, is not a good term, as what is called a "tax" should more properly be called a "ground rent charge.") In any event each member in the community would pay, under the singletax, his full quota of the public expense and perfect justice would be done. Tenants who lived or worked on valuable ground would, to be sure, pay a higher ground rent to the owners of that land than would tenants who lived or worked on ground that had little value. But this is as it should be, for the difference in the ground rent is what measures the difference in the amount of government services the occupants of that land receive. All citizens, therefore, rich as well as poor, indolent as well as thrifty, tenants as well as landlords, would contribute to the support, of government, under the singletax plan, according to the benefits they had received from the government. Absolute justice would be done to everyone, there would be no double taxation, and no class would profit at the expense of any other class.

But suppose now that exactly the opposite of this were done. Suppose that instead of transferring all taxes from industry to land values, all taxes were transferred from land values to industry. Would the same equality prevail? Certainly not. One class of citizens—those who owned the land in a community—would have no revenue burden to carry while another class of citizens—the capital and labor class—would have a double burden to carry. The result of

course would be that the landowning interest would be fast enriched while the non-landowning or capital and labor interests, would be as equally fast impoverished.

For, let it be observed, ground rent—the instrument that measures the value of government services—would still be paid the same as now. All landowners would continue to collect from capital and labor—the users of land—all the rent they could possibly get. This rent of ground the landowners would not, however, turn over to the government either in whole or in part; instead they would put all of it into their own pockets. Moreover, since the government must have revenue, and since it could not, under the supposed arrangement, collect any of this revenue from land values, the whole of the public revenue would naturally have to be extracted from improvements, personal property and other fruits of capital and labor.

The conclusion, then, is inevitable. If all taxes were transferred from land values to human industry, those who owned no land in a community would pay twice for the support of government—once to landowners and once to the government itself. On the other hand those who owned the land upon which all citizens must live and work would pay (except indirectly) no taxes to the support of government, but would be waxing rich on the ground rent collected from the people who used their land.

Perhaps no scholar has better or more simply illustrated the profound truth of the above than the former Assistant Secretary of Labor, Louis F. Post.

Says Mr. Post ("Taxation of Land Values," pp. 101, 103):

> "Take for illustration, two towns, one of excellent government and the other of inefficient government, but in all other respects alike. Suppose you are hunting for a place of residence and find a suitable site in the town of good government. For simplicity of illustration let us suppose that the land there is not sold outright, but is let upon ground rent. You meet the owner of the lot you have selected and ask him his terms. He replies:
>
> 'Two hundred and fifty dollars a year.' 'Two hundred and fifty dollars a year!' you exclaim. 'Why, I can get just as good a site in that other town for a hundred dollars a year.'
>
> 'Certainly you can,' he will say. 'But if you build a house there and it catches fire it will burn down; they have no fire department.

If you go out after dark you will be "held up" and robbed; they have no police force. If you ride out in the spring your carriage will stick in the mud up to the hubs, and if you walk you may break your legs and will be lucky if you don't break your neck; they have no street pavements and their sidewalks are dangerously out of repair. When the moon doesn't shine the streets are dark, for they have no street lights. The water you need for your house you must get from a well; there is no water supply there. Now in our town it is different. We have a splendid fire department, and the best police force in the world. Our streets are macadamized and lighted with electricity; our sidewalks are always in first-class repair; we have a water system that equals that of New York; and in every way the public benefits in this town are unsurpassed. It is the best governed town in all this region. Isn't it worth a hundred and fifty dollars a year more for a building site here than over in that poorly governed town?'

You recognize the advantages and agree to the terms.

But when your house is built and the assessor visits you officially, what would be the conversation if your sense of the fitness of things were not warped by familiarity with false systems of taxation? Would it net be something like what follows?

'How much do you regard this house as worth?' asks the assessor.

'What is that to you?' you inquire.

'I am the town assessor and I am about to appraise your property for taxation'. 'Am I to be taxed by this town? What for?'

What for?' echoes the assessor in surprise. 'What for? Is not your house protected from fire by our magnificent fire department? Are you not protected from robbery by the best police force in the world? Do you not have the use of macadamized pavements, and good sidewalks, and electric street lights, and a first-class water supply? Don't you suppose those things cost something? And don't you think you ought to pay your share?'

'Yes,' you answer with more or less calmness, 'I do have the benefit of those things and I do think that I ought to pay my share toward supporting them. But I have already paid my share for this year. I have paid it to the owner of this lot. He charges me two hundred and fifty dollars a year—one hundred and fifty dollars

more than I should pay or he could get but for those very benefits. He has collected my share of this year's expense of maintaining town improvements; you go and collect from him. If you do not, but insist upon collecting from me, I shall be paying twice for those things, once to him and once to you; and he won't be paying at all but will be making money out of them.' "

Here, then, you have the real secret of our whole tax system. Taxes on improvements, industry or consumption in any form are not levied, as every page of economic history goes to show, because such taxes are either necessary or sound or just; such taxes are levied for the simple reason that they enable the owners of natural opportunities, not merely to dodge their share of the public expense, but to reap the hard-earned fruits that others sow.

What could possibly be more evident than this? Look at it again. In any civilized society the rent of ground tends to equal the cost of government. Indeed, the tendency of rent in civilized society is distinctly to exceed the cost of government. Build, for instance, a school house at a cost of $100,000 and the land around about will go up over $100,000; grade a new street at a cost of $1,000,000 and the adjoining land will increase anywhere from $1,000,000 to $5,000,000; reclaim a swamp or dig a subway, as in New York, at a cost of $43,000,000 and the value of land will rise to twice this amount. Make, in short, any necessary governmental improvement that you like—from building a road or laying out a park to cleaning up a breeding place of disease or stamp-ing out highway robbery—and the value of the surrounding land will enhance to an amount equal to, and generally much greater, than the improvement cost.

But if the rent of ground which is thus created by government—society—were taken, as it should be, for the use of society, there would be little or practically no rent left in the hands of the landowners. But this is something that, by the landowners, simply cannot be thought of. 'What they want above all else is unearned increment, and what they by all means must have is unearned increment. This is the very reason therefore why taxes on improvements, consumption and the products of human labor were invented—invented centuries ago by the great land barons who held the reins of government. For such taxes automatically throw a double burden on the workers and

producers of wealth and reduce to that extent the burden on the land-owners who are thus able to gather unto themselves a golden harvest of something they do not earn.

The extent to which one part of our population is thus taxed annually for the special benefit of another part is, in this twentieth century, almost beyond belief. In the very remotest rural sections of the country the amount will frequently exceed many hundred thousand dollars in a single county; not a city in which the drain does not run from several million to several hundreds of millions of dollars; while if we take the United States as a whole, the amount .of wealth thus passing each year from the hand of those who produce it into the hands of those who do nothing to produce it staggers the imagination!

Look at the facts:

The gross ground rent in the United States is, from the best information we can secure, now estimated to be an average of about $10,500,000,000 a year.[51] Every dollar of this gross rent must of course be paid to the owners of our natural opportunities by capital and labor, for there is no one else to pay it.

In addition to the above sum there are, out of our total tax burden of $7,500,000,000,[52] at least $5,000,000,000 of direct and indirect taxes that capital and labor pay annually into the treasuries of our various governments—federal, state and local.

Adding, now, these two sums together—$10,500,000,000 of ground rent and $5,000,000,000 of taxes—we get as a result $15,500,000,000. This, then, is the total amount of wealth extracted each year from capital and labor by the government on the one side and the land-owners on the other. But the landowners—ah,.with the landowners the case is very different! Here no wealth goes out, it all comes in! Of the total $7,500,000,000 of revenue collected by our federal, state and local governments, not over $2,500,000,000 consists of revenue obtained from land values, or ground rent. Since the gross ground rent in the United States now collected from capital and labor is estimated, as we have seen, at about $10,500,000,000 a year,

[51] See topic 16 of this chapter.

[52] The total federal, state and local tax burden in 1922 was $7,435,045,000. See Report, on "Wealth, Debt and Taxation," Washington, D. C., 1922.

this leaves to the landowners, after payment of the land value taxes, a net ground rent of $8,000,000,000 which is pocketed by them for their own private use and enjoyment. Or to put the same information in tabular form:

NET LOSS TO CAPITAL AND LABOR

Gross ground rent in the U.S., paid by capital and labor		$10,500,000,000
Total tax burden—federal, state and local.	$7,500,000,000	
Total taxes collected from land values (gr. Rent)	2,500,000,000	
Total taxes paid by capital and labor	$5,000,000,000	
		5,000,000,000
Total ground rent and taxes paid by capital and labor		$15,500,000,000

NET GAIN TO LANDOWNERS

Gross ground rent collected by landowners from capital and labor		$10,500,000,000
Total tax burden—federal, state and local.	$7,500,000,000	
Total taxes paid by Capital and Labor	5,000,000,000	
Total taxes collected from land values (gr. Rent)	$2,500,000,000	
		2,500,000,000
Total gain to landowners after payment of land value taxes		$8,000,000,000

Over fifteen billions of dollars annually taken out of the pockets of capital and labor in order that the landowners may put into their pockets eight billions of dollars! Is it any wonder that the wealth of the nation is so inequitably distributed, that the forces of unrest and discontent are boring at the foundations of society, and that throughout our economic structure the seeds of Socialism and Communism have taken root? Is it any wonder that amid the splendor of mansions and palaces there are overcrowded tenements, almshouses and jails? Is it any wonder that capital is disheartened, that labor is in revolt, that competitive industry is struggling for its very life and that the boasted American farmer is steadily sinking to the level of the peasantry classes in Europe?

Fifteen billions of dollars taken away from the producers each year in order that the non-producers may have, for their own personal enjoyment, eight billions of dollars! Never was robbery of a people conducted on so grand a scale. Yet this gigantic robbery—for robbery it is even though committed under the forms of law—this gigantic robbery of the wealth-producing classes Prof. Richard T. Ely is not striving to eliminate but to in-crease. Not fewer persons who "work without living," but more persons who "live without work-

ing"—this is the thing he seeks. This is the real basis of his economic philosophy. This is the great goal to which he is directing all his educational energies. Every dollar of taxation that he can take off of ground rent he purposes to take off; every dollar of taxation that he can put on human industry and consumption he purposes to put on. For the larger the sums that can be extracted from capital and labor, the larger therefore the sums that can be put into the pockets of those who produce no wealth and render no service—the owners of the earth!

18—That Taxes on Land Value DISCOURAGE Production, While Taxes on Capital and Labor Do NOT

Lord Macaulay once remarked that if the law of gravitation interfered with the profits of any pecuniary interest there would not be lacking arguments against the law of gravitation. Macaulay might well have added, as a necessary corollary, that if it were possible for chaos to enlarge the profits of any pecuniary interest, there would be plenty of arguments at hand to support chaos.

This very fittingly may be said of Richard T. Ely. So desirous is Prof. Ely of perpetuating the condition that enables one class to fatten upon the sweat of another class, so anxious is he to have capital and labor—the producers of wealth—get less, in order that landowners—the non-producers-may get more, that there are apparently no errors too grotesque for him to pass out and no propositions too absurd for him to advance to achieve his object.

In our last topic we were gravely told by Prof. Ely that "taxes on consumption and various indirect forms of taxation must be employed to a larger extent" for the reason that such taxation was in harmony with the "public benefits" the citizens received from the government. Now we are further informed by him that heavy taxes upon industry are not harmful to industry but really beneficial; that they act as an "incentive" rather than a "discouragement" to men; and that, within certain limits of course, the higher the taxes are the harder men struggle to pay them and therefore the more industrious they become! Thus ("Outlines of Land Economics," Vol. III, p. 69):

> "Taxes are not always, nor necessarily, a discouragement to production. Frequently they are an incentive, and especially under a good system of taxation, they exert an influence in the direction

> of increased production in a progressive society. The taxes in America are on the whole not a discouragement. People work harder to pay taxes; as taxes increase, energetic people try to even up their incomes by earning more. … Taxes may become so high as to discourage activity, but in a society like that in the United States it would be difficult to discover evidence that they have a retarding Influence, Where one man could be found who has lessened his activity, three or four men could be pointed out who have increased their activity so that they would not have to reduce their scale of living. An income tax can be made heavy and also progressive without discouraging production."

If anyone but Prof. Ely had given expression to the above, it would have to be set down either as a choice piece of ignorance or as a joke. For if higher taxes on production are good because they make men work harder to pay them, then how much better off would men not be if they were made to suffer at regular intervals some terrible calamity? Then the burning down of a man's home, the destruction of his property by a tornado or the embezzlement of his life's savings, would not be misfortunes but rich blessings in disguise, because they would result in making him put forth more strenuous efforts than ever to make up his loss.

But in the case of Prof Ely neither the charge of ignorance nor the charge of joking will apply. A more serious charge is the only one that will fit. Taxes levied upon the processes of wealth production are never beneficial, as he says, but always harmful; they do not act as an "incentive" but as a "discouragement" to men; and their effect is inevitably to lessen the total amount of wealth produced, and never to increase that amount.

An Egyptian king, Mohammed Ali, once imposed a heavy tax on date trees. The result was the production, not of more dates but of fewer dates, for the Egyptian fellahs, to escape the tax, cut down the trees. In France in the eighteenth century a specific tax was once levied on windows. The result was the building of cottages without windows. In Ireland again a tax was once placed on chimneys. The consequence was that the Irish peasants, to evade the tax, tore down their chimneys and allowed the smoke to leak through the walls and roof. Or, to take an illustration with which we are more familiar—the

tariff. For more than a hundred years the United States had imposed a tariff on foreign goods. The result has been, as everybody knows, not that more goods have been brought into the country but that more goods have been kept out.

Is not the lesson plain? Just as the taxes on date trees and windows and chimney and imports reduced the number of date trees, windows, chimneys and imports so do the taxes we now levy on wealth in all its form operate to decrease the total production of that wealth.

Take the income tax, for instance, which Prof. Ely affirms "can be made heavy and also progressive without discouraging production." The income tax very plainly can only reach income from land that is used; it cannot reach income from land that is vacant, for vacant land yields no income.

What is the consequence? The consequence is that men owning valuable natural resources frequently find it more profitable to keep these resources idle than to develop them. No one has ever pointed this fact out more convincingly than our present Secretary of the Treasury, Mr. A. W. Mellon. In a recent interview, published in the *Saturday Evening Pos*t, Mr. Mellon says:[53]

> "I heard of a case lately in which a man has a 220-acre tract of coal land adjoining a going mine. The owners of the neighboring mine are working up to it and wanted to lease it. He could lease the land at 12 cents a ton. This man's income-tax was such that he would have to pay more than half of it to the government. As a consequence he didn't make the deal. He reasoned that coal would always be wanted and that it would be more valuable in the future. Meanwhile the business isn't done and the Government gets no revenue."

Exactly so! The "business isn't done and the Government gets no revenue." The taxation of production, therefore, does not encourage production, as Prof. Ely wants us to believe, but discourages it. It cripples business. It deadens initiative. It increases price and by increasing prices reduces the purchasing power of consumers, curtails buying and slows up trade.

[53] "Saturday Evening Post," January 5, 1924.

Nor does it make any difference so far as industry is concerned whether the tax on human activity be levied at the point of production or at the point of consumption. The effect in either case is the same. Tax sales and you cut down the number of sales, tax imports and you shut out imports; tax manufacturers and you check manufacturing; tax improvements and you lessen improvement; tax income and you hamper development; tax business and you drive it away.

But not so the land value tax. The land value tax cannot discourage production, as Prof. Ely implies; it can only tend to promote it. For land is not a result of human industry; it is a part of nature and its supply is rigidly fixed. Moreover, the value of land is not, like the value of the products of industry, created by individuals, but is created by the community as a whole. Hence, no amount of land value taxation can discourage production or check development in the slightest degree until after the full annual value of the land is taken. On the contrary, instead of discouraging production, the land value tax will operate to encourage it, because the tax will fall, provided the locations are the same, as heavily upon vacant ground as upon improved ground. Speculation in land will thus be destroyed; the holding of valuable parts of the earth out of use will be done away with; and capital and labor will be given easier access to the natural opportunities from which all wealth is drawn.

19—That Land Speculation Should Be REWARDED and Land Utilization PENALIZED

But the most desirable tax is not merely that which tends to encourage production. The most desirable tax is also that which is the simplest to administer, the easiest to collect, the freest from temptation and fraud and the most equal that can be devised.

Such a tax is the land value tax. The land value tax is not only stimulating in its effect upon production, but it is the simplest of all taxes to administer because the machinery required for its application is the smallest and least complex that can be employed. It is the easiest and cheapest of all taxes to collect because there is only one thing to assess instead of the multitude of things that other taxes require. It is the tax that is freest from evasion because of the unconcealable character of the land itself. Land "lies out of doors." Its value is readily ascertained and underappraisement or overappraisement is

not possible without the connivance of the whole community. Finally, the land value tax is the most just and equal tax that can be imposed because it falls upon taxpayers, not according to their ability-to-pay, but in proportion to the public benefits they receive from the government.

Of what other tax can so much be said? None at all. Compare once more the income tax. The income tax is no doubt a good deal better than many other taxes now on the statute books. Nevertheless it is a very long ways from being an ideal tax. The income tax does not merely discourage production, as we have seen, but it is one of the hardest taxes to apply, as the elaborate machinery required in our revenue departments abundantly show. It is, moreover, one of the most difficult as well as most expensive taxes to collect because of the intangibleness of the object upon which it is levied. It is again a tax full of temptation to fraud and perjury on account of the concealable nature of the various items that go to make up income. Lastly, the income tax is a most unequal tax, not only because it demands no distinction between income that is earned and income that is unearned, but because it falls upon men according to their thrift and industry instead of the public benefits they receive from the government.

Yet the land value tax with its many virtues is, strange to say, just the tax that Prof. Ely does not want, while the income tax with its numerous faults is one of the very taxes that he desire. Here ("Taxation of Farm Lands," Webb Publishing Co., 1924, p. 21) is the way he states it:

> "Income taxes should be included in every system of state taxation. … I would not have any very large exemption, and I would have reasonable progression up to six per cent and perhaps even up to ten per cent, depending in part upon the federal government taxes."

Now why does Prof. Ely take this position? Why does he oppose the logical, sound and just tax upon land value and urge the illogical, unsound and unjust tax upon incomes? That is a point perhaps upon which the less said the better, Certain it is however that the main groups supporting the professor and his institute for "research" are hostile to the land value tax for the simple reason that such a tax will

transfer the revenue burden from those who produce all wealth to those who produce nothing. Equally certain is it that these same groups favor income taxes having "no very large exemptions" because such taxes will transfer a still larger portion of the revenue load from the non-producers to the producer, and permit, at the same time, speculators in vacant lands and owners of idle natural resources to escape their share of the burden altogether.

20—That Laborers are Not Now OVER-TAXED, But are Practically EXEMPT from Taxes

Let us take a look at another of the mental contortions through which Prof. Ely goes in his effort to have more of the earnings of capital and labor confiscated for the benefit of the non-productive member of society—the landowners.

One of the main reasons why a larger portion of the tax burden should be placed on "the masses" is, he tells us, because they pay little or no taxes now. The masses are practically tax-exempt. And since it is really an "insult" to a workingman not to ask him to pay taxes and, furthermore, since every class should "bear a proper share of the public burdens;" this means, he says, "a large development of indirect taxation"!

That there may be no doubt about it here is the Professor's own language ("Outlines of Land Economics," Vol. III, pp. 90, 01):

> "First of all, people must get the right attitude towards taxes. … A man may complain, and perhaps justly—in some cases surely justly—because his income is inadequate to meet his expenses; but he should not complain because he is expected to pay taxes just as he is expected to pay his butcher and his baker. It is really an insult to the workingman to treat him as a tax exempt person."

And again ("Outlines of Land Economics," Vol. III, p. 90):

> "To treat large classes in a community as though they should be exempt from taxation is to treat them as paupers. A man may be poor and still pay his debts. Poor is a relative term, and all who are not paupers should expect, and should be expected, to bear a proper share of the public burdens, and this means a large development of indirect taxation."

The workingman "tax exempt?" A "large development of indirect taxation" needed to make the majority bear their "proper share" of the public burdens?

If these arguments had been advanced by a medieval tyrant or an ancient despot bent on wringing more tribute from his helpless subjects, it would not be a matter of so much surprise, but that such claptrap and twaddle should be put out as "scientific truth" by a man who has spent forty years of his life as a professor of economics in famous universities and who piously pretends to have no "axes to grind," is something that defies the understanding!

Of course, just the opposite of what Prof. Ely contends is the case: the workingman does not now carry less than his "proper share" of the public burdens; he carries a great deal more than his "proper share" of these burdens. He is not "tax exempt" as the Doctor says, but is the heaviest tax-laden citizen, in proportion to his means, to be found in all society.

The workingman, as we have already shown, now helps to support two tax-collecting bodies instead of one: the first body being the landowners, and the second body being the government itself.

True, the fund that the workingman turns over to landowners in the form of ground rent—ground rent for the use of dwelling lots, for farm land, for business and industrial sites, for water-fronts, water-power locations, coal and oil beds, mineral deposits, public utility franchises, railroad right-of-ways, and so on—this fund is usually not thought of as a tax but that is what it is. Ground rent is a natural public fund, a natural revenue, ample for all government needs, that is appropriated by landowners for their own private use and for which they render absolutely no services in return.

But aside from all revenue that the workingman turns over to land-owners in the shape of ground rent, it still remains true that he is, in proportion to his wealth, the most heavily taxed individual in society. For all of the taxes that our various governments now levy upon industry and its products are, in the long run, always shifted to consumers in the higher price of the goods and services they buy. There is no disputing this fact. If you place, for instance, a tax upon the tanners of hides, the tanner must, when they sell their leather, get back their taxes from the shoe manufacturer, the shoe manufacturers must get back theirs from the wholesalers, the wholesalers from the

retailers, while the retailers must recover the taxes levied on all of them put together, plus the necessary interest and profit on the tax money advanced, from the one who finally buys the shoes.

This shifting of taxes to the consumer is not done at the mere whim of individuals; it is done for the simple reason that it cannot be avoided. Taxes levied upon a business of any kind are an inevitable part of the expenses of carrying on that business and, unless they are recovered in the price of goods or services sold, the business cannot, for any length of time, go on. Hence, no matter by what government —federal, state or local—the taxes on human industry are imposed; no matter upon what branch of activity they are levied—mining, lumbering, manufacturing, wholesaling, transporting, retailing; or by what name they may be called—tariff duties, excises, corporation taxes, improvement taxes, sales taxes, licenses; in the last analysis these taxes are, with rare exceptions, always passed on in the higher price of goods and services to the ultimate consumer.

The unseen tax load thus wrapped up in the price of the things the consumer buys is, in the aggregate, something appalling. It is conservatively estimated that the total amount of taxes (including the necessary interest and profit on all tax money advanced by the handlers of goods and services in their unfinished form) thus paid by consumers each year is, on the average, from $60 to $80 per capita. This is between $300 and $400 for each family of five persons.

And, let it once more be emphasized, this is the tax load that is paid by consumers for the support of government alone, and is entirely apart from the still greater burden of ground rent turned over to landowners for their own private use and enjoyment.

Yet in the face of these two crushing revenue burdens Prof. Ely dryly calls the workingman "tax exempt" and naively proposes, as a means of compelling him to bear his "proper share" of the public burden, a "large development of indirect taxation."

21—That Indirect Taxes arc Not HEAVY, But EASY to be Borne

Marvelous, indeed, are the resources of Prof. Richard T. Ely! As a further reason for lightening the tax on land values and increasing the burden on the people at large, ("Outlines of Land Economics," Vol. II, p. 119) he has this to say:

> "It is coming to be seen that indirect taxes may be devised which are comparatively easy to be borne, especially as with time they are shifted about so that we adjust ourselves to them. … It is absurd to say that there is no margin of income for the payment of taxes by the great mass of people. One has only to watch expenditures for the "movies" and all sorts of purposes which are not necessities to be convinced that there is such a margin."

Such balderdash as this it seems almost a waste of time to consider. Because the mass of the people attend "movies" is no indication that they have a large margin of income to spare any more than it is a sign that the earth is flat because a man's back yard happens to be so. Recreation of some sort is as necessary to a human being to attend who is tired and worn after his day's work as food is to his body, and for a large part of the people the "movies" are among the cheapest forms of recreation to be had.

