

THE BULLETIN

10318

OF THE COMMITTEE OF MANUFACTURERS AND MERCHANTS ON FEDERAL TAXATION (Inc.)

VOL. II.

CHICAGO, DECEMBER, 1922.

No. 2

HOPEFUL POSSIBILITIES IN THE NEXT CONGRESS

Sweeping Victory of Progressives in Last Election Augurs Well for the Enactment of Saner Tax Legislation

Whatever may be said about the mental qualities of the individual members of the new congress one thing is certain—never before will so many men hold office at one time having, on the whole, so good a grasp of our national needs in the way of fundamental tax adjustment. True it is there will still be a liberal sprinkling of "reactionaries" who desire to favor certain special interests by shifting the weight of taxation onto the masses. True it is too that there will be an equally liberal sprinkling of "radicals" who stupidly expect to promote the national welfare by piling still more taxes on business and industry.

On the whole however the major portion of both houses, it is safe to say,—particularly those members who will take their chairs for the first time on March 4th next—stand midway between these two extremes. An encouragingly large number of them distinctly believe in reducing the taxes on industry and enterprise and making up the lost revenue by a tax on land values, while the remainder believe, at least, in making a sharp distinction between incomes that are "earned" and incomes that are "unearned" and taxing the earned incomes at a lower rate than the unearned.

It is a healthy sign and one which, if translated into law, promises well for the prosperity of the whole country.

CALLS BUDGET LAW