As an economist Prof. Ely should not only take the "movies," etc., as an indication of the margin of income in the hands of the masses but should also take into account the steady increase of farm tenancy and farm mortgage indebtedness, the crowding together of whole families into three, two and frequently one room in towns and cities, as well as the growing need of charitable organizations in our industrial centers and the almost endless demands made upon them. Were he to do this he would doubtless find that the margin of income, over the bare needs of subsistence, is, for the mass of the people, very much less than it appears to be.

But whether or not the masses have a margin of income over the bare needs of subsistence—a margin that allows them to indulge in "movies," "ice cream," and other so-called unnecessary things—is entirely beside the point. If there is such a margin, and the masses have earned it by rendering useful services, it properly belongs to them. The truth is that most of what the masses earn, over and above the needs of subsistence, is, in devious ways, now sucked away from them by those who produce nothing. What justification then is there for sucking away by 'indirect taxation' the remainder of what they earn? Especially what moral justification is there for doing this when the inevitable result, as well as the obvious purpose of such indirect taxation, is to lower the rate on land values and enable the owners of

our natural opportunities to put into their pockets a still larger amount of ground rent which they do not earn?

Instead of further impoverishing the mass of producers for the particular enrichment of the non-producers, would it not be wiser and fairer to turn the matter just the other way around?

22-That Consumption Taxes Will Not HURT the Poor People, But will HIT the Rich People

A fertile imagination is generally a fine thing to have. But there is such a thing as having an imagination that is too fertile. Such an objection must be made against the imagination that Prof. Ely has.

GROWTH OF THE INDIRECT TAX BURDEN ON FARMERS IN TEN YEARS

The local taxes paid by farmers in the United States more than doubled between 1913 and 1922. But the indirect taxes paid by them—that is the taxes rolled up in the price of food, clothing, fuel, machinery, luxuries, etc., that they bought—more than trebled within the same period of time.

Whereas the local taxes paid by the average farmer and his family rose from $43 in 1913 to $105 in 1922, the indirect or "unseen" taxes paid by them rose from $80 in 1913 to more than $300 in 1922.

Figure on indirect taxes per Capita not reproduced /pma

In his eagerness to lift more taxes from the unearned increment of land values and saddle them "indirectly" upon the necessities and comforts of life, Prof. Ely thinks—or at least he pretends to think—that such indirect taxes will fall very softly upon the poor people while coming down with staggering force upon the rich people.

Here is how he states it ("Taxation of Farm Lands," Webb Pub. Co., St. Paul, pp . 23, Q4):

> "We have come to a time when in the interest of the people further progress must be met by indirect taxation, supplementing the direct taxes. … We have endless illustrations of the enormous sums that can be raised by small contributions when millions of people contribute these small sums. … This whole problem of indirect taxes is one that needs to be carefully studied, and this means a good deal of research; but what I do not hesitate to assert,

however, is that there need be no undue expense in collecting the taxes and also that they may be so levied as not to bear upon the necessities of life."

On the other hand ("Taxation of Farm Lands," p. 25) he tells us:

"One other thing should be said about indirect taxes before we leave the subject. On the continent of Europe, and especially in Switzerland, they were introduced in some cases to reach those who were exempt from direct taxes, and many of the rich people escaped, wholly or in part the burdens of taxes on property and income. It is stated that one of the German rulers, I believe the Great Elector, said when he found taxes were being levied upon articles of consumption: 'You are making me pay taxes just like the common man.' Now, we have a great many people of large means who own tax-exempt securities and the aggregate of these securities runs into many billions of dollars. We can reach these people, and that without violation of faith, by indirect taxes."

All this, of course, is pure drivel. There is no way in which indirect taxes can be placed upon the food, clothing, and luxuries of the people that will not strike the poor, in proportion to their means, infinitely harder than they will strike the rich—not if they are intended to raise any substantial amount of revenue. If an attempt be made to levy the tax only upon such articles as the comparatively few rich use—say expensive diamonds and costly jewelry—the amount of revenue secured will be so small as not to be worth mentioning. To raise an amount of revenue of any consequence the taxes must be levied on such articles as are in wide and common use, such as sugar, tea, gasoline, tobacco, candy, etc.

But taxes levied upon such articles inevitably fall upon the person of small means far more severely than they do upon the person of large means. Both the millionaire and the day laborer, for instance, use sugar. Both may use gasoline—the one in his Packard Automobile and the other in his "flivver"—and both will eat candy and perhaps use tobacco. But the amount of sugar, gasoline, candy and tobacco consumed by the millionaire, while it may be larger than the amount consumed by the day laborer, will certainly not be a hundred or a thousand times as large. Indeed, if the millionaire be a bachelor and the day laborer have a good-sized family to support, the amount

of indirect taxes paid by the day laborer will likely be much larger in actual quantity than the amount paid by the millionaire. Yet Prof. Ely has the audacity to suggest that such taxes will, proportionately, bear with greater weight upon the rich than upon the poor.

It may be said with considerable safety, however, that Prof. Ely does not believe his own statements and that his enthusiasm for indirect taxes is not because these taxes will reach the wealthy, but because they will effectively rob the masses—and rob them in such cunning and insidious ways that they will not know just how they are being robbed.

As the famous statesman, William Pitt, long ago declared in a speech before the British Parliament:

> "There is a method by which you can tax the last rag from the back and the last bite from the mouth without causing a. murmur against high taxes; and that is to tax a great many articles of daily use and necessity so indirectly that the people will pay them and not know it. Their grumbling then will be of hard times, but they will not know that the hard times are caused by taxation."

There you have the secret of the whole matter! The people will pay the taxes and not know it. They will grumble and wail about hard times but "they will not know that the hard times are caused by taxation."

Whatever may be said of a man who, merely to increase the unearned profits of "vested interests," would saddle such an iniquitous mode of taxation upon the inhabitants of a nation, and who, for a mess of pottage, would betray the public confidence and trust reposed in him by virtue of his high position—whatever may be thought of the calibre of such a man's intellect or the quality of his soul—it is certain that the American people cannot afford to consider his scheme for a single moment.

Indirect taxation has ever been the means by which one class has lived upon the labors of another class. It is the instrument that has been used to plunder and despoil the masses in all ages and which has probably caused more hardship and more suffering among the people than most of the wars in history. Indirect taxation has prostrated multitudes in every land. It has engendered riots and revolutions in every clime. It has turned flourishing communities into

howling deserts, laid upon thriving cities the dead hand of stagnation, and brought nation after nation, within the course of a few generations and sometimes within a few decades, from the heights of affluence and power down to the very depths of poverty and degradation.

As the Encyclopedia Britannica (Vol. XXI, p. 549) says of Spain which, in the sixteenth century, was the proud mistress of the world: "The great source of the treasury was the 'alcabalas' or excises—taxes of 5 or 10 per cent on an article every time it was sold—on the axe when sold to the butcher, on the hide when sold to the tanner, on the dressed hide sold to the shoemaker and on hiss shoes. All this did not bear its full fruit till later times, but by the 17th century it had made Spain one of the two most beggarly nations in Europe—the other being Portugal."

23—That to Take the Socially-Created Rent of Land Is CONFISCATION, But to Take the Earnings of Capital and Labor Is NOT Confiscation

The veil of mystery is lifting. It should now be quite clear why Prof. Ely, in writing the three fundamental books that are to guide his Institute in its "search" for the solution of our land and tax problems, cautiously omitted to define his primary economic term with the accuracy and fullness that they properly require.

For, it cannot be too often repeated, the object of political economy is to disclose economic truth and the terms land, labor, capital, rent, wages, interest, wealth, etc., are the primary instruments that enable this truth to be disclosed. They are the lights by which the groping student directs his footsteps; they are the guides by which he reasons; they are the factors by which he tests the conclusions that he reaches.

Hence the student who is equipped with a correct economic terminology has an advantage over him who is not so equipped that is like the advantage of a giant over a pygmy. For a student possessed of such a terminology has the means to analyze his problem and the power to prove it. He does not have to accept blindly what others say or to rely upon the good faith of his teachers, but can depend entirely on his own resources. If, in his pursuit of truth, he makes a mistake or embarks upon a wrong track, as he may frequently do, he need only retrace his steps and take a fresh start. Thus, with the knowledge

given him the student is perfectly able—provided, of course he has average intelligence—to separate economic truth from economic error, and to rest assured that his ultimate findings will bear all the tests of rigid analysis and critical examination.

But not so with the student whose knowledge of the true meaning of wealth, rent, wages, interest and the like is inadequate. Such a student lacks the necessary instruments by which to dissect his reasoning or to prove his conclusions. He is essentially helpless. He is like a child lost in a jungle, like a navigator sailing the seas without a compass.

The student, therefore, who is not armed with the means by which to reason in a straight line or to test his own conclusions—to such a student the ability to distinguish between economic truth and error is hopelessly out of the question. He may be stuffed with the most comical of blunders but he will not suspect it. He may be taught the most ridiculous of fallacies but he will not realize it. Into his mind the unsoundest principles, the absurdest notions and the most disastrous of doctrines may be instilled, but he will not know the difference. The chances are entirely that he will go serenely on, firm in the belief that he is drinking in the deepest draughts of wisdom.

But this plainly is just what Prof. Ely wants. Prof. Ely wants the rising generation, at least so far a economics is concerned, to exercise its faith and not its reason. That very clearly is why he has taken (1) such great precautions not to be understood, and (2) such great pain to be believed. That is why, on the one hand, he has been so careful, in his three "key" books, not to lay down the definitions of his primary terms with the completeness and precision that the occasion demands, and why, on the other hand, he is now stamping his works with all the labels and professional degrees of schools, colleges and universities that he can muster.

For all protestations to the contrary notwithstanding, Prof. Ely has a colossal "axe to grind." His "researches" are not intended to be "unprejudiced" and "impartial" as he insists, but the reverse, as every page of his three basic books conclusively proves. The purpose he has in view is not to lead the people towards the right solution of our land and tax problems, but to lead them in an opposite direction. Or, to state it more specifically, his object is not merely to mold public opinion against the transferring of any taxes from capital and labor to

land values, but to build up sentiment so more taxes will .be transferred from land values to capital and labor.

To carry out such a scheme, however, requires the preaching of many absurdities and the teaching of innumerable errors. And when absurdities are to be preached and errors taught in the name of science, something has to be dead wrong with that "science" or the absurdities and errors will be revealed. Hence the precautions taken by Prof. Ely to make his terminology defective so his reasoning might not be tried or his conclusions checked up.

Consider, as another good illustration of this, his cry of "confiscation." Prof. Ely insists that to tax land values heavier is not right, but morally wrong, while to tax capital and labor heavier is not wrong, but morally right. In other words he denounces again and again the further taxation of ground rent as "confiscation," while insisting with all the power at his command that the further taxation of labor is perfectly just and proper.

Thus ("Outlines of Land Economics", Vol. III, pp. 102, 103, 105):

> "Many are disturbed because property in land yields income. Our attention is frequently called to a corner lot in a city, from which the owner derives, let us say, $30,000 a year. Taxes and all improvements are paid by the owner of the building erected on the lot. The owner of the lot may live in idleness, and it is said that he makes no return to society for what he receives.
>
> "Is there anything peculiar in this, or anything which should lead to a. special policy of taxation? Unless we are prepared to go over to Socialism and abandon private ownership of productive property, we must expect to find men receiving an income from property, and using this income sometimes wisely and sometimes ill. The solution of our land problems is not at all to be sought in confiscation of land values."

On the other hand ("Outlines of Land Economics," Vol. III, p. 93) he tells us:

> "The 'masses' have a surplus that can be taxed. This suggestion may not be a popular one, yet it is true that there is a widespread ability on the part of the great mass of people to contribute the public revenue. On every hand can be seen an enormous surplus of income over needs of subsistence. The expenditures of the public

> for prize fights, 'movies,' ice cream, candy, tobacco, chewing gum, perfumery and beverages of all kinds run into the hundreds of millions, yes, even billions of dollars every year … Taxes on consumption and various indirect forms of taxation must be employed to a larger extent."

If there is one thing calculated to undermine the safety of our Republic and to drive the people into Socialism, Communism or some other "ism," it is the preaching of such reprehensible and dangerous doctrines as this. The enrichment of one class at the expense of another class has already reached a stage in America that is not merely menacing our institutions but threatening the very foundations of society, and if still more wealth is to flow, via indirect taxation, from the hands of the "masses" into the hands of those who do nothing to produce it, social and industrial peace cannot long continue.

But all this aside. Had Prof. Ely, in his first three books, not taken such great precautions to see that his reasoning could not be followed or his conclusions tested the watchful student would at once recognize the fact that exactly the opposite of what the Professor says is true. He would know that the taxation of the rent of land is not "confiscation" but simple justice, while the taxation of the wages of labor, on the other hand, is not justice, but confiscation.

For wages of labor, as well as interest on capital, are funds that are earned and not unearned. They are the returns for human effort expended, the rewards for useful services rendered. Being earned, they belong, therefore, in all justice and morality to those who have earned them.

Hence, if any portion of these funds of wages and interest be appropriated by taxation, it is—so long as government has its own source of revenue—nothing less than robbery, robbery under the forms of law.

The rent of land, on the other hand, is a fund that is not earned by individuals, but is unearned by them. The landowners have not made the rent any more than they have made the land itself. Rent is a product of all. It is a fund that is created by the growth of population and by the development of the whole community, and is a fund, therefore, that justly belong to the whole community.

As the well known Catholic divine, the Rev. Edward McGlynn, has truly expressed it:[54]

> "No sooner does the organized community, or state, arise, than it needs revenues. This need for revenues is small at first while population is sparse, industry rude, and the functions of the state few and simple, but with growth of population and advance of civilization the functions of the state increase and larger and larger revenues are needed. God is the author of society and has pre-ordained civilization. The increasing need for public revenues with social advance being a natural God-ordained need, there must be a right way of raising them—some way that we can truly say is the way intended by God. It is clear that this right of raising public revenues must accord with the moral law or the law of justice. It must not conflict with individual rights, it must find its means in common rights and common duties.
>
> By a beautiful providence, that may be truly called divine, since it is founded upon the nature of things and the nature of man, of which God is the creator, a fund, constantly increasing with the capacities and needs of society, is produced by the very growth of society itself, namely, the rental value of the natural bounties of which society retains dominion. The justice and the duty of appropriating this fund to public uses is apparent in that it takes nothing from the private property of individuals except what they will pay willingly as an equivalent for a value produced by the community, which they are permitted to enjoy. The fund thus created is clearly by the law of justice a public fund, not merely because the value is a growth that comes to the natural bounties which God gave to the community in the beginning, but also, and much more, because it is a value produced by the community itself, so that this rental value belongs to the community by that best of titles, namely, producing, making, or creating."

Plainly, then, exactly the contrary of Prof. Ely's teaching is true—the taxation of wages is not justice, but confiscation; the taxation of rent

[54] From the Document presented by the Rev. Edward McGlynn to Mgr. Satolli of the Church of Rome in December, 1892; examined by a committee of Professors of the Catholic University at Washington, D. C., and officially declared to contain nothing contrary to Catholic teaching.

is not confiscation, but justice. For wages are earned by labor, and not unearned, while the rent of ground on the other hand, is not earned by landowners, but is unearned. Hence, for government to tax wages is to take something away from individuals that rightly belongs to individuals, while to tax rent—the value of land—is simply to take something that the government itself has created and which morally belongs to it—in other words, it is to take its own property for its own uses.

24—That the Singletax Means, Not INDIVIDUALISM, But SOCIALISM and COMMUNISM

Prof. Ely likes to talk about his integrity. He reminds us frequently of his "fearlessness" in digging out economic facts, of his "unprejudiced" mind, and of the "absolute impartiality" with which he conducts his researches. Sometimes in reciting his passionate "love of truth" he almost bubbles over. Speaking, for instance, before the annual meeting of the "American Railway Development Association," held in St. Louis in I!)23, he said:

> "We who belong to the staff of the Institute for Research in Land Economics and Public Utilities have a love for truth as such, and this love of truth we share with all men who are engaged in scientific pursuits. This is our first and all-including objective."

A noble "objective" it is! But how far Prof. Ely has missed his objective we have, to a considerable extent, already seen. We have, however, not seen it all. Let us now take a new perspective and observe how very distantly the Professor's boasted "love of truth" is removed from the actual facts.

When Henry George first published in 1879 his book "Progress and Poverty," he gave to the world what increasing numbers of men sincerely believe to be the most important contribution to economic literature made since the dawn of the Christian era. Whether or not such is the case need not be discussed. The cold fact remains that George's book has, since it first appeared in print, been translated into every civilized language on the face of the earth, not excepting the Russian and the Chinese. It has enjoyed a circulation many times larger than that of any other work or works of its kind; and is today, to a more powerful extent than ever before, remolding men's thoughts and shaping legislation in every continent on the globe.

These facts alone, apart from all other considerations, indicate quite conclusively that there is a central truth in George's philosophy that is not to be found in the writings of any other economist, either dead or alive.

Now it is the function of schools, colleges and universities to disseminate knowledge. It is their mission to spread light and not darkness, to increase intelligence and not ignorance, and to throw the rays of understanding upon all subjects. It is not merely their mission to do this; it is their sacred duty. For schools, colleges and universities are the creatures of the people. They are the sources from which men most expect true information, the institutions in which the greatest trust and confidence are lodged by those who seek to learn.

It may, therefore, fairly be expected of teachers and text-book writers that they should explain fully and honestly the theory that George gave to the world. Particularly should Prof. Richard T. Ely, the director or the "Institute for Research in Land Economics," in the great state University of Wisconsin, and a man whose avowed intention is to explore the seas of economic knowledge on a scale never before paralleled—particularly should he, regardless of his own opinions or personal feelings, present the Henry George theory to the people in an unprejudiced, exhaustive and impartial manner.

But has Prof. Ely done this? Has he been faithful to the public trust reposed in him? Has he taken the theory of Henry George and presented it to his vast audience in an unprejudiced, exhaustive and impartial manner?

No, he has not!

Prof. Ely has not once endeavored to elucidate the Henry George doctrine in an understanding way or to treat it in an impartial and disinterested fashion; on the contrary he has employed all the resources at his command to discredit that doctrine and to arouse public hostility and prejudice against it.

In his first three books "The Outline of Land Economics,"—three books written to guide his Institute in its future work, and upon which forty-seven more books are to be based—in these three books not a single chapter, not a single page, not even a single paragraph is devoted in explanation of the far-reaching theory that George proposed. Scores of references are given in these three books to writers who are known to be opposed to George's theory, but not a solitary

reference is given to the works of Henry George himself, or to the numerous authors of ability who have followed him.

That this is a clear-cut attempt on the part of Prof. Ely to keep the public in darkness about the singletax is conclusively proved by the next two books of his land economics series. One of the two books is called "The Principles of Real Estate Practice," (MacMillan, 1923)—a book which is being pushed vigorously by the National Association of Real Estate Boards, and which book the Association has to date succeeded in thrusting into the class room of thirty-three leading colleges and universities. In this book one whole chapter is devoted to undermining the principles upon which the singletax idea stands, but not one paragraph or one sentence is devoted to telling what the singletax is and the name of Henry George is not even mentioned.

The other of these two books—the fifth of his land economic series—is entitled the "Elements of Land Economics," (MacMillan, 1924). In this book we find listed, as usual, scores of writers who are opposed to the theory of the singletax, but not one writer of any consequence is listed who favors that theory. And while Prof. Ely does, in this fifth book, depart from his usual procedure and say something about Henry George, what he does say is, out of a total of 353 pages, confined to two short paragraphs.

Two short paragraphs! Could any worse offense against the principles of teaching be conceived? Could any greater wrong against public education possibly be committed1 Out of a total of five books on land economics by Prof. Ely—three of them "key" books—only two short paragraphs are given over to expounding the philosophy of a man whose works have received wider recognition throughout the world than the works of any other man in modern times, and whose one book alone has had a larger circulation than all the books written by any dozen economists now living.

But this is not all. In these two short paragraphs nothing is stated that can convey to the reader any intelligent understanding of what the singletax really is and what it will accomplish; instead of this the paragraphs arc crammed with hostile words, inimical phrases and mis-leading statements whose only result can be to turn the reader definitely against it. Take, for instance, this sentence ("Elements of Land Economics," p. 323):

> "According to the single tax theory all land is a gift of nature to society; consequently all the returns from utilizing land belong to society, not to any individual owner."

This, of course, puts the singletax, as Prof. Ely plainly intended that it should, in the same class with socialism and communism. But the statement is distinctly and absolutely false, and there is no one who knows it better than Prof. Ely himself.

The singletax theory does hold that "all land is a gift of nature to society," but it does not hold that "all the returns from utilizing land belong to society, not to any individual owner." The singletax holds just the opposite of this; namely, that "all the returns from utilizing land" belong to individuals and not to society.

In other words, the singletax theory holds that the rent of land—and the rent of land only—belongs to society and should be taken by society in taxation, while "the returns from utilizing land" belong entirely to capital and labor—the producers of wealth—and should not be taxed at all.

The singletax thus means exactly the reverse of what Prof. Ely wants his immense audience to believe. It means individualism and not socialism or communism. It means industrial freedom and not industrial slavery. It means private ownership of property and not common ownership of property.

But the real extent to which Prof. Ely has prostituted his position and betrayed the public faith reposed in him is to be seen, not so much in his refusal to give the singletax theory of Henry George any kind of a hearing, nor in his direct misrepresentation of that theory, as it is to be seen in the subtle and underhanded methods he has every-where employed to discredit that theory and to turn the people against it. Throughout practically every chapter of the five books above mentioned and particularly in his three key books he has assailed the logic upon which the singletax theory is founded—assailed it from every angle and in every possible shape, form and manner. But his methods of assault have not been like the methods of a warrior in the open; they have been more like the methods of a savage in ambush or an assassin in the dark. His attacks have been made, never from in front but always from the side or the rear. And the weapons he has used have not been the bolts of cold logic but the poisonous

shafts of unwarranted assumptions, of wrong inferences, of false suggestions, of insinuation, of half-truths and of outright misrepresentation.

And this from the very man in whom the greatest trust and confidence are placed, from whom the utmost fairness in exposition and teaching is expected, and who publicly boasts about his "unprejudiced" mind, his "impartiality," and his passionate "love of truth!"

25—That the Sinqle-tax Would Substitute PUBLIC OWNERSHIP for PRIVATE OWNERSHIP of Land

But let us continue. The singletax, says Prof. Ely, does not mean merely socialism and communism; it also means land nationalization and State tenancy. As he expresses it ("Elements of Land Economics," p. 324):

> "The effect of the singletax would ultimately be a system of State tenancy. If all the net income from land were taken in taxes, the desire for owning land would disappear, so that in effect the State would own the land while private individuals utilizing land would be in the position of tenants of the State, paying to the government the net land income as a rent."

As usual, of course, all this is not so. The singletax would not "ultimately be a system of State tenancy." It would not cause the "deire for owning land to disappear." And private individuals utilizing land would not "be in the position of tenant of the State," any more than they are today.

The fact is that all persons are tenants of the State now. The State today exercises, at its will, complete control over the lives and property of its citizens. If the state wants, for instance, the property of any particular individual or group of individuals for its own use, it may legally take that property, after making, of course, reasonable compensation. If, to defend itself from foreign aggression, the State needs the lives of those who live under it, it may legally take those lives, as it did during the World War. All persons are, then, tenants of the state now.

But this is not what Prof. Ely means by "state tenancy." 'What he very distinctly means is that, under the singletax, the title to land would ultimately be taken over by the government. The land would

be nationalized. In other words, the State would become the land-lord and the people would pay their rent to the State.

Of course, if all this were true the singletax would have to be condemned. For land nationalization or State landlordism would, as society is now constituted, distinctly not work. It would prove disastrous. Were the titles to land to be taken over by the State such an enormous extension of government machinery would be required as virtually to break it down. More than that, the customs and habits of thought of the people would be so strained, the avenues for favoritism so widely opened, and the practices of everyday business so severely wrenched, that the whole industrial machine would topple.

But—Prof. Ely to the contrary notwithstanding—the singletax is not land nationalization. It is not State landlordism. It does not contemplate any transference of land titles to the government nor any change in our system of land tenure.

True, Henry George frequently spoke, in his various writings, of the necessity of "making land common property," but as all sincere and careful readers of his books well know, where-ever George did this he was developing an abstraet principle and not a concrete one, and had in mind only the making of "land rent common property," while leaving the physical earth itself private property.

Henry George did not believe in the public ownership or nationalization of land; on the contrary he was unalterably opposed to it. No one knew better than he the danger of abolishing land titles and the appropriation of land by the State. Therefore, while earnestly insisting upon the right of society to ground rent, he defended the private ownership and possession of land with all the vigor of his powerful intellect.

In "Our Land and Land Policy," written in 1872, for instance, George says:

> "It by no means follows that there should be no such thing as property in land, but merely that there should be no monopolization—no standing between the man who is willing to work and the field which nature offers for his labor. For while it is true that the land of a country is the free gift of the Creator to all the people of that country, to the enjoyment of which each has an equal natural right, it is also true that the recognition of private ownership of

land is necessary to its proper use—is, in fact, a condition of civilization."

Again, in his "Progress and Poverty," written in 1879 (Book VII, Chap. 2) he says:

"I do not propose either to purchase or to confiscate private property in land. What I propose is TO APPROPRIATE RENT BY TAXATION."

Similarly, in his controversy with Herbert Spencer in 1892 ("A Perplexed Philosopher," (Chap. XI, p. 242) he explains:

"The primary error of the advocates of land nationalization is in their confusion of equal rights with joint rights. … In truth the right to the use of land is not a joint or common right, but an equal right; the joint or common right is to rent, in the economic sense of the term."

And so, too, in his "Protection or Free Trade," published in 1886 (Chap. XXVI) he says:

"To make a redivision every year, or to treat land as a common, where no one could claim the exclusive use of any particular piece, would be practicable only where men lived in movable tents and made no permanent improvements, and would effectually prevent any advance beyond such a state. No one would sow a crop, or build a house, or open a mine, or plant an orchard, or cut a drain, so long as anyone else could come and turn him out of the land in which or on which such improvements must be fixed. Thus it is absolutely necessary to the proper use and improvement of land that society should secure to the user and improver safe possession."

Forests do more than supply lumber. They provide the public with natural hunting, fishing and recreation grounds. They prevent floods, reduce drouth and check erosion of the soil. They keep the beds of rivers from filling up with mud and sand thus making possible the fullest development of irrigation, navigation and waterpower.

Protect the forests! Do not, by a wrong tax policy, compel premature cutting of the trees already standing or discourage the planting of new ones. Let the government revenue be raised from the value of the land alone but place no taxes on the trees themselves.

WHAT PROPER TAXATION CAN DO
Pictures not reproduced /pma

WHAT WRONG TAXATION DOES
Pictures not reproduced /pma

These extracts from his various writings sufficiently show that Henry George never believed in land nationalization; that he was utterly opposed to any public ownership of land by the State; and that it was not his desire to abolish land titles nor to disturb the private ownership and possession of land in any manner.

Prof. Ely next assumes that the singletax purposes to take "all the net income from land." But this, as he must know, is a gratuitous assumption. Henry George never insisted upon taking 100% of all ground rent[55] but spoke distinctly (see "Progress and Poverty," Book VIII, Ch. 2) of "leaving to land owners a percentage of rent which would probably be much less than the cost and loss involved in attempting to rent lands through State agency."

This view of Henry George's, with slight modifications, is also the view of .the leading men and women who have followed him. As the famous corporation lawyer and tax scholar Thomas G. Shearman ("Natural Taxation," Chap. IX, pp. 132, 133) has clearly stated it:

> "It does not follow that the state should compel the landlord to pay over all that he receives. If the state could and should do this, the landlord would cease to do his work; because he would receive no compensation for it. Natural laws again settle this question, by making such collection impossible. Not all the power of all governments, concentrated upon the landlords or a single town, could extract from them PRECISELY one hundred per cent of the rent received by them.

[55] "How close it might be possible finally to come to the point of theoretical perfection, or whether it would be best to leave such a margin as would give a small selling value, are matters which, like other questions of detail, it is not now necessary to discuss, But in thinking of details it should be remembered that we cannot get to the single tax at one leap, but only by gradual steps, which will bring experience to the settlement of details."—Henry George in Century Magazine, July, 1890, p. 401.

"Nor does it follow that even ninety per cent of rent ought to be taken. Where rents are large the retention of ten or even five per cent might be sufficient to induce landlords to follow up tenants and extract from them that just rent which every one ought to pay. Where rents are small a commission of ten or even fifteen per cent may be insufficient for this purpose. An iron rule is not a natural rule; and it will not work well.

"What would Nature or Science dictate upon this point? Is it not that the state should collect from the natural tax collectors whatever amount the state really needs, for the effective but economical administration of government? Is it not better, in case there should remain any considerable excess of this, that it should remain in private hands, rather than it should be taken by the state, before the state officers know how to use it for the real benefit of the people at large? Grant, if you please, that there would be such surplus of rent as to breed wasteful luxury among landlords, is not this less injurious to the community than wholesale waste and embezzlement of public funds? Our whole national history illustrates the truth that surplus public revenues first corrupt public officers and then debauch the nation itself."

Prof. Ely further says that under the singletax "the desire for owning land would disappear." In one sense this is true. The desire for owning land for mere speculation would disappear. There would be no advantage in keeping, year after year, land vacant and unimproved. Land monopoly, for monopoly's sake alone, would not pay. The dogs-in-the-manger holding land idle for no other reason than to collect a stiff price from those who wish to use the land would be choked off.

But so far as the ownership of land for use is coucerned—the desire for such ownership, under the singletax, would "disappear" as Prof. Ely declares; on the contrary it would grow. How could it do anything else? The only real purpose of a land title is to guarantee security of the improvements on the land. Its only legitimate function is to give the producers of wealth the security they must have to produce and enjoy such wealth.

Now, under the singletax the desire to make improvements of all kinds would be much greater than it is at present. The confiscatory

taxes that today bear so heavily and unjustly on the activities of capital and labor would be gone. Men could be as thrifty as they liked; as industrious and enterprising as they chose; they could build and beautify and improve to their heart's content without in the least being penalized by taxation for so doing. Thus the desire for owning the land on which the fruits of human industry must necessarily rest, would not disappear, as Prof. Ely states, but greatly increase.

To quote again Thomas G. Shearman ("Natural Taxation," Chap. XIII):

> "When taxation is levied exclusively upon ground rent every man will have, for the first time in human history, an absolute and indefeasible title to all of his property which is the production of human skill and industry, subject only to the right of the state to take it, upon making full compensation for its value. Such compensation would enable the owner to replace the property thus taken with other property of the same description and value. This general right of the state is practically no limitation upon the absolute right to individual property.
>
> "It is perfectly plain that no one has any such right at present, and that no one can have it, under any existing system of taxation. For, so long as the state assumes the right to tax anything besides rent, it is impossible for any man to retain the entire fruits of his own industry. Every year the state will deduct something from those fruits, under the name of taxation; and no one can ever foresee precisely how much will be taken in this manner. The fluctuations, both in the amounts and methods of such taxes, are so great and incalculable, that no one can have any reasonable certainty as to the extent to which his earnings will be secure against the demands of the state.
>
> "But if taxes were once confined strictly to ground rent, all this would be changed. … It would secure to the owner of every product of human industry and skill an absolute and indefeasible title to such property; so that it could not be taken from him, even for taxes, without full compensation for its market value; a title, therefore, far superior to any which can now be held by any human being."

26—That the Public PURCHASE of Land Is Preferable to the TAXATION of Land

Research workers who are unbiased and unprejudiced are not supposed to know what their conclusions are going to be before they have made their investigations. But, as usual, Prof. Ely knows. Prof. Ely knows quite definitely what kind of a "solution" of the land problem he wants and very definitely what kind of a solution he does not want. Here again in his three "key" books ("Outlines of Land Economics," Vol. III, p. 117) is what he says:

> "If regulation of the size of land holdings is needed, this should be brought about by other methods than by taxation. The experience of the world in such cases seems to favor public purchase of land and its sale to land utilizers in desirable units. It is this method that the author regards as preferable."

No doubt regulation of the size of land holdings by taxation does not meet the approval of Prof. Ely and the groups for whom he speaks and public purchase and sale of land is, to them, much more preferable." Nevertheless the fact remains that taxation of land, and not the public purchase and sale of it, is the best and most effective way to control the size of land holdings.

To attempt to regulate in a sound and just manner the size of land holdings by the public purchase and sale of land is impossible for many reasons. In the first place no group of government officials, as the experience of European nations has abundantly proved, can determine equitably just how much land each person should have or how much he can economically use. A single acre may be too large an area for one man while ten thousand acres (depending upon quality, time, location, individual capacity, etc.,) may be too small an area for another man. In the second place practically no elasticity is furnished by this method of land division for taking care of the increase or decrease of population. In the third place the public purchase and sale of land involves a prodigious extension of government machinery with inevitable opportunities for favoritism and fraud; it is no certain safeguard against mere land speculation; has no tendency at all to lower land prices or reduce rent; and gives no relief whatever to the taxridden producers who must live and work upon land.

But with the taxation of land values it is very different. The taxation of land values automatically tells each individual how much of the earth's surface he may properly have. If one man has more land than he can use to the best advantage—be it one acre or a million—the pressure of taxation of holdings will sooner or later force him to relinquish such portion as he cannot economically employ. Thus the utmost elasticity as well as equity is obtained and each new member of the population is given his inalienable rights to the use of the earth.

But this is not all. The taxation of land value requires no addition to the existing machinery of government; it is free from the favoritism and fraud that inevitably attends the distribution of land through State agency; and its natural tendency is to destroy speculation, to encourage production and to foster in every way the best possible use of land.

Thus the most effective and just method to regulate the size of land holdings is not to be found, as Prof. Ely says, in the public purchase and sale of land; it is to be found in the taxation of land values and in such taxation alone.

27—That High Earnings for Capital and Labor are Not a PREVENTIVE, But a CAUSE of Unemployment

One of the prime reasons why Prof. Ely wants rent—the value of land—to be taxed less and wages and interest to be taxed more seems to be the usefulness of the non-producers and the uselessness of the producers. His heart bleeds for the suffering of the poor landowners[56]

[56] For instance, he says ("Outlines of Land Economics," Vol. II, p, 61): "In an old country like England the claims made upon the land owners are so great that they frequently absorb all the rent. An illustration of this result of the burden imposed by the maxim, "Noblesse oblige," is seen in the great estate of the Duke of Bedford, consisting of 51,643 acres, which produced net deficits instead of net profits in five of the twenty years, 1876-1895. … The writer had an opportunity for personal observation when he visited this estate in 1913. At that time the owner was engaged in constructing a pond near his own 'park' in order to give work to his own people and to add to the amenities of the property. Within a stone's throw of this was a bathing establishment, apparently spacious and well constructed, which was free to the inhabitants of three villages, and in the immediate vicinity were brick houses surrounded by large gardens, which rented for one shilling and sixpence a week. Nevertheless, the Duke of Bedford was not esteemed an especially generous landlord, and

who are compelled to receive rent, but it hardens against the greed and the selfishness of capital and labor[57] who simply have to pay this rent. The parasites who live on the sweat of other men's faces—for these he has nothing but words of praise; the workers who produce the necessities, comforts and luxuries of life—for these he has chiefly words of criticism and blame!

Take, for illustration, this matter of unemployment. Thoughtful men are more and more coming to agree with Henry George that it is the draining away by the landowners of the rightful earnings of capital and labor that is chiefly responsible for unemployment. For when such earnings are drained away—that is to say, when rent grows relatively high and wages and interest grow relatively low—the effect is to increase the purchasing power of a few but to reduce the purchasing power of the large majority. And when the purchasing power of the large majority is reduced to any extent, the aggregate demand for goods and services naturally falls off and unemployment follows. But now comes Prof. Ely with the suggestion that this argument should be turned exactly the other way around. He holds that it is not the highness of rent and relative lowness of wages and interest, but the lowness of rent and relative highness of wages and interest upon which the responsibility for unemployment rests. Prof. Ely can see absolutely no harm, but on the contrary much good, in landowners waxing rich on the unearned rent of land. On the other hand he can see little good but much harm in workers receiving more than enough for a bare living.

Here, precisely ("Outlines of Land Economics," Vol. II, p. 142; Vol. III, pp. 102, 103) is what he says:

> "Many are disturbed because property in land yields income. Our attention is frequently called to a corner lot in a city, from which the owner derives, let us say, $30,000 a year. Taxes and all improvements are paid by the owner of the building erected on the

---

in 1913 there appeared in the press complaints about the wages he paid to agricultural laborers."

[57] "It may be noticed also how wages and interest may eat into land values. In many a city in the United States at the present moment high wages, high interest and uncertainty are having a depressing effect on land values; and landowners are forced to make concessions in their prices."—R. T. Ely in "The Outlines of Land Economics," Vol. II, p. 62.

lot. The owner of the lot may live in idleness, and it is said that he makes no return to society for what he receives. Is there anything peculiar in this, or anything which should lead to a special policy of taxation?

"It may be concluded then, that while without doubt the greater portion of the rent of land is received by individuals, rent is used increasingly in the interest of society, and that in this way it accomplishes far better results for society than it would accomplish if all the land were publicly owned and the rental value accrued directly to the public treasury."

But, in speaking of the incomes received by the wage-working groups, he says ("Outlines of Land Economics," Vol. III, p.4):

"High wages are good in themselves and desired by everyone, but they may be impossibly high from the point of view of continuous and general employment. In many cases they have been too high. A few persons will, to use a slang expression, 'get away with' these exceptionally high wages; but general unemployment is the result."

In the opinion of Prof. Ely, then, a high rent for landowners is not harmful to society but beneficial, while high wages for labor, on the other hand, are not beneficial but harmful. Reasoning thus he naturally concludes that the landowners' rent should be raised by being taxed less[58] while labors' wages should be lowered by being taxed more.[59]

Of course, with such views it is impossible to argue. That parasitism is superior to labor; that the profit of monopoly are above the earnings of industry; that a man who receives $30,000 a year for

[58] "It is suggested that a rate of taxation of one and a half per cent on the selling value of the land ought to be the regular normal upper limit under normal economic conditions."—R. T. Ely in "The Outlines of Land Economies," Vol. III, p. 115.

[59] "Income taxes should be included in every system of state taxation. … I would not have any very large exemption, and I would have reasonable progression up to six per cent and perhaps even up to ten per cent, depending in part upon the federal government taxes. … What is called the severance tax is to be commended. … Taxes on consumption and various indirect forms of taxation must be employed to a larger extent."—R. T. Ely in "The Outlines of Land Economies," Vo1. III, pp. 93, 161; "Taxation of Farm Lands," p. 24.

doing nothing at all is more useful to society than a man who receives $3,000 or $4,000 a year by hard work; and that a tax policy should be inaugurated that will further enrich the non-producers at the expense of the producers—these are propositions that are not debatable. They have no more legitimate place in philosophical discussion than the proposition that evil is better than good, or that dishonesty should be rewarded while honesty should be punished.

The man who will seriously set forth propositions of such a character may call himself a scientist; he may be enthroned in the places of power; and upon him may be bestowed all the honors and the opulence of the world. But the result is still the same. No matter how exalted his position or how lustily the priests of Mammon may swing their censers before him, such a man is not a scientist, but an intellectual prostitute and a moral bankrupt!

28—That Farm Tenancy Is Not a Step DOWNWARD in the Agricultural Scale, But a Step UPWARD

Let us turn from the problems of the city to the problems of agriculture.

Here, to choke off the land value tax movement, Prof. Ely has, more than anywhere else perhaps, strained himself to garble the facts and to place upon them an interpretation that is distinctly false and misleading.

It has long been observed by students of farm problems that agriculture in America is following in the footsteps of agriculture in Europe and is on the decline. That this observation is correct is evident, not merely from the steady increase in landlordism and the equally steady increase of farm tenancy, but from the spread of large estates, from the swelling volume of mortgage indebtedness, from the decay of the rural school and church—in a word, from the constant weakening of all those economic and social forces in the rural districts without which a virile agricultural life is hopelessly out of the question.

While this decline of the rural communities in America has long been known to students of agriculture, it is, however, only since the time of Henry George that the root causes have been pointed out. These root causes are, as before, an unjust tax burden on the one hand and the rising price of land on the other. How these two root

causes work to undermine the prosperity of the farm population is plainly to be seen:

First, the unjust burden of taxes—not merely those direct taxes levied upon farm buildings, implements, live stock and other improvements and personal property, but more especially those heavier taxes on industry that are "passed on" to the farmer in the price of everything he buys—this unjust burden of taxes (averaging over $400 a year per farm family) inevitably operates to cut down the net earnings of all farmers to a most powerful extent. Second, the rising price of land tends to carry a farm farther and farther beyond the reach of the average man. The purchase of land for young or new farmers, grows constantly more difficult. Thus tenancy—the renting of land—becomes their only choice. As the late President of the United States, Warren G. Harding ("Our Common Country," Chap. IV) has well pointed out:

> "Unfortunately as land increases in value tenancy also increases. This has been true throughout history. At the present time probably one-half of the high priced land in the corn belt states is farmed by men who because of lack of capital find it necessary to rent. This increase in tenancy brings with it evils which are a. real menace to national welfare. The landowner, especially if he be a speculator who is holding for a profit through an advance in value, is concerned chiefly in securing the highest possible rent. The tenant who lacks sufficient working capital and who too often is working under a short time lease is forced to farm the land to the limit and rob it of its fertility in order to pay the rent. Thus we have a sort of conspiracy between landlord and tenant to rob the soil upon which our national well-being, and indeed our very existence, depend. Amid such conditions we have inefficient schools, broken down churches and a sadly limited social life."
>
> ***

So together these two root causes—unjust taxation and rising land prices—are slowly but surely converting the United States from a nation of free and independent farmers into a nation of rack-renting landlords on the one hand and shifting, soil-robbing, debt-ridden and poverty-stricken tenants on the other hand.

The figures not reproduced/ pma

Of course when the fundamental causes of any evil have once been determined it is not a difficult matter to point out the solution. So in agriculture the sovereign remedy for its diseases is to abolish all taxation—both direct and indirect—on the fruits of industry and to raise the public revenue from the value of the bare land only.

Let us now suppose that this were done. Let us suppose that all taxes were lifted—gradually, of course—from the products of human labor to the value of land. What would be the result? The result would be as follows:

(1) The farmer's direct taxes would be substantially reduced. While the tax on the bare land itself would be raised (vacant land would pay the same as improved land, provided the locations were alike), there would be no further tax on farm improvements and per-sonal property-on buildings, fertility, drains, fences, orchards, crops and the like.

Moreover, the aggregate national tax burden would be more fairly distributed than at present. The chronic over-assessment of the low valued lands in the rural districts as compared with the chronic under-assessment of the enormously valuable lands in towns, shipping districts, waterpower regions, mining centers, etc., would, by the new system, soon be brought to an end.

(2) The farmer's cost of living would be greatly lowered. The heavy taxes levied on production and distribution in the cities—taxes which are always "passed on" like a rolling snowball to the ultimate consumer—would be eliminated, and prices, under the pressure of competition, would be forced down. Thus the household goods, clothing, building materials, machinery, etc., bought by the farmer would be purchasable at a much lower price than now.

(3) The price of land would be enormously reduced. With lower taxes on improved land and higher taxes on vacant land speculation would receive its death-blow and the cost of a piece of

the earth would be brought within easy reach of him who wished to purchase it.

Obviously, under these favorable conditions, the downward course of agriculture would soon terminate. With all taxes on farm improvements and personal property abolished; with household goods, clothing, building materials, farm machinery, etc., much cheaper to buy than at present; and with the price of land within easy reach of all, the getting of a farm would be a relatively simple matter. Mortgages would be easier to liquidate. Tenants could with far less difficulty payoff their debts and purchase land of their own. Thus farm tenancy would speedily diminish. And in proportion as farm tenancy diminished and the baneful effects of landlordism disappeared, the systematic robbing of the soil would end, schools would be revived, churches rehabilitated—in a word the whole social and economic life of the rural communities would be lifted up to a higher plane than ever before.

So far so good. But now comes the bitter opposition of Prof. Ely.

Prof. Ely does not want the taxes—particularly the indirect and consumption taxes—that weigh so heavily on the farmer to be abolished; on the contrary he wants these taxes to be increased. On the other hand he does not want the high price of land—the despair of tenants and those who want to purchase land—to be lowered; instead he wants the price to be raised.

Prof. Ely has little sympathy with those who believe that what is created by society belongs to society, and that what is produced by individuals belongs to individuals. His idea of order and justice is exactly the reverse—that individuals shall take what belongs to society, while society shall take what belongs to individuals. To quote his own language ("Elements of Land Economics," pp. 194, 195):

"Many object because the increase in the value of farm lands goes to the farmers, holding that this value was created by society and ought to go back to society. … If there is an 'unearned income,' how could it be distributed any better than by having it go to the owners of land in proportion to the areas cleared and made productive. The distribution of agricultural land among 6,000,000

farmers is evidence of a fair distribution of the so-called 'unearned increment' in land of this character."

It may be worth noting in this connection that Prof. Ely is not exactly correct in his statement that our 6,000,000 farmers are the recipients of "unearned increment." Of the total number of farmer in the United States some two-fifth are tenant farmers (owning no land at all) while over one-fifth more are mortgaged, so that the good Doctor has missed his mark by several millions. But what's a few million to a university "research" man when the unearned increment of land is at stake!

As usual, however, Prof. Ely's favorite method of combating the land value tax is not to attack it openly and in front but to knife it in the rear. Or, what amounts to the same thing, he seeks to discredit the Georgian idea, not by direct assault but by subterfuge and strategy—hastily pulling his readers off in another direction a soon as the logic of the theory rises before him.

Here is a beautiful illustration of this sort of tactics:

According to the philosophy of Henry George the root causes of farm tenancy are, as we have seen, an excessive burden of taxation on the one side and rising land prices on the other. These two root causes operate, as we have also shown, to keep the tenant in poverty and to prevent him, in the large majority of cases, from ever reaching the goal of farm ownership.

But whether or not an overload of taxation and exorbitant land prices have anything to do with farm tenancy Prof. Ely declines to say. He very adroitly evade the subject altogether. And the way he evades the subject is not merely by saying nothing about it, but by bringing in various other supposed but doubtful causes of farm tenancy, chief of which is the "incompetency" of the tenants themselves.

Now, why pick out incompetency as a cause of farm tenancy? Evidently for the simple reason that this "cause"—which at once soothes the sense of responsibility and flatters by its suggestion of superiority—enables Prof. Ely to prescribe a remedy that is very different from the remedy prescribed by Henry George. Where Henry George's remedy for farm tenancy is of such a concrete nature as the transferring of all taxes from human industry to land values, thus opening natural opportunities and giving the tenant full and free

chance to work himself out of his own poverty, Prof. Ely's remedy, on the other hand, is of such a vague and nebulous character as "more education for the tenant," "better training for him," and so on. As he puts it himself ("Outlines of Land Economics," Vol. III, p. 59):

> "Mention has already been made of incompetency as a cause of tenant farming, and it has been pointed out that the object should be to increase the efficiency of these tenants through education, training, or even through medical care and social welfare work."

The strategic value of putting incompetency as a cause of tenant farming is further to be seen in the fact that this does not antagonize those "vested interests" from which Prof. Ely receives his strongest support; on the contrary it has the tacit approval of those interests for it tends to embed still more deeply in the public mind a fallacy that is already very widely believed. Let us observe in passing just how great a fallacy it is.

If incompetency were the major cause of farm tenancy, as Prof. Ely maintains, then in those sections of the country where the deepest ignorance, and the most shiftlessness and inefficiency abounded we should naturally find the most rapid increase in tenancy in addition to the fastest decline in farm ownership. On the other hand, in those sections of the country where the most intelligence, thrift and efficiency prevailed we should naturally find a steadily decreasing amount of tenancy together with a constantly increasing amount of ownership.

But what are the facts? The facts, in the main, are just the contrary. Save in the northeast corner of the nation where the value of land is very low, the slowest decline of the agricultural class is to be found in those parts of the country where the farmer is the least competent, while the most rapid decline of the agricultural class is to be seen in those parts where the farmer is the most competent.

Now, in what section of the United States, may we ask, is agriculture the least efficient? Unquestionably, it is in the South—in the old slave-owning, negro-populated states extending from Kentucky, Tennessee and Mississippi on the west to the Virginias, the Carolinas and Georgia on the east.

Again, in what section of the United States is agriculture the most efficient? Undoubtedly it is in the north central section—in the great

grain and live stock states extending from Ohio and Michigan on the east to Kansas, Nebraska and the Dakotas on the west.

The striking difference so far a agriculture is concerned, between these two vast areas of the country is splendidly illustrated in the accompanying table No. I. This table shows that while the "TOSS value of all farm products produced in 1919 in the twelve north central states-Ohio, Indiana, Illinois, Michigan, 'Wisconsin, Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska and Kansas—was $9,991,538,112, or an average of $4,579 per farm, the gross value of all farm products produced in the same year in the twelve southern and southeastern states—Delaware, Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Kentucky, Tennessee, Alabama and Mississippi—was $4,423,870,412 or an average of only $2,001 per farm. Thus the efficiency of the northern farmer is very clearly more than twice as large as the efficiency of the southern farmer.

THE EFFICIENCY OF FARMERS
North Central States vs. Southern States
TABLE I (From U. S. Census Reports)
Not reproduced /pma

According, now, to Prof. Ely's incompetence theory the farmer in these twelve north central states should have made infinitely faster progress toward independence during the past ten or twenty years than the farmer in the twelve southern states. Tenancy and farm indebtedness should not only have increased at a much slower rate in the North than in the South, but they should nave definitely declined, while the status of full ownership should have been much more widely attained.

But the facts, unfortunately for his theory, are just the opposite. The number of mortgaged and tenant farmers in the twelve northern states not only failed to decrease; it actually increased. What is more important still (see Table II — Not reproduced /pma) the number of such farmers increased much more rapidly in these northern states than it increased in the southern states. Although there were 50,744 less farms in the twelve north central states in 1920 than there were in 1910, yet there were 20,826 more farms that were mortgaged and

33,211 more farms that were rented. On the other hand while there were 58,215 more farms in the twelve southern states in 1920 than there were in 1910, yet only 18,366 more farms were mortgaged and only 25,206 more farms were rented. Or as may be seen from Table II the number of tenant farmers in the north central states increased 5.1 per cent, as compared with an increase of only 2.4 per cent in the southern states, while again the number of farmers operating their own farms decreased 5.7 per cent in the North but increased 2.7 per cent in the South. It goes without saying therefore that incompetency is not the fundamental cause of farm tenancy. That it has something to do with it may be true in individual cases but when applied to the nation as a whole it will not bear examination.

But the question now arises, if incompetency is not the real cause of farm tenancy what is the real cause?

How explain the paradox that when the efficiency of the north central farmer is more than twice as great as the efficiency of his southern neighbor, he is sliding downward at a much faster rate?

Plainly, it is only because of the difference in the price of the land. Whereas the value of the land alone in the twelve southern states in 1920 (see Table III — Not reproduces /pma) was $3,49 per farm (as much as the average farmer, under our existing economic system, can put aside in fifteen years) the value of the land alone in the twelve north central states was $16,577, or more than the average farmer can lay aside in a lifetime. So while the northern farmer was more than twice as efficient as his neighbor on the south he had, at the same time, an obstacle five times as large to overcome to achieve ownership. Under these circumstances the growth of farm tenancy and mortgage indebtedness would naturally be more pronounced in the northern area than in the southern.

But the charge of incompetency is not the only method by which Prof. Ely is attempting to distract public attention from the real cause of, and true remedy for, farm tenancy. A more subtle effort is to be seen in the heavy emphasis he places on tenancy as a "rung in the agricultural ladder.[60]

[60] "Tenancy is also a good thing when it represents a rung in the agricultural ladder and a step upward in the winning of a competency.—-"Outlines of Land Economics," Vol. III, p. 53.

If we may take Prof. Ely' word for it, farm tenancy is not really undesirable but quite a good thing.[61] It is no evidence, he says, that anything particular is wrong in the body economic but is a perfectly natural and healthy phenomenon. For just as men climb a ladder from the bottom up so do farmers in the main begin their careers as farm laborers, then become tenants, then owners of mortgaged farms, until finally they emerge triumphant in the agricultural scale as the full owners of debt-free farms.[62] Thus tenancy is, he declares, simply a "stepping stone to ownership" and as such a "stepping stone" has a perfectly proper place in a desirable system of farm land tenure.[63]

Unfortunately, however, for this soothing and beautiful theory, the facts are just the contrary. Tenancy is not, save in a minor portion of the cases, a step toward farm ownership; it is, in the main, a step away from farm ownership. It is not a "rung in the agricultural ladder" upwards: it is, on the whole, a "rung in the agricultural ladder" downwards.

Of course, it would not be correct to say that no farmers ever succeed in elevating themselves from tenants to owners. Some of them certainly do. But for every five farmers who now become tenants probably not more than one ever reaches the goal of ownership, while for every farmer that successfully reaches ownership one and perhaps two farmers slide from the owner class back into the tenant class. Let us compare the total census figures on farm ownership and tenancy for the past forty years and see if this is not absolutely true.

In 1880 there were in the United States, according to the census report for that year (see accompanying Table IV—Not reproduced

---

[61] "For a large number of aspiring young farmers a tenant period is simply a stage in the accumulation of experience and funds, by means of which the full stature of an owner-operator is attained. Viewed in this light farm tenancy is not altogether undesirable."—"Elements of Land Economies," p. 198.

[62] "Studies in the life history of farmers show that there is an upward movement of farmers as their age increases. They begin their careers as laborers, sometimes in non-agricultural occupations, but usually as hired men on farms. When some capital has been accumulated and they can buy tools and equipment they become tenants."—"Outlines of Land Economies," Vol. III, p. 58.

[63] "The defects of farm tenancy are more often the defects of its application than defects inherent in the system. A properly controlled system of tenancy has a place in a desirable system of farm land tenure, chiefly, let it be noted, as a stepping stone to ownership."—"Elements of Land Economics," p. 199.

/pma), a total of 4,008,907 farms. Of this total number of farms 1,024,601 were "rented," 768,450 were "mortgaged" and 2,215,856 were "free from mortgage."

Now if Prof. Ely's theory that farm tenancy is merely a "rung in the agricultural ladder" and a "stepping stone to ownership" be correct, then we should naturally find the number of "rented" farms since 1880 to be steadily diminishing, the number of "mortgaged" farms also to be readily diminishing, but the number of farms" free from mortgage" to be steadily increasing. This, in the very nature of the case, would have to be so.

But do we find this? No, we find the situation to be just the opposite. Instead of declining the total number of "rented" farms has risen from 1,024,601 in 1880 to 2,454,804 in 1920—an increase of 1,430,203. And instead of declining the total number of "mortgaged" farms has risen from 76,450 in 1880 to 1,461,306 in 1920—an increase of 692,856. So instead of a decided falling off in the total number of both rented and mortgaged farms since 1880, we have had an actual addition to this number of 2,123,059!

It may be said however that this increase is chiefly due to the fact that the total number of farms has also grown more than two million during the same period of time. Very well; our next proposition then brings Prof. Ely's "agricultural ladder" to a complete collapse and leaves it without a leg to stand on. Instead of steadily and greatly increasing, as the ladder theory demands, the total number of farms "free from mortgage" decreased in the United States from 2,215,856 in 1880 to 2,074,325 in 1920—an actual loss, in the forty year period, of 141,531!

What, in view of this, becomes of Prof. Ely's boasted hypothesis that "farm tenancy is a stepping stone to ownership"? Where is the basis for his assertion that it is a "rung in the agricultural ladder" upwards? Clearly if, in forty years of the most marvelous advance in the art of agriculture the world has ever seen, the number of "rented" and "mortgaged" farms show no decrease but an enormous increase, while the number of farms "free from mortgage" show no increase but a decrease, the American farmer is not climbing up the ladder; he is going down.

Now why should this be? An upward movement on the agricultural ladder seems natural—as natural as for boys to grow from baby-

hood to sturdy manhood—while a downward movement on the other hand seems unnatural—as unnatural as for boys to grow from manhood back to babyhood.

So a downward movement on the agricultural ladder is unnatural. But the explanation is quite simple. It lies, as before stated, in our failure to make any distinction between that element of production which is given by Nature and that element of production which is made by man, and our practice of treating both elements as if they were one and the same thing.

Every farm, economically speaking, consists of two separate and distinctly unlike parts. The first part consists of the land itself and the second part consists of the man-made improvements and products upon the land.

Now, under the economic system we have today, both of these parts of a farm are dealt with as if they were alike—that is to say, both are given a value and sold in the market to whomsoever is willing to pay the highest price. But in allowing both parts to have a value is where all the mischief is wrought.

The only part of a farm which should have a market value is the "artificial" part—the buildings, fences, wells, drains, machinery, live stock, orchards, crops, ditches, fertility, preparation of the soil, and similar improvements on the land. This part is justly and naturally entitled to a value. For it represents the fruits of labor, the legitimate rewards of industry. Its existence is due entirely to human effort; hence, whoever has produced this part or bought it from another, is, in selling it again, fairly entitled to as high a price as he can possibly get.

But that part of a farm which is "natural"—that is to say, the bare land exclusive of all improvements—should not have a market value. For this part is not a product of labor; it is free gift of the Creator. And it is a gift that is intended, not merely for some people or for some generations but for all people and all generations. Of course, private possession of the land is necessary in modern society to whomsoever is using it, but such private possession has nothing to do with the matter of value. Possession is one thing; value is quite another. Private possession of land is a convenient and useful arrangement by society, while for land to have a selling value is an unnatural condition brought about by a violation of one of nature's own laws—

the law that the rent of land which is produced by society should be taken for the use of society. The Creator plainly never intended that land should have a selling value or that one human being should be compelled to pay another for the privilege ot using it. For had this been a part of the Creator's design He would certainly have provided, in all wisdom and mercy, that babies born in later generations should be born with clothes on their backs and ready money in their pockets! Having made no such provision it is clearly evident that a selling value to land is not in harmony with His natural law.

THE TAXATION OF FARM PROPERTY
- As it is
(Tax on VACANT land)
- AS IT SHOULD BE
Not reproduced /pma

The explanation of the paradox, then, is this; The movement on the agricultural ladder is not up but down primarily because men are now forced to pay for both parts of a farm—the natural as well the artificial part—and this task is, with each passing decade, becoming more and more difficult.

If it were necessary, as it would ultimately be under the land tax plan of Henry George, to pay for the artificial portion of a farm only—the improvements, machinery, live stock, crops, fences, fertility, etc.,—the matter would be quite simple. There would then soon be no tenant problem at all. Young men could safely start their careers as farm laborers knowing that by ordinary thrift and hard work they could successfully climb the agricultural ladder and raise themselves in a short while from tenants to full farm owners.

But when entrants into the field of agriculture are compelled, as they are today, to pay for the land as well as the improvements on a farm, the task of climbing the ladder becomes increasingly difficult and the movement as a whole starts to go down. This needs no argument. The lesson is written large on every page of economic history. So long as land was free or even cheap in America, farm tenancy was the exception and full ownership the rule. In fact, no longer than seventy-five years ago the keen French observer, DeTocqueville ("Democracy in America," Vol. II, p. 198) wrote:

"In America there are, properly speaking, no farming tenants; every man owns the ground he tills. … Land is cheap, and anyone may easily become a landowner."

With the constant rise in the price of land that has occurred since DeToequevilles time however, the chances of a man purchasing a farm and getting it paid for has steadily grown more remote, until now in most parts of the country the farm laborer who dreams some day of having a place of his own is laughed at. He may be able to climb the first rung of the ladder to tenancy but only in a few cases will he get any farther.

But this is the least of the tragedy. Those farmers who once succeed in reaching the top of the ladder cannot, as a rule long stay at the top. Agriculture is an uncertain business and its annual earnings, thanks to our present system of taxation, are ruinously low. So whether it be through frost or flood or fire, through drouth or storm, through the ravages of insect pests or live stock diseases, through sickness in the family, or through any of the thousand and one misfortunes that may overtake an independent farmer at any time, he will sooner or later be forced to take out a mortgage. But, as bankers well know, a mortgage on a farm is much easier taken out than paid off—in fact, for every mortgage that is successfully paid off two and probably three mortgages arc foreclosed.

The census reports for the last forty years (see Table V — Not reproduced /pma) very definitely show this to be true. Between 1880 and 1920 the total number of "rented" farms in the United States increased from 25.6 per cent to 38.1 per cent, and the total number of "mortgaged" farms increased from 19.1 per cent to 22.7 per cent. But the total number of farms "free from mortgage" declined, during the same period of time, from 55.3 per cent to 32.2 per cent.

Such, then, is how our failure to shape our economic system in accordance with natural law is causing, not as Prof. Ely says, an upward movement on the agricultural ladder but a downward movement. Such is how tenancy is growing, farm indebtedness increasing and the whole rural population steadily sinking to the level of the peasantry classes in Europe.

29—That a Large Percentage of Tenant Farmers Is Not to be DEPLORED, But to be DESIRED

But our story is not yet ended. We now come to an angle in the discussion where Prof. Ely displays his true colors.

Fearing lest his "incompetence" charge and his "stepping-stone to ownership" theory might not prove wholly successful in diverting public attention from the real cause of, and correct solution for, farm tenancy, he boldly adopts another course. And it is a course that, to one whose sense of the fitness of things has not been warped by false systems of education, is as cowardly and contemptible as Judas Iscariot's betrayal of Christ for thirty pieces of silver, or as treasonable to economic liberty as Benedict Arnold's attempt to turn the American forces over to the British army!

Prof. Ely naively informs us now that the ideal system of agriculture for the United States is not, as the American people have long supposed, a system in which every farmer will have his own farm, but a system in which there will be on the one side a generous proportion of tenants, and on the other plenty of room for the exercise of landlordism and land speculation.

Farm tenancy, Prof. Ely declares, is really not something to be deplored, but, unless curried to extremes, of course, something to be desired. Its evils, he holds, have been grossly exaggerated[64] while its numerous advantages have been desirable kept in the dark.[65] A low percentage of tenant-operated farms, he goes on to say, does not necessarily signify a superior system of agriculture;[66] on the contrary, it is rather an indication of poor agricultural conditions;[67] that the tenant state is really a state of rapid accumulation of wealth for

---

[64] "The evils of tenancy have been grossly exaggerated. …"—"Outlines of Land Economics, Vol. III, p. 61. 6," English agriculture proves that we can have good agri culture with a sys-tem of tenant farming."-"Outlines of Land Economics," Vol. Ill. p.6

[65] "English agriculture proves that we can have good agriculture with a system of tenant farming."—"Outlines of Land Economics," Vol III, p. 61.

[66] "The fact that certain states or sections have a low percentage of tenant-operated farms does not signify that they have the superior system of land tenure."—"Outlines of Land Economics," Vol. III, p. 51.

[67] "It is probably also true that the very low percentage of tenancy in certain other sections is an indication of poor agricultural conditions."—"Outlines of Land Economics, "Vol. III, p. 59.

the farmer[68]—so rapid in fact that many farmers would rather be tenants than owners,[69] and do indeed continue to remain tenants after they have bought land of their own;[70] and that therefore, instead of attempting to eliminate tenancy, it would be desirable for our various states to conduct experiments in order to discover what kind of tenancy for the farmers is the best.[71]

Thus the most ideal arrangement for agriculture in Ameriea is, in the opinion of Prof Ely, not an arrangement where all, or as many as possible, of the farms are owned by those who till the soil, but an arrangement where a large share of tenancy may be found on the one side and abundant opportunities for landlords and land speculators may be found on the other side. That there need be no doubt about it here ("Outlines of Land Economics," Vol. III, pp. 51, 57, 58, 59) is the Professor's own language:

> "It has often been suggested that tenant farming ought to be eliminated entirely, that the ideal system of tenure is owner operation with not a single farmer tilling a rented farm.
>
> "In an ideal system of landownership there will surely be a limited place for ownership of land by those who love the land and yet are not able to live on it. … There are also women, widows and others, who have inherited land and who may want to hold the land temporarily or even permanently but are not in a position to operate it as owners. We must have a place for them in a system of land ownership … In an ideal system, also, we shall have companies analogous to the City and Suburban Homes Company of

---

[68] "Farm management studies show that the tenant state is one of high productivity and rapid accumulation of wealth, especially when the small amount of capital with which the tenant operates is considered."—"Outlines of Land Economics," Vol. III, p. 54.

[69] "Tenancy must therefore be regarded as a goal for some farmers."—"Outlines of Land Economics," Vol. III, p. 54.

[70] "In fact, the tenant stage offers such great possibilities of prosperity that many farmers prefer to remain tenants even after they have invested money in land which they lease to others."—"Outlines of Land Economics," Vol. III, p. 54.

[71] "In fact, it is suggested as desirable that our various states should acquire land, where they do not now own it, and should establish model systems of tenancy. conducting various experiments to discover the best kinds of tenancy."—"Outlines of Land Economics," Vol. III, pp. 55, 56.

New York, already mentioned, which will purchase and sell land in order to help men acquire landownership.

"In an ideal system of landownership, then, we will have a place for farm tenancy. … In the ideal system there will be (1) a group of permanent tenants; (2) a constantly shifting group consisting of those who are on the road to ownership. As some become owners others are starting at the foot of the ladder. Just what per cent of the total number of farmers will be tenants is difficult to say. It will depend upon the kind of people and on various economic conditions. However, considering the life cycle and the rate of retirement of farmers it may be suggested that the normal percentage of tenancy would be about thirty."

With such a thought it would, of course, be a sheer waste of time to argue. It is a thought that has, in the sphere of economic science, no more legitimate or proper place than the thought that in an ideal community there will be a place for highway robber, or that in an ideal society some men will be masters and others slaves.

In an ideal system of rural land ownership there cannot be, as Prof. Ely supposes, a generous place for landlords and tenant; there can be, for these, no place at all. Every farmer, in an ideal system, will have his own farm and enjoy his own home. Perhaps no country in the world will ever fully reach this ideal state, America along with the rest. But this has nothing to do with the course to be pursued. It is the sacred duty of every citizen to work towards that ideal and not a way from it. When Prof. Ely therefore, deliberately abandons as his ideal a state of freedom and independence for all farmer, and instead holds up as ideal a state of landlordism and tenancy, he demonstrates by that very act that his intellect has become depraved, his moral perceptions perverted, and that he is no longer a fit person to be associated with any university!

Prof. Ely says that the evils of tenancy have been "grossly exaggerated." The truth is that the evils have been very much under-estimated. Farm tenancy produces excessive poverty; it breeds ignorance; it stimulates robbery of the soil; it causes waste; it demoralizes the social life. The man who does not own his own farm but who must rent from another is worse off than a stranger in a foreign land; he is like a dog without a home. His chief occupation is to

shift from one place to another. The census of 1910 shows that tenants move more than four times as often as those who farm their own land, while more recent census figures disclose the fact that from 600,000 to 800,000 tenant farmers in the United States now change their locations every year.[72]

How can this have anything but the most disastrous effect upon the rural community as a whole? The man who is constantly loaded down with a burden of rent and interest and who does not know where he will be the next spring is seriously handicapped—handicapped individually as well as socially. Such a man has no chance to read or study, or to reflect upon the problems of his occupation. He cannot take the time to educate either himself or his children and would not possess the means if he did have the time. The result of course is ignorance and unprogressiveness. Why wonder therefore that the tenant farmer "mines" the soil instead of tilling it; that his orchards and vineyards are the nurseries for pestiferous weeds whose seeds blow over the territory round about; that his fields are the hatching grounds for destructive insects whose ravages are often felt for miles on every side; and that his barns and livestock pens are the breeding places of disease which frequently sweeps, like a fire, through the whole neighborhood. But this is not the worst of it. Lacking opportunity and ridden with debt the tenant farmer cannot, like his free-owning neighbor, store his products when the harvest is over and wait for a favorable chance to sell them, but, to the demoralization of the whole agricultural industry, must dump those products at once in a glutted market and take whatever price he can get.

The evils of farm tenancy "exaggerated"! On the contrary they have been grossly understated. The tenant farmer in America not only destroys himself through his own poverty, but because of his poverty drags down—socially and economically—the whole community in which he lives!

Prof. Ely next says that the desirable features of independent farm ownership have been over-emphasized. He holds that a low percent-

[72] "It is estimated that in the United States 27 per cent of the tenant farms and 6 per cent of the farms operated by owners changed occupants in 1922."—Yearbook of the Department of Agriculture, 1923, p. 589.

age of tenancy is frequently an indication of poor agricultural conditions[73] and cites England, with its high percentage of tenancy, as an example of the good farming conditions that may be had under a general system of landlordism.[74]

Mighty strange doctrine this to set forth in a nation whose citizens

have more than once sacrificed upon the altar of liberty their blood and treasure that the principles of freedom might live!

But all this aside. It is indeed quite true, as Prof. Ely says, that a superior agriculture may sometime be found in section where the percentage of tenancy is high, than in sections where the percentage of tenancy is low. But so far as this proving that the higher the tenancy the better the agriculture, it does nothing of the kind. It only proves that a good agriculture may sometime be had, not because of a large amount of farm tenancy, but in spite of it. As a matter of fact many more instances of good agriculture can be found through-out the world where the percentage of tenancy is small than where it is large. Had Prof. Ely therefore, been half as anxious to point out to the people a superior system of agriculture as to point out to them the "advantages" of a sweeping system of landlordism, he could have found plenty of illustrations suitable for his purpose.

Compare, for instance, the two countries, Denmark and England—two countries that in most respects are practically alike. In Denmark the standard of agriculture as a whole is certainly higher than it is in England. England's agriculture, so far as production itself is concerned, is most excellent, as is well known, but the fame of Denmark's agriculture is international.

Moreover, the general condition of the rural population is far better in Denmark than it is in England. In England one section of the workers—the farm laborers—are but little better off than serfs. They are a permanently submerged class who perform the hardest tasks at the very lowest wages, and who, because of the difficulty of climbing even the first rungs of the "agricultural ladder," expect to live and

[73] See footnotes 68 and 69.
[74] See footnote 67.

die as farm laborers.[75] In Denmark, on the other hand, there is no such submerged class of farm laborers. The rungs on the agricultural ladder are incomparably easier to climb and each worker has a vastly better chance than he has in England of lifting himself from laborer to full farm owner.

Economically as well as socially, therefore, the country whose agriculture Prof. Ely should logically have cited to the American people as an example worth studying should have been Denmark and not England. But this, from his point of view, would distinctly not do, for in Denmark the amount of farm tenancy is only one-fifth as much as it is in the United States, while in England it is over twice as much. In Denmark the percentage of farm tenancy for the nation as a whole is only eight; in England the percentage is ninety!

It may then be laid down as a rule that wherever a good agriculture is found coupled with a high percentage of tenancy, the agriculture happens to be good, not because of the high percentage of tenancy but in spite of it. From which it naturally follows that if those sections of the United States that now have a small amount of tenancy, were to have that amount of tenancy increased, the conditions of agriculture in those sections would not grow better, as Prof. Ely suggests, on the contrary, they would grow worse.

That this would be the inevitable result hardly needs to be demonstrated.

Let us suppose, however, that the United States were to adopt the tax program that Prof. Ely recommends. Let us suppose that taxes on land values were substantially lowered while taxes on business, industry and consumption were correspondingly raised. Land prices would, of course, soar to new heights, enriching land speculators and monopoly groups but making it harder for men to buy ground of their

---

[75] Mr. E. E. Miller, the editor of the "Southern Agriculturist," and a man who has made a personal study of the agricultural situation in England, Says in his issue of May 1, 1925:

"England has worked out what is probably the best system of farm tenancy the world knows, so far as the welfare of the land and of the tenant himself is concerned. But there is in England a third agricultural class which we do not have, and which I trust we shall never have—the permanently submerged class of farm laborers, who do most of the actual work of the farms and who, as a class, expect to live and die farm laborers."

own; the indirect tax load would press with added severity upon all; building materials, machinery, clothing and "store" goods of every kind would cost the rural population more than today—in brief, farm earnings would fall and all expenses would rise. Needless to say, under such a regime, the percentage of farm tenancy throughout the nation would soon increase. States now having less than the "thirty per cent" of tenancy allowed by Prof. Ely, would, in another generation or so, come well up to their "normal" point, while those states now having more than thirty per cent would come well up to the percentage of tenancy prevailing in England!

With such an increase in farm tenancy what would be the effect upon agriculture? Would the movement, as Prof. Ely supposes, be upward? On the contrary, it would be abruptly downward. With vastly fewer farms tilled by those who own them and vastly more farms tilled by those who do not own them, the extent of shifting would not lessen but multiply. The disastrous moving about of the tenant from one place to another would increase. The soil, as a consequence, would be depleted of its fertility faster than ever before. Community interests would degenerate. Ignorance would deepen. Schools would disintegrate, churches decay. Economically, socially and politically the whole agricultural fabric of the nation would decline, just as it once declined in the civilizations of the past—in Egypt, in Rome, in Spain and on the forgotten plains of Mesopotamia.

That this would be the natural result may be more clearly seen if we consider the reverse proposal. Let us suppose, then, that instead of the tax plan of Prof. Ely, the tax plan of Henry George were adopted. Let us suppose that all taxes on improvement, personal property and the fruits of industry were abolished and the public revenue raised from the value of the naked ground only. Land speculation would, of course, be destroyed; the price of the earth would greatly fall; and new farmers would find it an easy matter to secure land of their own. Moreover the local revenue burden on each land user in the rural districts would be, on the average, considerably lower than it is now, while the heavy industrial and consumption taxes shifted to consumers in the price of all city-made goods would be eliminated entirely. Building materials, farm implements, food, clothing, household goods and commodities of every kind would consequently be

much cheaper than today[76]—in a word, the earning of the farmers would increase while all their expenses would fall.

Clearly under such conditions the amount of farm tenancy in the United States would soon diminish. That it would be eliminated entirely, even in time, may be too much to expect but with the natural desire among rural inhabitants for farms of their own as strong as it is, the percentage of tenancy throughout the nation would undoubtedly soon approach the vanishing point. Now, with such a decline in farm tenancy what would be the effect upon agriculture? Would it ascend or descend? Unquestionably it would ascend. With landlordism eventually abolished and all—or practically all—farms in the hands of those who tilled them, the excessive shifting about of the rural population would cease. Stability of tenure would take the place of the "nomadism" that now prevails: Thus the soil would be conserved instead of robbed of its fertility. Educational opportunities would naturally be improved. Freed from the circumstances of poverty that now hold them down, farmers would be able 'to send their children to school and to church, and would themselves have a better chance to read, to study and to co-operate with their neighbors. Intelligence and not ignorance would spread. Effective "teamwork" in producing, in marketing, in buying and selling, would logically follow. More important still individual hopes would revive, ambitions grow and aspirations rise. Thus the whole economic, social and political life of the agricultural communities would in time lift itself up—lift itself up to a plane higher than civilization has ever before known.

But, of course, to any such improvement in the state of agriculture Prof. Ely is decidedly opposed. What he and his cohorts want are not lighter taxes on the fruits of capital and labor but heavier taxes, not fewer opportunities for land speculation but more opportunities, not lower land prices but higher land prices. That such conditions make it possible for one class to live like parasites upon another class—why, this precisely is his "ideal"! Prof. Ely is no advocate of the principle upon which our nation was founded, that "all men are created equal," or that one infant that comes squalling into the world has

[76] This of course follows from the fact that a tax upon land values cannot be shifted. See Topic 14 of this chapter.

as much right to use the earth without paying tribute as another infant. To him the parcelling out and the auctioning off of the earth to the highest bidders and the consequent payment of ground rent by one person to another for the privilege of living upon it is exactly as it should be. He sets monopoly above industry and holds the unearned profits of "vested interests" even more sacred than human life itself. Hence the institution of landlordism and tenancy is, to him, not all institution to be eliminated and abolished, but an institution to be perpetuated and extended.

If these anti-social notions and false ideals were to get no farther than Prof. Ely himself and those with whom he came in immediate contact, no particular harm would be done. But such is not the case. Prof. Ely is now assembling the machinery for passing them on to the public on a scale and in a manner that eclipses anything ever before attempted in modern times. His plan is to feed these notions and ideals out to the people in small doses through the recognized channels of education—through books, pamphlets, government documents, class-rooms, the lecture platforms, libraries, newspaper columns, magazine articles and the like—but to have them so cleverly disguised and sanctified by authority that there will be no question about their general acceptance. And the success he is now having in doing this very thing is startling to say the least.

One of Prof. Ely's first acts, for instance, in forming his "research" Institute was to place upon its Board of Trustees his old friend and colleague, Dr. Henry C. Taylor. Who is Dr. Henry C. Taylor? Dr. Taylor is Chief of the Bureau of Agricultural Economics in the United States Department of Agriculture at Washington, D. C.[77] It is under Dr. Taylor's direction that the most important agricultural facts of the nation are gathered, interpreted and disseminated and hence in having Dr. Taylor on his Board of Trustees Prof. Ely would naturally have a much better chance to reach the sources of government in-

[77] This was written in July, 1925. In the following month—August—Dr. Taylor "resigned" his position as Chief of the Bureau of Agricultural Economics at the request of William Jardine, Secretary of Agriculture. He has since been added to the staff of Northwestern University as "research professor" in association with Prof. Ely.

formation and thereby bend the economic thought of the country in the direction that he and his supporters want it to go.[78]

And that Prof. Ely has already managed to pollute the Department of Agriculture with his wrong interpretations and his false ideals is plainly to be seen. In the Department's Yearbook for 1923, for example, there is a very extensive article (92 pages) entitled "Farm Ownership and Tenancy"—an article which has now been put in pamphlet form and freely distributed throughout the nation.

This article was prepared by the Bureau of Agricultural Economics under Dr. Taylor and bears the authorship of five men—L. C. Gray, Charles L. Stewart, Howard A. Turner, J. T. Sanders and W. J. Spillman. It contains much information of value, many useful charts and illustration but its omissions are glaring, its analysis weak and oftimes laughably absurd, its interpretations fallacious and the spirit of Prof. Ely distinctly runs through it. It devotes the longest space to the most inconsequential matters while giving little or no space at all to the great factors that lie at the very heart of the farm tenancy problem. Page after page is given over to the exploitation of the "agricultural ladder," showing how farmers successfully work themselves up from tenants to full farm owners, but not a single paragraph is devoted to explaining how or why more farmers slide from the status of full farm owners back to the status of tenants. Many references are

[78] How convenient Dr. Taylor is to Prof. Ely in establishing the machinery to distribute his ideas may be quite readily gathered, for instance, from the following account of the formation of the "Midwest Agricultural Economics Research Council" taken from the "Institute News," of June, 1923:

"Formation of the Midwest Agricultural Economics Research Council to stimulate and coordinate studies on economic problems in the Middlewest, is now being worked out by a committee of four research experts chosen at a conference held recently by the American Farm Bureau Federation, in Chicago.

"Dr. B. H. Hibbard, of the Institute, who attended the Conference, is a member of the organization committee which is composed of the following:

W. Moorhouse, director, Farm Bureau research division, chairman; G. E. Stephens, Ill. Chamber of Commerce; W. A. Schoenfeld, U. S. Bu, of Agri. Economics.

"The council will be advisory only. It is intended, through the council, to correlate work being done… and to collect and disseminate information regarding research work, completed or under way. Dr. H. C. Taylor secretary of board of trustees of the Institute and Dr. George S. Wehrwein, dean of the Institute also attended the research conference in Chicago."

made to "inefficiency" as being the cause of tenancy but not a word is said about the unseen burden of taxes constantly shifted upon the tenant or the tribute annually extracted from him in the shape of ground rent and monopoly profits. No opportunity is taken to demonstrate how the rising price of land tends to carry the earth beyond the reach of those who wish to use it, but not one opportunity is lost in telling that in its relation to farm tenancy the price of land has been given "exaggerated importance," and that anyway "it would be unfortunate to make the road to farm ownership so easy that farm ownership could be achieved by those who are unready. "Finally, five measures are submitted for solving the farm tenancy problem not one of which can, in the long run, have the slightest effect in accomplishing its purpose, while on the other hand, not a shadow of a suggestion is anywhere made about transferring taxes from improvements and personal property to land values—the only measure that can possibly and permanently do any good. In short, this document prepared and distributed by the Bureau of Agricultural Economics under Dr. Taylor is admirably calculated to do all that Prof. Ely desires—to confuse the whole farm issue, to minimize the evils of landlordism and maximize the benefits of tenancy, and by thus removing all anxiety that may be felt, draw public attention definitely away from the real cause of, and true remedy for, the basic ills of agriculture.

But the long arm of Prof. Ely has, through Dr. Taylor, reached even farther than the Department of Agriculture; it has now penetrated very clearly the Bureau of the Census.

In 1924 the Census Bureau published its already widely distributed Monograph No. IV—a monograph entitled "Farm Tenancy in the United States," containing 247 pages and the authors of which are E. A. Goldenweiser and Leon E. Truesdell, special agents for the Census Department.

In this extensive monograph we find, as in the publication put out by the Bureau of Agriculture Economics, much information of genuine interest and real value, but the monograph contains likewise the same fatal omission of facts, the same defective analysis and the same fallacious interpretations. Moreover, it is permeated through and through with the same spirit.

The monograph deals at the greatest length with matters of little significance but generally fails to dwell at all on matters of the utmost importance. It goes to the longest trouble to show how farmers climb up the agricultural ladder but utterly neglects to explain how or why still more farmers are forced to climb down the ladder. One cannot avoid the impression in this document that it is only a matter of time before most tenants will rise to the state of full farm owners[79] when the truth is that it is only a matter of time before most farm owners fall to the state of tenants. It says there has been no alarming increase in tenancy throughout the United States as a whole and that the proportion of independent farmers is not materially diminishing[80] whereas, according to the Census Bureau's own figures, the facts are just the contrary: in the forty years between 1880 and 1920 the percentage of rented farms rose from 25.6 to 38.1 while the percentage of farms free from mortgage fell, at the same time, from 55.3 to 32,2.[81] The authors of the monograph also belittle the evils and dangers of tenancy while exalting the advantages of landlordism, using England as an illustration.[82] What is equally significant they make no appeal for an attempt to eliminate tenancy or to build up an agriculture based upon a system of independent farm ownership; on the

[79] Outside of the South, where the cropping system of tenancy largely prevails, especially among the colored farm operators, there is no indication of the existence of any large body of farmers whose permanent status is that of tenants. On the contrary the evidence seems to prove conclusively that tenancy is generally a convenient way of approach to full ownership. It is in fact a part of the agricultural ladder. "Census Monograph IV, 1924, p. 10.

[80] "The general conclusions from the consideration of the age and tenure figures are that a reasonable proportion of tenancy is a normal and healthy condition of agriculture in a country that has reached the state of development where land is not over-abundant; that there is no evidence of an alarming increase in tenancy; that the American farmer in a great majority of cases still spends the latter part of his life as an independent owner; and that the proportion who so finish out their lives is not materially diminishing."—Census Monograph IV, p. 114.

[81] See Topic 28, tnbles IV and V in this chapter.

[82] "Inn fact, it is quite possible to develop a good system of agriculture without placing the ownership of land in the hands of those who cultivate it. One of the best systems of general farming in the world has been developed in England, where 90 per cent of the land is operated by tenants and most of the remainder by hired managers, leaving only a very small fraction operated directly by the owners."—Census Monograph IV, 1924, p. 14.

contrary their outstanding appeal is for a leasing system whose only effect can be to root more firmly upon American soil a permanent state of landlordism.[83] Finally, they call upon the people for a new point of view and a new attitude toward farm tenancy.[84]

That these unsound interpretations, false conclusions and dangerous ideas are traceable, not so much to the authors themselves as to Prof. Ely operating through Dr. Taylor 's Bureau of Agricultural Economies, is plainly revealed in a footnote made by the authors at the end of their introductory chapter. The footnote reads as follows:

> "In connection with the use of material from the Department of Agriculture, the writers wish especially to acknowledge their indebtedness to O. E. Baker of the Bureau of Agricultural Economics, who placed at their disposal manuscript materials and many graphs and maps, and to W. J. Spillman in collaboration with whom several of the interpretations here presented were first developed."

There has, of course, not been sufficient time as yet for the above publications to make any substantial impression on the public mind. Nevertheless their effects may already be seen cropping out. Resistance to the ideas they convey is plainly weakening, while acquiescence in them is clearly becoming more general.

If an illustration of this be desired take the recent article by Prof. F. A. Buechel, Head of the Agricultural Administration in the Agricultural College of Texas. This article is entitled "Relationships of Landlords to Farm Tenants" and appears in Prof. Ely's own magazine" The Journal of Land and Public Utility Economics," for July, 1925. In this article Prof. Buechel, whose various references to the

---

[83] "From the point of view of the farm, the main shortcomings of tenancy may be charged against the shortness or uncertainty of tenure of the typical American farm tenant—against tenancy under the present form of leasing rather than against any essential feature of tenancy as such…. To work out that form of lease which will be conducive to the best results is one of the most important problems confronting American agriculture."—Census Monograph IV, 1924, p. 135.

[84] "And with this changing situation—for the change is still going on—comes the need, growing more and more urgent for a new attitude towards farm tenancy."—Census Monograph IV, 1924, Conclusion Chapter.

government publications above mentioned show that he has drawn his chief inspiration from them, frankly says:[85]

> "Instead of looking upon tenancy as something abnormal—an evil to be eradicated at the earliest possible moment—we should regard it as a necessary institution in the agricultural industry."

Such, then, is how Prof. Ely is worming his way into the places of power and poisoning the well-springs of knowledge. Such is how he is invading the sanctity of free institutions, prostituting the departments of the government as well as schools, colleges and universities and slowly but irresistibly guiding the public mind, not towards the correct solution of our economic problems but away from it.

Against such terrific odds it seems almost futile to raise a voice. Nevertheless it is something that cannot continue. The peace and prosperity, indeed, the very safety of civilization will not allow it. The road to farm tenancy is not the road to rural progress and agricultural emancipation; it is the road to rural decadence and agricultural slavery. Here, as Herbert Quick, well known writer and member of the first Federal Farm Loan Board, has said, is the conclusion of the whole matter:[86]

> "Let me repeat, the vampire which sucks all the blood left in farming after everything has been done for it which can be done is the high and rising price of land. … What will cure agriculture of its diseases, therefore, is a state of things in which good land will be once more cheap, so that a poor man can own it, and in which everything done by or for the farmers will not at once curse them with high land values and increased rents.
>
> The first necessary of life is land. It comes before even such things as food and shelter, for we can not have either of these without access to land. The grossest error of mankind is the thought that high land values mean good to man. We fall into that destructive mistake, because with land monopolized, all good to man is reflected in increasing land values. The high price of our land, however, comes from the good to humanity, and not the

[85] "Journal of Land and Public Utility Economics," July, 1925, p. 331.
[86] Herbert Quick, "The Real Trouble With the Farmers," pp. 186-215.

good to humanity from the land values. This is a fundamental distinction.

The Farmer and the Singletax

How the removal of taxes from improvements and personal property and the raising of the revenue from land values only would have affected (1) farmers, (2) farm land speculators, (3) owners of improved lots, and (4) Owners of unimproved lots in the state of Oregon in 1909:

Figures not reproduced /pma

We shall go on from bad to worse if we can not make landj cheap once more. Our good cheap land is gone. Our problem is to get it back again, in city and country. We shall get it back if society is destroyed, but it will do nobody any good in that case.

The land can be made available to all in but two ways: by land nationalization, and by the state thus becoming the universal landlord, or by taxation so levied as to relieve of taxation every form of property except land values.

I do not believe in land nationalization. Yet that is just the scheme which is easiest put across by bungling politicians, and faint-hearted or corrupt ones, struggling with mere poultices on the ulcer they are called upon to treat. … Land nationalization, as it would have to be carried out under American institutions, would not work. For the land would have to be paid for in taxation, and the resultant burden of taxation would be as hard to bear as the burden of rent it would replace. The mere proposal to buy all the land and place it in the hands of users of land would excite just ridicule.

On the other hand, the imposition of all taxation on the value of the bare land exclusive of improvements is something which could be done without any basic changes in our institutions.

It would cheapen land and make it a thing which the workers could afford to use; for it would make the value of the improvements the measure of the purchase price. It would make no change in titles. Land would be sold, inherited and passed from hand to hand just as now.

This latter method would relieve from taxation the buildings of the farmer, his machinery, his money in bank, his fences, his crops, his

orchards, his income, his improvements through drainage, his fertilization, everything which he has, except the value of his bare land. This value would be absorbed year by year in a land-value tax. It would make land cheap; for under such conditions nobody would buy farm land—or any other for that matter—for speculation. No increase in population or progress in the arts and sciences would make the land more valuable for sale for the increased value would always be absorbed by taxation. The increased value conferred by society would be taken by society annually in the form of a tax.

It would rest hardest on the least highly-improved desirable lands. Whenever a farmer had so far built up his fertility, his improvements, his equipment, his livestock and his personal property generally, as to make it of more value than his bare land—which is economically his best agricultural policy—his taxes would be lower under this system than under the present scheme. He could not sell his land for any more than the improvements would be worth, if the tax were made equal to the annual rental of the bare land—but the selling price would be as adequate to the purchase of a new home as the higher price he gets under our present policy.

As a matter of fact, the great mass of land values is in and adjacent to cities, and in great mining regions. These lands should be made cheap, too. The tribute levied on industry, commerce and manufacturing by urban land values is vastly greater than that imposed by farm-land values. Land monopoly restricts the building of homes in cities and towns. It takes from the merchant such profits as it does not force into the cost of living. It holds in the dead hand of the speculator the sites of factories. It adds to the price of fuel and of almost everything the manufacturer uses in the way of raw material. It acts to decrease the opportunity of the laborer to exert productive work whether for himself or for the employers who are handicapped all the time by the barrier between them and sites for factories, or their raw material; and it tends in city as in country to absorb everything which the laborer earns above a mere living; and it forces that mere living down to a lower and lower level save as he can protect himself through his unions. And these values do not in ultimate justice belong to the owners. They have not produced them. Society has produced them, and they belong to society.

Compared with what will almost certainly come upon us in a generation or so if this taxation plan is not adopted, it is truly conservative. It conserves what is good and destroys what is bad. It takes from you, Mr. Conservative Citizen, nothing which individual enterprise or labor has created, but only what society as a whole has produced—the unearned increment of land values.

It would make useless and unnecessary most or all of our taxes on improvements, on personal property, on goods in commerce, and on incomes. Perhaps all of them: anyhow most of them. We should have to wait to see whether or not economic rent would amount to all the revenues of all kinds which we require; but it would at once, in the enormous impulse which would be given to improvements, create a new era of prosperity, the benefits of which to most of the conservative citizens would be vastly greater than their profits, present or prospective, from the value of the bare land.

If I were you, Mr. Conservative Citizen, I should carefully consider giving to the farmers what I believe to be their right to land, through this plan, which is conservative where good is to be conserved, and radical where wrong is to be uprooted, rather than to wait for a possible whirlwind. For the sky is clouding up."

30—That the Interests of Land Speculators are Not LESS Important Than the Interests of Home Builders, But MORE Important

It is August, 1925. Thirteen months have elapsed since this exposure of Prof. Richard T. Ely and his privately financed "research" Institute in Wisconsin University began. Plainly embarrassed by the facts revealed in this exposure the Board of Regents of the University has now decided to end the matter and has this month passed by a vote of 9 to 5 the following resolution:

> "That no gifts, donations, nor subsidies shall in future be accepted by or in behalf of the University of Wisconsin from any incorporated educational endowments or organizations of like character."

But Prof. Ely with his old-time shrewdness and skill has dodged the descending ax. Suspecting evidently that such a resolution would sooner or later be passed, the Professor began in the early part of the year to cast about for a safe place to escape and picked out as his refuge Northwestern University in Evanston—a privately endowed

institution noted for its conservatism and its close affiliation with the powers-that-be.

Having definitely laid his plans Prof. Ely then added Frank O. Lowden (former governor of Illinois) and Nathan W. MacChesney General Counsel for the National Association of Real Estate Boards as well as a trustee of Northwestern University to his own board of trustees; marshalled his forces; pulled his "wires" at the psychological moment; and in July—just one month before the Wisconsin Regents finally acted—moved his institute bag and baggage from Wisconsin University in Madison to Northwestern University in Evanston, Ill.

Very grateful apparently for the welcome extended to him by Northwestern University, Prof. Ely commences his activities in that institution with larger plans, wider ambitions and a harder determination than ever to build up a great national machine that will promote, under the cloak of "disinterested research," not the welfare of all, but the special interests of a few.

One of the big problems, for instance, to which the Professor is going to turn his early attention is, he says, the housing problem. This is splendid. The housing problem is without doubt one of the most pressing problems with which society has to deal. For, notwithstanding the large amount of problem building that has been going on within recent years, the housing question is still as far from a final solution in the United States as it was ten or twenty years ago. Construction costs are excessive. Rents are entirely too high and in many cases exorbitant: Overcrowding prevails. Rooms, in countless instances, are dark, badly ventilated and unsanitary, resulting not only in much needless sickness and disease to those who inhabit them but in an excessive amount of immorality, vice and crime.

Like music to the car, therefore, is Prof. Ely's public announcement that he is going to tackle the housing problem. But, as might be expected, instead of attempting to remedy or even to relieve the housing situation, Prof. Ely is perfectly willing to use his influence to make it worse!

Before endeavoring to prove this let us make sure just what the underlying reason for the housing question is. Is it not simply that houses are too expensive? Clearly so. It costs a large portion of the people (1) too much for the ground upon which the homes must

stand. It costs them (2) too much for the materials to build their homes. And it costs them (3) too much to keep the homes after they have been built.

All combined these three costs make a charge that is distinctly too heavy for the man of ordinary means to pay. The consequence is that the construction of dwellings is not keeping pace with the growth of population—a condition which, in its turn, is being followed by excessive rents, congestion, insanitation, and a deterioration of those various forces upon which the physical, mental and moral vigor of society depends.

Now the only effective way to get rid of an evil is to remove its cause. So with the housing problem. Since the fundamental cause of this problem is the excessive cost of owning homes, it logically follows that the real solution of the problem is to make homes cheap. Not only the ground upon which the dwellings must stand; not only the materials that enter into the construction of the dwellings; but the final cost of keeping up the dwellings—all these costs must be largely reduced. Then, but not till then, will the housing question be properly settled. Then, but not till then, will dwellings and residence catch up with population, rents fall, overcrowding end, sanitation improve and human beings cease living under conditions that tear down their mental as well as their physical and moral health.

But now the very practical question arises, how can houses be made cheap? How, without cutting down either the earnings of labor or the earnings of capital, can the price of homes be brought within reach of all? Only by the logical method that Henry George proposed—by abolishing all taxes on industry and its products and concentrating them on land according to its value.

How would this make the acquisition of homes easier? It would make it easier in three ways:

First, the price of building lots would be enormously reduced. With taxes resting heavier on vacant ground (sixty per cent of the average American city is vacant) land speculation would be destroyed. No one could longer afford, in the expectation of reaping a harvest of unearned increment, to hold land out of use for any length of time. If the owner of vacant land would not improve it himself, he would soon be compelled to sell it at a much lower figure to some one who would. Thus the price of lots would greatly fall. In this item

alone the prospective builder would save from fifteen to thirty per cent of the present cost of a home.

Second, the price of all building materials would be substantially lowered. All the taxes that now bear so heavily on the processes of producing and delivering goods—all the taxes on forest trees, on saw and planing mills, on lumberyards and on the lumber; all the taxes on iron and other mineral products, on smelteries, on foundries, on steelmills, on hardware merchants; all the taxes on brick works, stone quarries, paint factories, cement factories, glas factories and the various commodities that they make; all the taxes on communication and transportation, on occupations, and on business and industry in general—all these taxes with their several profits which are inevitably included in the final cost of goods, would be eliminated, and the price of building materials, under the stress of competition, would correspondingly fall.[87] How large the reduction would be in the price of materials by reason of such exemption is a matter of conjecture but it is safe to say it would amount to at least fifteen or twenty per cent.

Third, there would be no farther taxes on buildings. The toll that is now levied by the assessor each year on the one who puts up a dwelling would be ended. True, the tax on the land itself would be increased but the rise in the land tax in residential districts would, in most cases at least, be a great deal less than the saving resulting from the exemption of the improvements.

How large an inducement this third factor alone would be in the construction of new dwellings is well illustrated in the case of New York. In 1921, the city of New York, confronted with the most critical housing situation in its history, passed a law to exempt new dwellings of a moderate size from taxation for a period of ten years. Mind, the exemption of the tax was not to be permanent; it was to be only for ten years. Moreover, construction had to be started before April 1, 1924—the date that the law expired.

Small though such an inducement may seem to be yet it resulted in a home building activity throughout the city that left all previous records far in the rear. Of course it did not solve the whole prob-

[87] This follows from the fact that the tax on land values cannot be shifted. See topic 14 of this book.

lem—a measure of such diminutive proportions could not be expected to do that—but it did nevertheless vastly more than anything else could have done to break the back of the New York housing crisis.

It may safely be said therefore that the transference of all taxation from industry and its products to land values, as Henry George proposed, would definitely settle the whole problem. With the cost of building ground and the cost of the building materials, as well as the final cost of keeping up the buildings—with all these costs much lower than at present the housing difficulty in the United States would speedily vanish. Dwellings and residences would multiply—would soon catch up with population and the standard of living. Rents would accordingly fall. Congestion would cease. Men in even the poorest circumstances would no longer be compelled to crowd themselves and their families into dark and foul rooms—the natural breeding places of sickness and disease—but would be able to avail themselves of quarters larger, better ventilated, more sanitary and more befitting of civilized life.

So much for the basic cause and cure of the housing problem. But now we encounter once more the unalterable opposition of Prof. Ely! Prof. Ely is against any cheapening of building lots; he is against any cheapening of building materials (except at the expense of capital and labor); and he is against any abolition of the heavy tax burden on buildings and improvements.

The present low tax on the value of land—a tax which is entirely responsible for the high selling price of the land—this tax Prof. Ely does not want raised; instead, as we have already seen, he wants it reduced. The existing high taxes on the processes of industry, business and trade-taxes which are chiefly responsible for the excessive cost of all building materials—these taxes he does not want eliminated; instead, as we have also observed, he wants them increased. Finally, the present burdensome taxes on buildings and improvements—taxes whose tendency is so largely to discourage improvement—these taxes he does not want abolished; on the contrary, as we have further perceived, he wants them continued. Even to so small, yet so wholesome a measure as the New York ten-year exemption law for new dwellings of moderate size—even to this Prof. Ely, in

his tenderness for the land speculator, is opposed. As he states it himself ("Outlines of Land Economics," Vol. III, p. 115):

> "If there is special need for new buildings, that is to say, if that investment of labor and capital is more urgent than other investment of labor and capital—sometimes this is the case, sometimes not—may be desirable to exempt new structures from taxation for a limited period, say three to five years; not ten as in New York State. This does not increase the final burden upon the land, inasmuch as the buildings very soon come upon the tax duplicate, as it is generally called."

Such, then, is what Prof. Ely would do for the housing problem in the United States. First, he would not make it easier for men to purchase the needed land for homos, but would make it harder. Second, he would not reduce the cost of building materials, but would increase those costs. And third he would not abolish the tax load on buildings and improvement but would have this load perpetuated.

That this ort of a "solution" of the housing problem would be highly profitable for a time to the groups engaged in the game of land speculation—a game at which Prof. Ely himself is an old master—there can be no doubt. But for the bulk of the people it would plainly spell disaster. If carried out everywhere in the manner and to the degree that Prof. Ely recommends it would bring the construction of individual dwellings and homes for the mass of men almost to a standstill. Rents would soar higher than ever before. Over-crowding would intensify. No room for the poorer classes in the community would be too small or dark or dingy, no hovel too squalid or unsanitary, to be occupied. Preventable sickness and disease would not lessen but spread, while the vice and crime which spring from the improper housing conditions of the present would inevitably eat themselves still further into the vitals of society.

31—That Tax-Exemption of Buildings Has Resulted in DECREASING Home Ownership Instead of INCREASING It

So anxious, indeed, is Prof. Ely to discredit the singletax doctrine of Henry George and to create the impression that the taxation of land values is injurious to home ownership, that he is quite willing once more to resort to falsehood. Speaking further of the effect of shifting

taxes from improvements to land values ("Elements of Land Economics," p. 286) he says:

"A deliberate use of taxation for social control of property utilization to balance production is found in the New York law enabling municipalities to exempt new buildings until 1932. The ultimate purpose of this law was to set up inducements to build more homes for the relief of the housing shortage. In application, however, the law has not accomplished all the desired results, in that the exemption of houses has only increased the tax burden on the land. Not only in this instance, but also in the cases of other cities where taxes on the land are proportionately higher than on other forms of property, the inducement to acquire land for residential utilization has been lessened."

The truth, of course, is just the reverse. The deflection of taxes from buildings to land values has not lessened "the inducement to acquire land for residential utilization" either in New York or anywhere else; on the contrary, it has vastly increased it. And that Prof. Ely himself is well aware of this is quite evident from the fact that he publishes the above, not after, but before his so-called "research" Institute has had the opportunity to make any researches.

Take the case of the New York law which Prof. Ely mentions. This law, which exempted new dwellings of a certain size from taxation for a period of ten years (provided construction was begun on them before April 1, 1924) certainly did not result in a lessening of home building operations; instead it resulted almost at once in a building activity never before equaled in the city. Two years and one month after the law had gone into effect Mr. Lawson Purdy, former President of the Department of Taxes and Assessments in New York ("Tax Facts;" June, 1923) said:

> "In the year before exemption, plans were filed for one-family, two-family and multi-family dwellings to house 14,323 families. We ought to file plans annually, just to keep pace with the increase, for about 30,000. In the two years and one month, from February 26, 1921 to March 31, 1923, plans were filed to house 110,549 families in one- and two-family houses, and 99,838 families in multi-family houses. The estimated cost of these houses is an aggregate of $936,388,000."

But perhaps these figures, for comparative purposes, do not cover a sufficient period of time. Let us then look at the figures presented by Mr. Edward Polak, Register of Bronx County in New York, before the National Tax Relief Convention of the Manufacturers and Merchants Federal Tax League[88] held in Chicago in November of 1923. At this Convention Mr. Polak said in part:

The singletax, generally speaking, would reduce directly the taxes of all property owners whose improvements exceed the value of their land. Small home owners under this system would, in nearly all cases, pay less than they now do, while large land speculators and the owners of highly valuable vacant or under-improved lots would, in most cases, pay more.

The following diagram prepared by W. I. Swanton of Washington, D. C., and published in the July-August (1914) issue of the Single Tax Review, shows how the singletax (limited to needs of government) would have affected the five main territorial districts in Washington, D. C., in 1912:

Figures not reproduced /pma

"After this tax-exemption law was passed plans began, as if by magic, to be filed in the City of New York for one-and two-family houses and apartment houses. The mortgage lending institutions that had refused for a long time to lend for building purposes opened their coffers and money poured into the mort-gage money market. Builders who had been i41e far years started building operations. Labor in the building industry became in great demand; wages b&-gan to rise, and the high wages and steady employment attracted a large num-ber of skilled mechanics in the building industry from other cities.

The following tables showing the number of plans filed and buildings erected before and after the tax exemption have been compiled from the Building Department of the five Boroughs comprising the Greater City of New York, and they prove that the tax-exemption law was the main inducement for the erection of new buildings for dwelling purposes:

[88] See Report of this Convention, pp. 25, 33.

PLANS FILED FOR DWELLING ACCOMMODATIONS (ALL BOROUGHS) IN THREE YEARS AND TWO MONTHS BEFORE THE TAX EXEMPTION LAW WENT INTO EFFECT

Not reproduced /pma

So here we have it. These figures, whose authenticity cannot be disputed, conclusively show that the house building activity in New York was over five times as brisk after the tax-exemption law went into effect than it was before. In the thirty-eight months before the law took effect plans for a total of only 25,122 dwellings and tenements, sheltering 43,701 families and costing $204,191,362, were filed. In thirty-one months after the law took effect, plans for a total of 92,200 dwellings and tenements, sheltering 236,140 families and costing the huge sum of $1,073,880,433, were filed. Yet Prof. Ely unblushingly tells us that the result of the tax-exemption law in New York was to lessen the "inducement to acquire land for residential utilization."

But let us not stop with New York. Pro£. Ely says that his state-ment also holds good " in the cases of other cities where taxes on the land are proportionately higher than on other forms of property."

Suppose then we take a look at Pittsburgh, Pennsylvania. Pittsburgh is a city that in 1913 enacted a law to cut the tax burden on all its buildings down to fifty per cent and to raise that revenue from the value of land. The Pittsburgh law has now been in effect over ten years. If Prof. Ely be right it should, in this time, have reduced home ownership in the "smoky city" almost to a minimum. But what are the facts? The facts are just the contrary. Instead of decreasing construction for residential purposes the law has immensely increased it.

No one, perhaps, is better qualified to tell of this law and its general effects than the Chief Tax Assessor of Pittsburgh, Mr. Thomas C. McMahon. Speaking before the National Tax Relief Convention of the Manufacturers and Merchants Federal Tax League[89] held in Chicago in November of 1923, Mr. McMahon said in part:

"The 'graded tax law,' as it is popularly called in Pittsburgh, was enacted in 1913. It has been in operation about ten years and is con-

[89] See Report of this Convention, pp. 65·70.

sidered now beyond the experimental stage. Under this plan the tax rate levied upon buildings will be cut in two, but to avoid a sudden disturbance of the existing order, the law provided that this should be accomplished by gradual stages. The bill creating this system was passed in the year 1913, and became effective in 1914. It provided that the tax rate on buildings should be reduced at the rate or 10% every three years until the rate on buildings would be 50% of the rate levied on land. … In 1925 the final reduction on buildings will take place and from that time until there is a change in the law the rate will be 100% on land and 50 % on buildings.

BENEFITS OF THE 'GRADED TAX LAW'

Among some of the effects of the law which have come to my attention, I would cite the following:

First: It has reduced the taxes on the great majority of homes, as it is only in exceptional cases that the valuation placed upon a home is not equal to or greater than the value of the land. We estimate that not less than seventy thousand and home owners have received a direct reduction in taxes from the operation of the graded tax law.

Second: This law has greatly stimulated the building of houses. A comparison recently made with other large cities shows that, taking the total amount of building permits together with the increases in population, Pittsburgh leads all the other cities of her class. This comparison, which was made for the years 1914 to 1920, inclusive, shows that we have had, in proportion to the increase in population, 25% more building than New York, 57% more than St. Louis, 65% more than Philadelphia, 60% more than Cleveland, 87% more than Buffalo, 186% more than Detroit, and 238% more than Baltimore.

The building boom is still on and during the year ending June 30th, 1923, there were as many building permits issued by the City of Pittsburgh as were issued during any five year period prior to 1918.

Third: The law has a tendency to stabilize land values and discourage speculation, as vacant or poorly improved land pays a larger share of the taxes through the automatic shifting to the land of the amount taken off of the improvements. The increased tax on land, however, has not been sufficient to check the rise of land values, as a large increase in the city budget last year was entirely taken care of by increased assessments on real estate, and it was not necessary to

raise the millage. For the year 1924, we do not anticipate that any increase in the tax rate above that of 1924 will be necessary, although the expenses of the city will be increased, as the new buildings will produce sufficient revenue to take care of this increase.

Fourth: To further illustrate the beneficial results of the graded tax law, we have compiled from our records some comparative figures to show who are the chief beneficiaries under the graded tax law. It is true that this law has encouraged all kinds of building throughout the city, but a study of the matter shows that the home owners are realizing a much greater benefit than any other group of property owners.

HOME OWNERS BENEFIT MOST

For instance, we have taken the two most highly improved blocks in the down-town business section, which are entirely built up and contain many of the fine*81 buildings in the city, and this study shows that in these two blocks we have an assessed land value of $13,146,350, as against an assessed building value of $9,874,000.

In a high class residential district in the Fourth Ward, where land values are fairly high, the total assessed land value was only $208,155, while the total assessed building value was $437,900.

A typical block in the workingmen's district in the Thirteenth Ward was also examined and this shows a total assessed land value of only $66,482, as against a total assessed building value of $149,484.

BUSINESS INTERESTS GAIN, TOO

But the benefits, of course, have not been confined to home owners. The commercial and industrial interests of our city are greatly benefited by the Pittsburgh tax plan. This is perhaps most strikingly illustrated when we contrast the complete exemption of all personal property and machinery from taxes under the Pittsburgh plan, with the exceedingly heavy taxes levied upon personal property of large business concerns in competing cities. For instance, we might cite two large manufacturing concerns in one of the leading cities of the middle west, one of which pays taxes on a personal property assessment of $7,705,970 in connection with their plant having a real estate assessment, including land and buildings, of only $3,280,942. In the second instance, another manufacturing concern has the property valuation of $1,915,490, while its total real estate valuation is only

$539,870. One of the leading department stores of that city is taxed upon a personal property assessment of $1,540,900, which almost equals its real estate assessment of $1,570,630. If these concerns were located in Pittsburgh, none of these personal property would be taxed at all by the city.

SATISFACTION WITH 'GRADED TAX LAW' GROWS

Attempts have been made to repeal this law at every session of the Legislature except the last one. These movements were instigated by the big landed interests and in 1915 the bill repealing the law was only defeated after it reached the Governor. Since then the opposition has grown less and less aggressive, and instead of opposing the law, there is a general tendency to work for its further extension, such as its application to the school taxes and a further gradual reduction of the rate on buildings.

It is possible that there will be further efforts to destroy it, but I feel that the plan is now too well established to be overthrown. The present city administration is in favor of the law, the newspapers are unanimous in its support, and the leading civic organizations are giving it enthusiastic backing.

The principle involved in this system of taxation is just, it is based on sound economics, and it will do more to solve the housing problem and abolish slums than anything else. It points the way to better living conditions, especially in our cities.

The advantages of the graded tax law, together with the exemption of machinery and personal property in the city of Pittsburgh, enables our city to offer superior conditions for the owning of homes and for the carrying on of business enterprises, both manufacturing and mercantile, over those of any other large city in the country."

This, again, it will be seen, is a mighty long ways from Prof. Ely's assertion that the effect of tax-exemption of buildings has been to lessen the inducement to acquire land for home building purposes.

But let us not confine our observations to the United States alone. Let us turn for a moment to the large city of Sydney, Australia. In Sydney land value taxation, to some extent, has been in force ever since 1908, while since the year 1916 the whole of the municipal revenue burden has been levied on the value of the land only, exclu-

sive of all improvements. It is a city therefore where the singletax principles of Henry George have been tried out more thoroughly perhaps than anywhere else in the world. If, then, Prof. Ely be right, Sydney is a city where the inducement to build homes should by this time have come to a dead standstill. But how very opposite the result has been may be gathered from an illuminating address made by one of Sydney's most distinguished citizens—Alderman J. R. Firth. Speaking in Westminster, England, on May 12, 1925, Alderman Firth in part said:[90]

"In Sydney there has been an enormous development. In the seventeen years from 1908 to 1924 our population has grown from 550,000 to just over 1,100,000 and by Sydney I mean the City and the surrounding forty metropolitan municipalities. How that population has spread out, with no overcrowding or congestion, I will explain. There has been an extraordinary building boom interrupted in some degree only during the years of the war. The returns for 1924 show that the number of new buildings brought to completion and connected with the water supply is the largest on record. The official figures, says the SYDNEY DAILY TELEGRAPH, of 24th December last, 'indicate that the building boom has been more than maintained, as the building trades are busier than ever. The result is that the City is being transformed day by day, and as the old landmarks disappear modem and palatial premises fill their places.' The 'old land marks' referred to mean shanties and antiquated tumble-down buildings. Here are the official figures of new buildings in the metropolitan area as published in the SYDNEY MORNING HERALD of 24th December, showing the results for the last eleven years:

	Buildings Completed	Cost £
1914	10,546	6,775,548
1915	7,632	5,124,464
1916	6,283	4,479,118
1917	5,401	3,595,992
1918	4,998	3,726,896
1919	5,830	4,788,804

[90] See "Land and Liberty;" London, June, 1925, pp. 122-126.

1920	10,015	9,273,659
1921	8,537	9,655,163
1922	9,084	9,917,963
1923	10,450	10,133,116
1924	12,180	14,346,071

THE SPREAD OF POPULATION

These figures speak for themselves. With all our progress, I have heard some astonishing statements since I came to this country. One is that our system of land value rating [what is called "rating" in England and Australia means "taxation" in the United States.—Editor] has forced us to crowd buildings on the land and go in for cramped development. Of course, if you said that in Sydney people would laugh at you. But some people say it here, and the amazing thing is that they seem to believe such a story. The statement is totally as variance with the facts. Remember that the population of the city and its suburbs has grown from 550,000 in 1908 to just over 1,100,000 in 1924. If you examine the figures of population for each of the districts of Sydney, you will find that in the city and the suburbs immediately adjacent, the population has been almost stationary. The increased population, all but a fraction of the half-million we have added, has settled in the suburbs where land had been 'held for a rise.' The vacant areas have been peopled and the houses have spread themselves out, because the inhabitants have not been held in by a ring fence of monopoly prices for land. I could give many examples to illustrate this spread of population where room was awaiting it. Thus the municipality of Canterbury, five miles from the central area had a population of 4,000 people in 1901; to-day it has over 50,000 people and I think I would be correct in saying that every one of the houses there has sunlight all round it. In my own borough of Strathfield we have made use of our powers under the law to limit houses five to the acre and we have neither terrace houses nor semi-detached houses. Each is a detached house. The growing population has got land cheaper than it otherwise would, and this has ensured liberal space for each house, larger than was provided before the new system came into operation. The sub-dividers of land, brought into competition with one another by the working of land value rating, found that small lots did not sell readily; they had to offer generous-sized lots, and to attract the new householder they found it paid them

at the same time to gift land to the public for playgrounds, tennis courts and the like. The new system has also made it easy for local governing bodies to acquire land for parks and other open spaces.

PRIVATE ENTERPRISE PROMOTED

I would like to give you some further thoughts and facts in regard to housing. The whole of our increased population has been settled where it ought to be settled, where there is plenty of land and sunlight. If you tax land values heavily enough, and exempt buildings, private enterprise will provide the houses quickly enough. We have had some experiments—only a few I am glad to say—with State and Municipal housing schemes; these experiments were tried only to be abandoned, after much extravagance and loss and not a few complaints about corruption. We do not want and we do not need any more such schemes. We have left things to private enterprise and private enterprise, freed from land speculation and from taxes on buildings, has succeeded. We only wish it could be freed also from the heavy cost of the tariff.

A TALE ABOUT 'SKYSCRAPERS'

Another astonishing allegation against land value rating is that it promotes the building of 'skyscrapers.' I do not know the exact meaning of a 'sky scraper'; but if the term is used in the sense of something objectionable—a building not only abnormally high but hideous to look at and an obstruction shutting out air and light from other buildings—then emphatically we have no 'skyscrapers' in Sydney. As a fact, our tallest building is 13 stories high and it was erected before the system of land value rating came into operation. Moreover, we have a building law which limits the height of buildings to 150 feet and no building may be carried higher than the width of the street it faces. As to our new business premises in the city, any visitor to Sydney would bear me out in saying that they are palatial. They are beautifully lighted, splendidly equipped with lifts, etc., and in every respect a credit both to their builders and to the city".

HOUSING STATISTICS

Housing statistics are of some interest. In Sydney, in 1901, the number of persons per occupied dwelling was 5.42; in 1921 the figure was 4.92. The number of one-roomed dwellings in New South Wales

in 1911 was 20,321; in 1921 it had fallen to 12,787. In 1911 the two-roomed dwellings numbered 14,596; in 1921 they numbered 14,072. Thus in these ten years 8,058 one and two-roomed houses had disappeared. In the same period, the proportion of dwelling houses of four rooms and upwards increased from 81.4 per cent to 86.3 per cent. Again I find that the proportion of dwellings with seven occupants or more has declined in these ten years from 22.1 per cent to 18.7 per cent. I am quoting the New South Wales Year Book tor 1923 and the figures do not look as if we had gone in for congestion or overcrowding; far from it.

HOUSES AND GARDENS.

Let me deal with one more alleged objection. It has been suggested, I find, by some people, who I am afraid allow neither reason nor experience to guide them, that land value rating prevents a man from having a garden round his house. The facts are that where the people dwell in Sydney, the rule is five or six houses to the acre and as a rule therefore that gardens are one-fifth to one-sixth of an acre. If you take the case of a man who has a house within a garden 50 feet by 150 feet, the whole site being worth £200 he is assessed at £200. The rates levied at 4d. in the £ on £200 land value amount to £3 6s. 8d. a year. If we had the old system of taxing the annual value of the house and the land, it is calculated that the rates in the district would be 3s, in the £ of annual value. The assessment of the house and land (nine-tenths of the annual value) would be approximately £80 and that same man would be paying £12 (about $58.40 in U. S. money) in rates. But under the new system he pays £3 3s, 8d. (about $16.22). If that discourages a man from having a garden, I do not know what would encourage him,

LAND VALUE RATING HAS COME TO STAY

We do not tax buildings or machinery or any improvements in Sydney. We encourage the expenditure of capital and the employment of labour. We make it pay to USE land. We make it a losing game to withhold land from use. We make it pay to pull down shanties and to erect beautiful buildings in their place. … In short, the new system is of immense benefit to the man who uses his land well, by taking from his shoulders the burdens he had to bear when improvements were taxed and land values were largely exempt.

After our experience of the benefits of the rating of land values, we have come to the conclusion that we will not tolerate any proposal to go back to the old system. On the contrary, we are going forward."

Thus we might go on giving one illustration after another but it is unnecessary. Wherever throughout the world the principle of land value taxation has been applied to any appreciable extent and for any length of time, the results have always been similar to the results in New York, in Pittsburgh and in Sydney, Australia. Instead of being lessened, as Prof. Ely says, the inducement to acquire land for residen-tial utilization has been immensely increased.

32—That the Singletax Movement of Henry George Is Not ADVANCING, But RECEDING

Having surreptitiously pulled, as he supposes, all the props from beneath the Henry George theory of taxation, Prof. Ely undertakes ("Elements of Land Economics," p. 323) to give it a final thrust in this language:

> "The single tax idea was popularized in the United States by Henry George in 1879, although in recent years its adherents have apparently lessened in numbers. "

The fact is, of course, that the tendency has been just the other way. The adherents to the singletax idea have not lessened in numbers in recent years; on the contrary they have enormously increased. When Henry George first published in 1879 his monumental work "Progress and Poverty," the truth he advanced was met with general hostility and scorn. But as all new truths will it soon found friends-friends who were willing to "toil for it, suffer for it, if need be die for it," who translated it into the tongue of every civilized race, carried it to the ends of the earth, and who, multiplying as a "mighty army with banners" have now written its principles to a greater or less extent into the laws of practically every nation on the globe. Had Prof. Ely therefore been half as interested in searching for the facts about the Henry George movement as he is in devising means to head it off, his statement would have been very different from the above.

Let us see briefly just how large an advance, since the days of its infancy, the singletax cause has made throughout the world.

In the United States mention should first be made perhaps to the growing use of the principle of "special assessment"—that is, to the growing custom of towns and cities in paying for new roads, tunnels, parks, bridges boulevards and similar public improvements, not by a general tax on all property but by a tax levied solely against the adjoining land. This, of course, is but a narrow application of the singletax principle but the increasing use that is made of it shows quite clearly which way the current of public thought is running.

Attention might also be called in passing to the healthy and uninterrupted growth of the singletax enclaves or colonies—Fairhope in Alabama, Arden in Delaware, Free Acres in New Jersey, Tahanto in Massachusetts and Halidon in Maine—colonies where the advantages of untaxing industry and raising the government revenue from the rent of land only are being demonstrated to the public in a small but convincing fashion.[91]

Of wider significance than the above is the tax reform that has been brought about in the irrigation districts of California. As originally adopted the irrigation law of California provided for the taxation of both land and improvements.

In 1909, however, the law was amended limiting assessments in all new irrigation districts to land values only and permitting the five irrigation districts then existing to adopt the new system by a majority vote of the resident landholders. The result is that today on an area approximating 1,500,000 acres (2,340 square miles) comprising the richest and most fertile valleys in the state—notably the Modesto;[92] the Oakdale[93] and the Turlock districts and—no taxes for irri-

[91] See "Enclaves of Economic Rent," Vol. IV. Published by Fiske Warrell, Harvard, Mass., 1924. 03'

[92] "The new system of taxation in collecting all of the tax from the value of the land has brought great prosperity to our district. Farmers are now encouraged to improve their property. Industry and thrift are not punished by an increase in taxes."—From a statement made by the Modesto Chamber of Commerce, in February, 1914.

[93] "The Single Tax bas made a great deal of difference for the betterment of the Oakdale district. … "Many say they can now afford to borrow money and make improvements which they could not do under the old system. We invite farmers to come and settle among us. Their industry will not be taxed. Our Single Tax system encourages industry. We make the man who keep's his land idle pay the same tax as the man who improves. Those who build up our community and create its wealth

gation purposes whatever are levied on houses, barns, cattle, crops, personal property or other improvements—all the revenue for these purposes being raised from the value of land only. With a like object in mind the farmers of North Dakota passed laws in 1917 and 1919 that raised the assessment on land to its full actual value while reducing to fifty per cent the taxes on farm machinery, personal property and buildings used for resident purposes.

Similarly Minnesota after a long struggle passed on April 11, 1923, a revenue law which does not tax the industry of mining as such, but which does place, as a beginning, a tax of six per cent on the royalties received by the owners of mineral lands for "permission to explore, develop, take out and ship iron or other ores."[94]

Maryland also in 1915 wiped out the constitutional provision requiring equal taxation of all property and authorized classification. Going further in 1916 it extended to all towns and cities, except Baltimore, the right to raise local revenue in any way the municipalities see fit. As a result a number of smaller towns have found it advisable to exempt personal property, others to tax improvements at a lower rate than land values, while one—Capitol Heights in Prince Georges county—has, for eight years past, raised all local revenue by taxing land values only regardless of improvements.[95]

The 1920 Act of New York in exempting new dwellings from taxation for a period of ten years, as well as Pittsburgh's notable experience since 1913 in cutting down the tax rate on buildings to fifty per cent of the rate on land, has already been discussed elsewhere in this book.[96]

These are by no means all the advances towards the singletax idea that have occurred in the United States within the last ten or fifteen years but they are sufficient at least to show that the movement is not, as Prof. Ely implies, going backward but forward—and going forward in spite of all the odds arrayed against it.

---

will not be penalized."—From a public statement made by the Oakdale Board of Trade and signed by leading officials and heads of public bodies in Oakdale, May 22, 1914.

[94] See Report of the National Tax Relief Convention of the Manufacturers and Merchants Federal Tax League, Chicago, 1923, pp. 62-65.

[95] Bulletin 10 of the Maryland Tax Reform Association, Baltimore, Md., 1924.

[96] See topic 31 of this chapter.

Let us cross the boundary line into Canada. Here we find the movement to have made much faster headway than it has in the United States. This is particularly true of the western provinces of Canada. In the eastern provinces little progress has been recorded. Ontario did, after a long and bitter fight, manage to pass in 1920 a Municipal Tax Exemption Act giving any city, town or village in the province the right to tax its land apart from its improvements if it so desired.

Unfortunately for this Act however its opponents were successful in having it repealed in 1924. But it was not repealed before at least one city (Fort Erie) had managed to throw off the tax burden on its improvements as permitted by the law.[97]

In the province of Manitoba however the achievements have been considerably greater. In Manitoba farm improvements and personal property of all kinds are now totally exempt.[98] No farmer pays any local taxes save on the value of his land. While the towns and cities in Manitoba still tax improvements to a greater or less extent, together with some businesses and occupations, most of the revenue is obtained from land values only. In the city of Winnipeg (pop. 179,087) land is assessed at its full value while improvements are assessed at but two-thirds of their value.[99] Incidentally the cost of the new water supply of the Greater Winnipeg Water District is met by a special levy on the value of land apart from improvements.[100]

In the province of Saskatchewan the situation is better still. In this province the local authorities of the cities, towns, villages and rural districts assess the land on it full value while buildings and other improvements are assessed only on a certain percentage of their value which must not be more than 60 per cent but may be a great

---

[97] "The Square Deal," Toronto, Canada, June, 1924.

[98] "Assessment of farm lands in Manitoba is on the value of the land only. Improvements of all kinds are exempt. The straight land tax payable to his municipality is the only tax to which a Manitoba farmer is subject."—From" Opportunities in Manitoba," published by the Canadian Government, 1923.

[99] "Land and Liberty," August, 1925, p. 176. Published at 11, Tothill St., London, S. W. 1, England.

[100] See letter from James G. Hay, the Assessment Commissioner of the City of Winnipeg. Published in "Land and Liberty" (London) October, 1924.

deal less.[101] Prince Albert, for instance, (pop. 7,554) assesses improvement at 45 per cent of their value, Saskatoon (pop. 30,000) at 35 per cent, and Regina (pop. 36,822) at only 30 per cent.[102]

Furthermore in Saskatchewan, as in Manitoba, no taxes at all are levied on farm buildings, personal property, household effects, machinery or other agricultural improvements, the only local tax paid by farmers throughout the 295 rural municipalities in the province being the tax falling on the value of the bare land.[103] Buildings used for other than agricultural purposes may of course be assessed although at not more than 60 per cent of their actual value.

The position in the province of Alberta is practically the same as in Saskatchewan. The towns, villages and cities of Alberta derive some revenue from improvements but mainly from land values while the rural districts collect all their revenue for local purposes from land values exclusively—farm buildings, machinery, household goods, live stock, crops, etc., being entirely exempt.[104]

In British Columbia both "city" municipalities and "district" municipalities now have local option in taxation subject to the condition (Act of 1919) that they must not assess Columbia Improvements for

[101] "Land-Value Policy," by T. D. White, M. A ., LL. D., p. 11. Published by the United Committee for the Taxation of Land Values, 11, Tothill St., London, S. W. 1, England: 1924.

[102] Saskatchewan, "Department of Municipal Affairs Report" for 1921-22.

[103] "Saskatchewan's taxation assessments trend towards straight land tax, for, as intimated on many occasions, our municipal law does not lend itself to the penalizing of a man's thrift by making him pay taxes on his personal property, his herds, his barns, or his home. Throughout our 295 rural municipalities the land alone is assessed at its value, while no buildings in hamlets are at 0.11 assessable with the exception of elevators situated on non-assessable property such as a railway right-of-way. In that ease the assessment is more like a fee than a tax, as the owners of the elevator will simply pay $25 school taxes and $50 municipal taxes to the secretary-treasurer's office. Otherwise the credit of the municipality, as well as its security, is on the land alone. This fact means much for the solidarity of our rural municipalities and helps to account for the good price so often received for their debentures."—Report of the Department of Municipal Affairs, Saskatchewan.

[104] "The tax levy in rural districts in Alberta is made on the valuation of the land only, with the exception of a few districts where a small rate per acre is assessed for municipal purposes, such as the improvement of roads, etc. None of the farmer's equipment or property other than the actual land is assessed, which fact encourages improvement in buildings and live stock."—From "Canada West." published by the Canadian Government, 1923.

taxation at more than 50 per cent of their value. Of the 63 municipalities in the province 29 assess their improvements to the full extent of the law—that is, at half their value; 7 municipalities assess them at less than half their value; while the remaining 27 municipalities make land value the sole basis of taxation and do not tax improvements at all.[105]

Vancouver, the largest city, with a population of 117,000, for example, raised in 1922 a revenue of $5,392,174. Of this sum one-fourth came from improvements and the remainder from land values.[106] The city of Victoria (pop. 38,727) taxes its improvements at 33$^{1}/_{3}$% per cent of their value while on the other hand the city of New Westminster (pop. 14,495) exempts its improvements entirely.[107]

The principle of the singletax has moreover been recognized in western Canada for purely provincial purposes. Manitoba exempts farm stock and improvements. Saskatchewan levies a special tax on what is called "wild land." Alberta does the same. And so does British Columbia.[108]

Let us now turn from our neighbor on the north to South America. Here we find further evidence of the healthy growth of the singletax movement. With scarcely any taxes on land to begin with twelve of the states of Brazil—Rio Grande do Sul, Santa Catharina, Para, Parana, Minas Geraes, Matto Grosso, Piauhy, Rio de Janeiro, Pernambuco, Sao Paulo, Goyaz and Maranhao—have now adopted to a moderate extent, the principle of taxing land values apart from improvements.[109]

Equally good is the headway now being made in the towns, cities and rural districts of Brazil. In 1917 the city of Garibaldi—the first city in South America to do so—abolished the local taxes on its improvements. Its next successor was Montenegro which in 1920 sub-

---

[105] "Report of the Inspector of Municipalities," of British Columbia for the year ending December 31, 1922.

[106] Ibid.

[107] "Land-Value Policy," by J. D. White (London), 1924, p. 78.

[108] "Land-Value Policy," by J. D. White (London), 1924, pp. 77-78.

[109] "Revista Do Imposto Unico," January, 1925. Published at 288 Rua Demetrio Ribeiro, Porto Alegre, Rio Grande do Sul, Brazil. See translation in "Land and Liberty" (London), April, 1925.

stituted a land value tax for five classes of taxes on business and industry. Following Montenegro in 1922 came Pinheiro Maehado which today raises two-thirds of its revenue from land values only. At this writing (1925) the town of Caxias is making the change and the necessary steps are being taken in the towns of Alegrete and Itaquy.[110]

Of greater significance yet is the legislation just enacted in Porto Alegre, Brazil,—a city with a population of 208,000 and the capital of the state of Rio Grande do Sul. Under the direction of its mayor, Dr. Octavio da Rocha, the city of Porto Alegre on March 21, 1925, passed an act establishing a "Cadastral Register" or Valuation Department with sufficient funds, powers and staff for a complete valuation of the city with the particular object in view of concentrating as early as possible the whole municipal revenue burden on the site value of land.[111]

In the republic of Uruguay a similar activity is going on. For many years the "real property tax" in Uruguay, outside of Montevideo and other municipalities, has been levied on land values exclusively. In Montevideo itself an admirable system of property valuation exists under which land values and improvement values are kept distinct. Although it failed to pass, under the late government in Uruguay a bill was brought in with official support exempting improvements entirely.[112]

In the Argentine Republic the province of Cordoba has collected the larger portion of its state revenues from the value of rural lands since the year 1914. Having been the only province in the Argentine to enjoy unbroken prosperity since this date the Cordoba government under Dr. Carcano took steps on April 23, 1925, to apply the same policy in regard to all of its urban lands[113]—San Francisco (pop. 15,000) being the first city in the province to be "zoned" with this object in view. Similarly the legislature of the state of Buenos Aires (the largest and most populous state in the republic) modified in

[110] Ibid.

[111] "Revista Do Imposto Unico," Porto Alegre, Brazil, March, 1925. See translation in "Land and Liberty" (London), July, 1925.

[112] Joseph D. Miller in the "Dearborn Independent," March 22, 1924

[113] "Revista Del Impuesto Unico (Esmeralda, 91, Buenos Aires, Argentina), June, 1925.

1924 the existing graduated tax in rural areas by a complete exemption of all improvements from that tax.

The city of Mendoza (pop. 67,000) in the same republic enacted a law in 1923 to raise approximately eighty per cent of its revenue from land values exclusively, the law to take effect in 1924. Moreover, in 1923 the City Council of the large city of Buenos Aires (pop. 1,750,000) passed, by a vote of 20 to 8, a resolution to transfer the major portion of its municipal revenues from industry and improvements to the value of land.[114] Unfortunately for this resolution, however, it was later rescinded on the grounds of unconstitutionality.[115]

So much for the Henry George movement in South America. Although less actual legislation has been secured here than in some other parts of the world yet the movement on this continent is now gathering a momentum that may soon put it in the lead of other continents. Large and influential journals advocating the singletax have in recent years sprung up in Brazil, Uruguay and the Argentine Republic; books, pamphlets and circulars are being widely distributed; while a "South American Committee for the Singletax" with the Uruguayan diplomat Dr. Manuel Herrera y Reissig as president and fifty vice-presidents representing the nations of Argentina, Bolivia. Brazil, Columbia, Costa Rica, Cuba, Equador, Paraguay, Peru and Uruguay, has recently been formed with headquarters in Buenos Aires.[116] At the same time governors, mayors and public officials everywhere are growing more friendly to the cause and in a surprisingly large percentage of cases are already giving it their wholehearted backing and support.

If we pass from South America to Europe we find further proof that the singletax movement of Henry George is not, as Prof. Ely says, receding, but steadily advancing. Before 1914 the movement had already secured a firm foothold in many European nations but this foothold was all but destroyed and swept away in the great conflagration which broke out in that year. However, a reorganization of the movement has now definitely set in and one or two nations at

[114] "Land and Liberty," December, 1923.
[115] "Land and Liberty," January, 1924.
[116] "Revista Do Imposto Unico," Porto Alegra, Brazil, January, 1925.

least have taken the first steps that will blaze the pathway to the final goal.

In France, Belgium, Hungary, Norway, Spain, Holland, Germany, Russia, Italy, Czecho-Slovakia, Switzerland and the Balkan States, nothing of consequence has been accomplished in the way of getting the land value tax on the statute books, but some very substantial headway in educating the people in this direction has been made. In practically all of these nations, publications, setting forth the single-tax principles, have been launched; leagues and organizations to distribute literature and give lectures have been formed; and favorable public sentiment is distinctly on the increase.[117]

It is worth observing as we pass that the large city of Budapest in Hungary made a mild but admirable beginning in land value taxation in 1919. The statute authorizing the tax was carried overwhelmingly by the Town Council on November 7, 1917, was sanctioned in the following month by the Ministers of Home Affairs and of Finance, and the tax was duly assessed, levied and collected for three years—1919, 1920 and 1921. Unfortunately, following the violent political change and troubles through which the country had passed, not to speak of the Bela Kun revolution, anti-Liberal forces were in the saddle and a hostile Town Council in 1921 caused the collection of the tax to be suspended. With the further growth of public opinion, however, this set-back in Hungary can be only temporary.[118]

Sweden also has some promising legislation to its credit. In Sweden an Act was passed in 1920 whereby all land held by private owners in all cities, towns and urban districts was to be valued separately from improvements for the express purpose of taxing land values to a heavier extent. The valuation was completed in 1922 and although imperfect provides a very workable basis for a more rapid advance of the singletax principle in this country.[119] England offers a most striking illustration of the vitality of the Henry George movement. In the twenty years preceding the outbreak of the war the dis-

[117] Report of the "International Conference on the Taxation of Land Values," held in Oxford, England, 1923. Published at 11, Tothill Street, London, S. W. 1, England, by the United Committee for the Taxation of Land Values.

[118] Report of the "International Conference on the Taxation of Land Values" 1923, p. 45.

[119] Ibid. P. 32.

ciples of George in England had grown from a mere handful of people to a group of national importance. Under the leadership first of Sir Henry Campbell-Bannerman and later of Premier Asquith the road was cleared for the 1909 Budget and the famous Land Campaign of that time. This over the Land Values Group in Parliament took counsel together and prepared the way for more practical legislation along the right lines. The government introduced measures for revising the valuation of the land and pledged itself both to assess and to tax land values.

But lo! The World War came, scattered the singletax forces and tore to the ground the promising structure they had built up. With the signing of the Armistice, however, the broken ends were gathered together and the construction of a new organization began. Today there is hardly a district in England that does not have its Henry George League where public speakers may be obtained and literature secured. As a result both the Labor and the Liberal parties now have the taxation of land values definitely in their programs. What is equally significant in the election of 1923 over 340 candidates personally endorsed the taxation of land values as did 140 members of the existing House of Commons![120] No actual legislation of consequence has so far been secured in England but an early victory may be seen on the horizon.

It is in Denmark, however, where the movement in Europe has made the longest strides. Since the formation of the first Henry George Union in that country in 1902 the growth of sentiment in favor of the singletax has forged ahead at an accelerating pace. Urged by the various singletax bodies, with whom the small farm holders and the House-Tenants' Association had joined, the government of Denmark in 1916 undertook to make a tentative valuation of all land apart from improvements for the express purpose of introducing the land value tax. A more scientific separation of the value of the land from the value of the improvements was made in 1920 and again in 1923.

With the valuation of 1920 completed a law was passed by the Denmark Legislature and signed by the King on August 7, 1922, placing a national tax of one and five-tenths mills on the dollar on

[120] Ibid. Pp. 38-39..

the value of all land in the kingdom, the same law reducing the tax on improvements to a corresponding extent. The chief significance of this law is not merely that it marks a small but sound beginning in the taxation of land values for national purposes, but that it definitely establishes the machinery for a much larger extension of the same principle for local purposes.?[121] Bills to shift a large share of the local tax burden from improvements to land values in all cities, towns and rural districts in Denmark have already been prepared by the government and are now under debate.[122]

It is interesting to note in this connection that the third World Conference for the Taxation of Land Values has been scheduled to be held in Copenhagen in August of 1926, the second World Conference, with representatives from fourteen nations present, having been held in Oxford, England, in August of 1923.

Turning from Europe to the English speaking provinces of South Africa we discover an equally steady march towards the singletax principle. Within the last fifteen years the leading provinces in this part of the British Empire have provided for the separate valuation of land and improvements for taxation purposes—the Province of Natal having made such a provision in 1911; the Transvaal in 1912; the Orange Free State in 1913; the Cape of Good Hope Province in 1914; and Southern Rhodesia in 1914.[123]

Moreover, in each of the above provinces authority has been granted the local governing bodies to transfer any or all taxation from improvements to land values if they so desire, the result being that a large number of the towns and cities in these states now tax improvements at a much lower rate than land values while many of them do not tax improvements at all.

Thus, in the Province of Natal the city of Durban (pop. 160,000) now taxes its improvements only one-half as heavily as it taxes its land.[124] In Southern Rhodesia the city of Bulawayo taxes its improvements one-third as much as its land; the city of Gwelo, one-

[121] Ibid. Pp. 14-17.

[122] "Grundskyld," issues of 1924 and 1925. Published by "Den Danske Henry George Forening," Rebekkavej 47, Hellerup, Denmark.

[123] "Land-Value Policy," by James D. White, pp. 78-79.

[124] "Land and Liberty," January, 1924.

third; while in Salisbury (the capital) the rate on improvements is only one-seventh of the rate on land.[125] In the Cape of Good Hope Province again the city of East London taxes its land six times as heavily as it taxes its improvements while in the neighboring town of Cambridge improvements, since 1919, have been entirely exempt—all the revenue for local purposes in this town being raised from land values exclusively.[126]

In the Transvaal the situation is even more interesting. Not only have all municipalities and village councils in this province been given the option of untaxing improvements to any extent they desire, but since 1916 they have been obliged by the provincial government to make the tax rate on improvements at least 1d. in the £ less than the tax rate on land. Today, out of the thirty-eight municipalities and village councils in the province only eight of them still tax improvements at the maximum rate allowed by law, twenty-one others have gone considerably below this maximum, while the remaining nine have eliminated the tax burden on improvements entirely.[127]

For example, the tax rate in the city of Pretoria (the capital of Transvaal) is l½d. in the £ on improvements as against 4d. in the £ on land; in the city of Standerton it is l½d. and 5d. respectively; in Potchefstroom 2d. and 5d.; in Ermelo 1d. and 4d.; in Klerksdorp 2½d. and $5^1/_4$ d.; in Lyndenburg 2d. and 4d.; in Piet Retief $l^3/_4$d. and 4½d.; in Pietersburg 2d. and 4½d.; in Rustenburg 1d. and 3d.; in Wakkerstroom 2d. and 4d.; and so on.

On the other hand in Benoni, Boksburg, Brakpan, Germiston, Krugersdorp, Springs, Vereeniging, Witbank and Johannesburg the tax on improvements has been abolished altogether, the whole local revenue in these cities being raised from land values only. In Johannesburg (pop. 288,000) the land value tax method for raising the local revenue has been in force since 1918, all improvements having been exempt since this time.[128]

---

[125] "Land and Liberty," February, 1924.

[126] "Land and Liberty," May, 1925.

[127] Report, "International Conference on the Taxation of Land Values," 1923, p. 35.

[128] "Land and Liberty," May, 1925.

As in the British provinces of South Africa so too in Australia—the Henry George movement for a singletax on land values in making a steady and continuous progress.

In Australia there has been state taxation of land values in a mild form for many years. South Australia began the system in 1884; New South Wales in 1895; Western Australia in 1907; Tasmania in 1909; Victoria in 1910; and Queensland in 1915. Besides these state taxes there has been an Australian federal tax on land values since 1910. Most of these taxes, however, have had their rates graded according to the amounts of land value held by particular persons and are subject to so many exemptions and abatements that the bulk of the land value is not affected by the taxes.[129]

It is therefore not in state or federal but, as in other parts of the world, in local taxation where the real progress of the singletax principle lies. Take first the state of Victoria.

Not until very recently were the municipalities and shires in Victoria given power by the State to relieve improvements from taxation and to raise a larger share, or, if they so desire, all of their local revenue from land values. In 1920, however, this power was granted. Since this time thirteen municipalities and shires—Caulfield, Oakleigh, Dandenong, Essendon, Camberwell, Coburg, Brunswick, Portland, Newton and Chilwell, Carrum, Rosedale, Yea and Mordialloc—have reduced or eliminated entirely the local tax burden on their improvements.[130]

The state of South Australia offers quite as good an illustration as Victoria but in a different way. Although municipalities (but not the district councils) in South Australia have had the option of shifting the local tax burden from improvements to land values ever since 1893, yet the obstacles placed in the way to block them from doing so have been so great as to be practically insuperable. Notwithstanding these obstacles, however, 14 out of the 34 municipalities in South Australia have now managed to change over to the land value tax

[129] "Land Value Policy," by James D. White (London), 1924, p. 74.
[130] "Progrecss" (18 Gecorge Parade, Melbourne, Aus.,) July, 1924; Oct., 1925.

system. The names of the towns with the results of the voting at the poll are as follows:[131]

	For	Against
1907—Thebarton	703	435
1908—Moonta.	170	117
1910—Port Adelaide	2,331	421
1910—Hindmarsh	1,003	344
1910—St. Peters	952	352
1910—Mount Gambler	490	306
1911—Glenelg	474	277
1911—Port Pirie	1,225	380
1912—Gawler	179	173
1912—Peterborough	262	117
1912—Quorn	85	20
1913—Yorketown	53	40
1916—Port Augusta.	215	13
1922—Port Lincoln	233	36

It is significant to note in passing that while all voters in Australia may vote on a proposal to adopt land value taxation, only landowners may vote to repeal it after two years' operation. In the above towns of South Australia only two of them have been asked to vote on the proposition to return to the old system of taxing improvements, and in both cases the proposition was voted down by the landowners themselves by larger majorities than the land value tax system itself received at the hands of all the voters when it was first adopted six years before.[132] In fact, throughout the whole of Australia there is no

[131] "The People's Advocate" (56 Pirio Chambers, Adelaide, Australia), May 21, 1924.

[132] "The Land Values Assessment Act provides that after the system has been in operation for two years in any municipality the citizens have the right of taking a poll with a view to returning to the old system of taxing improvements, if they so desire. Only in two towns have such requests been made. The first was at Thebarton in 1913, six years after land value rating had been adopted. When the poll was taken, the principle was reaffirmed by a bigger majority than was received when the system was adopted in 1907. The majority in favour of retaining land values was 335 in 1913, as against 268 in 1907. The next reversion poll was at Gawler in 1918, and here the majority in favour of retaining land values was 98, as compared with 6 when the principle was first adopted. A special point of interest in connection with these polls is the fact that the Act provides that at a reversion poll the voting is confined solely to LANDOWNERS, whereas, at the adoption poll, owners and tenants

record of any municipality, town or country district having gone back to the system of taxing industry and improvements after the taxation of land values only had once been tried.[133]

Had there been any fundamental weakness in the singletax principle it would certainly have disclosed itself long ago in the state of Queensland. In this large Australian state practical experience with land value taxation runs back for more than thirty years. The policy of exempting certain improvements from taxation was partially recognized in Queensland's law as early as 1879. After this date the policy was frequently extended with such general satisfaction that in 1902 a State Act was passed which provided that all local revenues (except those for the removal of garbage, etc.,) must be levied on land values with improvements wholly exempt.[134]

Thus, for more than twenty years in Queensland all towns, boroughs, country districts and municipalities (including Brisbane and suburbs with a population of 230,000) have been exempting improve-ments entirely from taxation and raising their local revenues from land values only.[135] And this with no popular desire whatever for a return to the old system but with a constantly growing demand

---

are both allowed to vote. Yet after 6 years' practical operation of the Act we find the owners deciding to retain the land values system by bigger majorities than were cast for the principle when the tenants were also allowed the right to vote."— The People's Advocate," (56 Pirie Chambers, Pirie Street, Adelaide, S. Australia), May, 1924.

[133] "No place in Australia that has had experience of Rating on Land Values has ever gone back to the old system."—"Progress," (18 George Parade, Melbourne, Australia) July, 1925.

[134] Report, "International Conference on the Taxation of Land Values," 1923, p. 34.

[135] "Writing in the Melbourne Progress" of August, 1924, regarding the adoption of the land value tax system in Queensland, the Hon. H. F. Hardacre or Brisbane states:

"Governments have since come, and Governments (including Conservatives) have gone, but none has ever proposed to revert to the old and unscientific method of imposing rates on Improvements as well as Land Values. … I can say unhesitatingly that whoever would be convinced of the beneficial results of the method of rating upon the Value of the Land only, and the exemption of Improvements from taxation, need only pay a visit to Brisbane and see the system with all its excellent consequences, in operation in actual fact in this State."

that the state and federal government revenues also be raised in the new way.

The status of the Henry George movement in the state of New South Wales is about the same as it is in Queensland. Although agitation for the singletax on land values began almost as early in New South Wales as it did in Queensland, yet it took a much longer period of time before state authority to apply it for local purposes was obtained. In 1906, however, the Local Government Act was passed which compelled the shires and municipalities to raise a larger amount of their revenue from land values apart from improvements and which also made it optional for them to extend the principle if they so desired. The taxing provisions of the Act became operative in the shires or rural districts in 1907 and in the municipalities in 1908.[136]

Since this time the system of taxing land values for local purposes has spread so rapidly throughout New South Wales that today out of a total of 137 country municipalities in the state, 112 raise their local revenue entirely from land values, while out of the 134 rural districts in the state, all but 3 raise their revenue entirely from land values.[137] Moreover, of the 25 municipalities that do not "rate on unimproved values," as they say in Australia, about two-thirds of their revenue is collected from land values and only about one-third from improvement values.

Thus, in New South Wales as in Queensland the singletax doctrine of Henry George is steadily gaining ground.[138] Not only is there no

---

[136] Report, "International Conference on the Taxation of Land Values," 1923, p, 61.

[137] Ibid. P. 62.

[138] "In New South Wales where all the councils now raise their ordinary rates by taxing land values only, there is a strong agitation to get the water and sewerage rate levied on the same basis. Twenty-three municipal and shire councils have petitioned Parliament for power to levy water and sewerage rates on this basis. Fifty-nine progress associations have also petitioned Parliament for such power to be given to the councils. In addition, twenty-six trade unions and twenty-seven other public bodies, including branches of the National Association, Labour Electoral Councils, Chambers of Commerce, W.C.T.U., Taxpayers' Association, etc., have also petitioned Parliament for such power to be given. In 1923 one hundred and thirty-six petitions were presented to the N. S. W. Parliament in favor of rating on land values only for water and sewerage. This shows a very healthy forward movement and

desire on the part of the citizens to revert to the old system of taxing improvements but the demand is definitely growing to have all taxes —federal and state as well as local—deflected from the fruits of human industry to the value of the bare land.

Before leaving New South Wales the city of Sydney with its present population of more than 1,100,000 souls (including suburban) should be mentioned. In Sydney land value taxation to a moderate extent dates from the year 1908, but since the year 1916 all of the municipal taxes (excepting those levied by the Water and Sewerage Board) have been raised from land values and none from improvements. The increasing satisfaction that this system of taxation has given Sydney during these ten years may be no better seen than by referring to the remarks of Alderman John U. Firth printed elsewhere in this book.[139]

Let us pass from Australia over to New Zealand. Here, also, we find the singletax theory of Henry George to be making uninterrupted progress. While there had been some activity in favor of taxing land values apart from improvements in New Zealand as early as 1880 (the year after "Progress and Poverty" was published) it was not until 1891 that the movement began in real earnest. Five years later (1896) local option in taxation was given to all cities, boroughs, counties and town districts in the Dominion. One year following this (1897) Palmerston North—a borough with a present population of 15,649 and the first borough in New Zealand to do so—availed itself of its privileges and exempted its improvements from all local taxation.

Since this time over one-half of the local governing bodies in the Dominion have followed the same course. Forty-seven counties out of a total of 125, and 68 boroughs out of a total of 118, in addition to 87 town, road, river-protective and land-drainage districts, now raise their local revenues entirely by taxing land values and exempting all improvements.[140] This includes the large cities of Wellington and

---

there is no agitation whatever to go back to the old system of taxing improvements." —W. B. King in the Melbourne "Progress," June, 1924.

[139] See Topic 31 of this chapter.

[140] Report, "International Conference for the Taxation of Land Values" 1923, pp. 59-61.

Christchurch, both of which adopted the land value tax system over twenty years ago as well as the city of Wanganui (pop. 24,000) which came into the fold in the early part of 1925.[141]

Following are the counties, boroughs and leading town districts in New Zealand that have transferred the local tax burden from improvements to land values since the year 1897:[142]

Cities, Counties, Boroughs And Leading Town Districts In New Zealand That Have Transferred The Local Tax Burden From Improvements To The Value Of Land During The Past 28 Years
Not reproduced /pma

It is worth noting in this connection that out of the 202 governing bodies in New Zealand that, during the past twenty-eight years, have adopted the system of taxing land values for local purposes, only sixteen polls on the question of going back to the system of taxing improvements have been taken, and out of these sixteen polls onæy five have been successful.[143]

Such then is the status of the singletax movement at the present time. In no country has the full theory as yet been applied but public sentiment in favor of it is not, as Prof. Ely intimates, declining, but steadily and continuously increasing. Since the publication of "Progress and Poverty" in 1879 by Henry George the singletax idea has taken root in practically every civilized nation on the globe; it has been adopted for local purposes either in whole or in part, and with the utmost satisfaction, in nine of the large cities of the world; while in the various rural districts, municipalities, states and nations where the entering wedge of the reform has been inserted, live more than sixty million people.

[141] "The Liberator," (101 Victoria Arcade, Auckland, N. Z.), May, 1925.
[142] See "The Liberator" of April 2, 1922, and subsequent issues.
[143] "The Liberator," April 1922, p. 4.

CHAPTER VI —Conclusion

Our task is done.

We have now laid bare the "Institute for Research in Land Economics and Public Utilities" founded and directed by Prof. Richard T. Ely of Northwestern University and observed it to be a fraud from first to last.

We have learned where the Institute was organized; when it was formed; who is on its Board of Trustees; how it is being financed; and what its main object is.

We have examined with care the three basic books written by Prof. Ely for the guidance of his Institute and upon which the future work of the organization is to be built—seen the inconsistency of his terminology, the fallacy of his arguments, the inaccuracy of his statements, the unsoundness of his proposals to say nothing of the absurdity of laying down his conclusions before gathering his facts and of condemning great public policies in advance of his investigations.

We have shown his partiality to monopoly and special privilege and hi hostility to industry and enterprise, observed his bias in favor of the vacant land speculator as against the land user, heard his pleadgings for lower taxes on non-producer and higher taxes on producers, and seen him openly go to the defense of "vested interests "and monopoly group and help to defeat legislation that had for its object the shifting of a portion of the revenue burden from the earning of human industry to the unearned value of natural opportunities.

In short, we have conclusively proved that the Institute of which Prof. Ely is the founder and director is not, as he claims, an "impartial' and "disinterested" research organization established for the purpose of disclosing the true solution of our economic problems, but a biased and prejudiced organization, established in our colleges and universities for the deliberate purpose of guiding the public mind away from what demonstrably is the true solution—namely, the taxation of land values as proposed by Henry George.

But one more point remains. It may be said that the professors of economies in colleges and universities always have opposed the tax-

ation of land values as proposed by Henry George. Why, then, this great commotion now?

It is true that most professors of economics in colleges and universities always have opposed the philosophy of Henry George. But there is this fundamental difference between the hostility of the average professor of economics in the past and the hostility of Prof. Ely's so-called "Institute for Research in Land Economics" at the present. In the past the hostility of the professors has been passive instead of active and has been based upon pusillanimity and ignorance of George's teachings rather than upon any moral turpitude on their part.

This has certainly been the case with the writer of the average text book on economics. Timidity and fear have unquestionably had more to do with such a writer's opposition to the singletax than any imaginary weakness found in the theory itself or any real desire on his part to miseducate.

For, as colleges and universities are now organized, their final control rests in the hands of those who profit, directly or indirectly, by the unjust economic system we now have—the very system that the singletax will destroy. Hence, only a few professors have had the courage to stand out boldly and squarely for the singletax.

In the "Christian Science Monitor" of April 27, 1925, for instance, we read:

> "Dr. F. W. Roman of New York University who presided over the dinner [given by the Manhattan Single Tax Club on April 26] pleaded for greater tolerance for the economists who ventured to express their opinions in favor of singletax. He could mention, he said, half a dozen well-known economists who had been 'ousted from their positions as many as six times because the trustees of their institutions disapproved of their views.' "

On the other hand, just as few professors have been courageous enough to advocate openly the great remedy that George gave to the world, so the majority of text book writers on economics in our colleges and universities have taken the" easier road" and have either ignored this remedy entirely, or where this was not possible, argued against it with as much plausibility as they could. As Dr. Harry Gun-

nison Brown, himself a professor of economics in the University of Missouri, truly says in his recent book:[144]

> "The writer feels that they [the Henry George conclusions] have never received anything like fair consideration in most text books on economics or anything like a fair presentation to the students of economics in most universities and colleges. Indeed, a majority of specialists of reputation in the field of public finance have opposed these conclusions with arguments which are logically fallacious, historically inaccurate, mathematically inconsistent, and sometimes grotesque."

Precisely so! Not daring, for reasons of their own, to endorse the singletax publicly, the majority of text book writers have opposed it, as Dr. Brown well says, with arguments which are "logically fallacious, historically inaccurate, mathematically inconsistent and sometimes grotesque."

Since this has been the character of the opposition to the singletax on the part of those who have written most of our text books on economics, what must be the character of the opposition on the part of the young men and women standing who read and study these textbooks and who invariably accept the views passed on to them by their teachers? Must not the opposition of these young men and women naturally be based upon ignorance of what the singletax is and what it will accomplish, rather than upon anything else? As Dr. Brown further goes on to say:[145]

> "Young economists not infrequently get the impression from their teachers that certain views are commonly rejected by reputable members of the craft, and deem it not worth while to investigate them. Subconsciously they come to feel that these views would be likely to put them 'outside the pale.' For it is not alone through inducing the fear of loss of teaching positions (although this is a sufficiently common means) that the defenders of the existing regime control the teaching of economic principles and problems."

---

[144] "The Taxation of Unearned Incomes," (Lucas Brothers, Columbia, Mo., 1925), preface.

[145] Ibid., pp. 4, 5.

It is, therefore, safe to say that the hostility of college and university professors to the singletax in the past has been due more to timidity, ignorance and misunderstanding of the subject than to any deliberate intention to mislead.

But this cannot be said of Prof. Ely and his "Institute for Research in Land Economics." Prof. Ely is financially independent and, notwithstanding his illogical arguments, is thoroughly informed. His personal fortune is handsome, his teaching career will soon be over, and his reputation as a "great economist" has already been made.

The hostility he evinces to the Henry George philosophy cannot, therefore, be due either to fear or to a lack of knowledge regarding that philosophy, but only to a desire to prevent its central truth from becoming generally known.

A still greater difference, however, between the opposition of most college and university professors to the singletax, and the opposition of Prof. Ely and his "Institute for Research in Land Economics," is to be seen in their methods. Up to the present time the opposition of college and university professors has chiefly been passive. That is to say, their antagonism to the Henry George idea, when not based upon misunderstanding, has been displayed in text books, class room discourses, etc., more for the purpose of protecting themselves from the charge of "radicalism" than to head off any advance of the idea in the public mind. And while this antagonism has indeed done much to check progress it has not been sufficiently strong to keep public sentiment in favor of the idea from spreading.

But the opposition of Prof. Ely is of a different order. His opposition to the singletax is not negative; it is positive. Where the average professor of economics in the past has merely gone on record against the singletax and then stopped, Prof. Ely has outlined for his Institute a hundred-year program of hostility—a program that for sheer ingenuity and magnitude staggers the imagination.

Prof. Ely proposes not merely to lend the influence of his "impartial" Institute, as he has done repeatedly for the National Association of Real Estate Boards, to groups and organizations whenever their special privileges are endangered by legislation, but he proposes also to carry on, under the cloak of "disinterested research" a subtle but steady campaign against the further taxation of land values in any shape or manner—a campaign of misleading ideas, half-truths and

fallacies dished out to the people in varying quantities through the current channels of education—through text and reference books, pamphlets, reports, speeches, classrooms, journals, newspapers and the like—and to have these misleading ideas, half-truths and fallacies so skilfully disguised and loaded down with the weight of professional authority that there will be no doubt about their general acceptance.

Let the facts speak for themselves. It was in October of 1920—just five years ago—that Prof. Ely founded his "Institute for Research in Land Economics and Public Utilities" in the University of Wisconsin.[146] Since this time he has enlarged his Board of Trustees to nine members,[147] one of whom is a former presidential candidate of reactionary bent and another the General Counsel for the National Association of Real Estate Boards; has built up the income of his Institute from nothing to an amount somewhere between $100,000 and $200,000 a year;[148] has added to his "research" staff fifteen innocent but short-sighted young men and women;[149] has obtained from the United Y. M. C. A. Schools, as a means of securing public confidence in his work, the use of their stamp:[150] and has fortified his literature with a so-called "Advisory Research Council" representing eight of the largest universities in America.[151]

But this is not all. In this same period of five years Prof. Ely has turned out three crops of graduate students, most of whom have gone to teach in other institutions of learning; has introduced into Northwestern University—his new and permanent home—a special group

[146] See "Institute News," June, 1923, p. 4.

[147] See page 190 of this book.

[148] In January of 1924 Prof. Ely stated publicly that his Institute was then "spending between $40,000 and $50,000 a year"? Since this time other donations such as that from the Laura Spelman Rockefeller Memorial are known to have been received. In the March, 1925, issue of the "Institute News" we read: "Plans are now under way to raise the first million dollars of the endowment fund." And in the June, 1925, issue of the same paper the Executive Secretary of the Institute, Mr. A. J. Mertzke, writes: "Within a few years we trust there will be substantial contributions toward a permanent endowment, sufficient to assure the Institute an income of $250,000 a year."

[149] See page 190 of this book.

[150] Ibid., p. 188.

[151] Ibid., p. 190.

of eleven courses dealing exclusively with land and taxation[152] has launched one monthly paper[153] and one large quarterly journal;[154] has written and edited eleven of his proposed fifty volumes on land economies and public utilities, with sixteen more volumes in actual preparation;[155] and has definitely established, via the National Association of Real Estate Boards, connections with more than one hundred schools, colleges and universities throughout the United States.[156]

---

[152] "The official announcement in June that the Institute would be moved from Madison to Chicago led to wide and favorable comment.

"The actual transfer is now an accomplished fact, and the Institute this year is operating in generous quarters consisting of six rooms especially remodelled and equipped for its use in the Commerce Building of Northwestern University in Evanston. This location, however, is temporary. As soon as the Northwestern buildings, now under construction on the McKinlock Memorial Campus at Chicago Avenue and Lake Shore Drive, are completed, the Institute will be given a floor at Wieboldt Hall of Commerce, which will be especially designed to accommodate its staff and special research library and equipment.

"The affiliation of the Institute for Research in Land Economics and Public Utilities with Northwestern University has made it possible to develop a curriculum of courses in Land Economics and Public Utilities which, added to the courses already offered by Northwestern University, is more complete than any that has heretofore been given. … They are planned primarily to meet the needs of those who wish to prepare for a career of teaching or research and for those who wish to qualify themselves to engage in Real Estate as a career, and to graduates of colleges of arts and sciences and colleges of agriculture who wish to pursue advanced study in this field.

"The courses conducted by members of the Institute Staff in the field of Land Economics are as follows:

" 'National Land Policies' by Prof. Richard T. Ely; 'Round Table in Economic Theory,' Prof. Ely; 'Elements of Land Economics,' Professors George S. Wehrwein and Wm. Ten Haken; 'Principles of Land Economics,' Prof. Wehrwein; 'Economic Institutions,' Prof. Herbert D. Simpson; 'Taxation of Land,' Prof. Simpson; 'Land Systems,' Prof. Mary L. Shine; 'Urban Land Economics," Prof. Albert G. Hinman; 'Real Estate Practice,' Prof. Herman; Seminar in Land Problems,' Prof. Wehrwein; and 'Seminar in Urban Land,' by Prof. Herbert B. Dorau."—From the "Institute News," September, 1925.

[153] The "Institute News," Commerce Building, Northwestern University, Evanston, ill.

[154] The "Journal of Land and Public Utility Economics," published for the Institute by A. W. Shaw Company, Cass, Huron and Erie Streets, Chicago.

[155] See page 188 of this book.

[156] "In 125 cities of the United States courses in real estate practice are being offered under the auspices of real estate boards affiliated with the National Associa-

Individuals and organizations with "axes to grind" have long known the value of securing, as a shield against criticism, the en-

---

tion. In 37 other cities member boards have under consideration the opening of such courses. Less than two years ago there were not a dozen cities in which organized study in real estate principles and in practical real estate methods was being carried out.

"Courses in real estate and supplementary courses in the allied subjects in the fields of land economics; law and finance were opened this fall in 33 of the leading universities and colleges. This includes Columbia University, the university of Maryland, the University of Virginia, New York University, Boston University, the University of Indiana, Northwestern University, the University of Michigan, the University of Wisconsin, the University of Iowa, Georgia Institute of Technology, the University of Nebraska, the University of California, the University of Southern California, the University of Detroit, Buffalo University, the University of Cincinnati, Syracuse University, Akron University, Temple University, Vanderbilt University, Drake University, Marquette University, North-eastern University, Rollins College, Washington University, and the Southern Methodist University.

"The Boston Real Estate Exchange is co-operating closely with Boston University in the course in 'The Profession of Real Estate' and in real estate law which the University has been giving for two years. Six hundred persona have taken the courses. The Baltimore Real Estate Board co-operates similarly with the University of Maryland, and the Detroit Real Estate Board with the University of Detroit in a two year course which this year includes city planning, subdivision development, general brokerage and real estate publicity. The Madison Real Estate Board is working closely with the University of Wisconsin in its new real estate work.

"The Chicago Real Estate Board is adding a course in property management to the extensive work it is giving through the Chicago Y. 11. C. A. College of Commerce. The San Francisco Realty Board, with a class conducted in co-operation with the University of California, has an enrolment of 175.

"The University of Southern California, which is co-operating with the educational committee of the California Real Estate Association, giving extension courses for local real estate boards, has enrolled 800 students in such courses.

"The Pittsburgh Real Estate Board, in co-operation with the East Liberty Y. M. C. A., has started a course in the practice of real estate.

"Professional training for engaging in the business of real estate was given a notable impetus by national conferences called in April and November of 1923, at which representatives of the National Association of Real Estate Boards, the Institute for Research in Land Economics and Public Utilities, the United Y. M. C. A. Schools and deans of the schools of business in leading colleges and univer-sities took part. These conferences outlined a definite two-year vocational course in real esta te which is being very generally followed. They also outlined a sug-gestive four-year college course. "-From a$ press bulletin se nt out by the National Association of Real Estate Boards and printed in "The Pittsburgh Realtor" of Nov. 4, 1924.

dorsement of some religious or charitable body in support of their plans. That Prof. Ely is not blind to the same fact is quite evident from the prominent display on his books of the stamp of the United Y. M. C. A. Schools together with that of the National Association of Real Estate Boards.

Following is a photograph of the fly-leaf of his "Elements of Land Economics"—one of the most unfair as well as dishonest books that has thus far appeared in his whole Land Economic Series.

PUBLIC OPINION AS IT IS MADE

Prof. Ely purposes to write, edit and publish under the auspices of his "re-search" Institute, a total of fifty volumes on land economics and related subjects. Of these fifty volumes eleven have already appeared and sixteen more volume arc being prepared for the printer.

The following photograph of an advertisement printed in Prof. Ely's own magazine, "The Journal of Land and Public Utility Economics" for October, 1925, shows the books that have thus far been published (except the first three written by Prof. Ely himself as the base upon which all others are to stand), and the titles of those books that are soon to come.

Not reproduced /pma

CORRUPTING THE SOURCES OF KNOWLEDGE

Showing how Prof. Ely, supported by private funds and backed by special interests, is building up his machine for the mis-education of the public and the connection he has made with nine of America's largest universities.

Note the stress the Professor lays on the Institute's impartial (?) methods of investigation; its hunt (?) for all the facts; its disinterested (?) research, etc.

Not reproduced / pma

We repeat, never has so cunning or so stupendous a scheme to poison the fountains of knowledge and to lead the people away from their own best interests ever been conceived in the human mind!

This prostitution of our educational institutions for the special benefit of a few plainly cannot be allowed to go on. The dictates of freedom and national safety forbid it. Common sense forbids it. For schools, colleges and universities are, of schools however much we

may criticise them, the recognized lamp-posts of knowledge. It is to them that the public most looks for guidance and light, for straight thinking and logical reasoning. Hence, if the analysis of the great problems that confront society—problems which, with each passing decade, are growing more and more acute—if the analysis of these problems in our schools, colleges and universities be not correct, how can it be correct among the people as a whole?

Of all dangers to organized society, therefore, the corruption of our institutions of learning in behalf of self-seeking groups and organizations is the gravest. For a public whose thinking is inaccurate and whose mind is confused cannot be expected to take action that is right; it can only be expected to take action that is wrong. The costly blunders of the centuries all testify to this fact and the ruins of dead civilizations prove it. Hence they, who, for selfish purposes, seek to control the economic thought of our schools commit a crime of the first magnitude, while that teacher who, yielding to temptation, deliberately allows his talents to be used for the distortion of principles and facts, for the warping of the judgment and for the turning of men's thoughts from their logical course—that teacher, no matter how high the honors or how vast the riches that may be heaped upon him, is not an educator, but a traitor to his profession and an enemy to society!

Let there be no mistake about it. The enigma of the ages has already been answered. The great social and economic problem which the Sphinx of Fate has put into our midst—the problems of unequal opportunities for men, of involuntary unemployment while human wants are unfilled, of poverty by the side of advancing wealth, of the recurring clashes between capital and labor, of war in the face of the desire for peace—these problems have, through the science of political economy, already been solved. The practical means by which society may elevate itself to a higher, grander and nobler civilization is known—known here and now—and when rightly presented and properly understood will be hailed by the people with gladness and joy. But so long as those who live on the sweat of other men's face are able, through the existing channels of education, to befuddle the mind and mislead the judgment of the masses, all effort to apply this means must end in disastrous failure. For as Henry George has truly

said, "Until there be correct thought, there cannot be right action; and when there is correct thought, right action will follow."

We have lately been trying, at a frightful cost of blood and treasure, to "make the world safe for democracy." It is now time, as someone has said, to "make the world unsafe for hypocrisy." To do this will take a larger amount of courage but what battle is worth winning, what victory is worth having, that does not require courage?

Therefore, let the banner be raised that all may see it; let the advance be sounded that all may hear it. Let those who would draw hack, draw back. Let those who would oppose, oppose. Everywhere are those who will rally. The stars in their courses fight against Sisera!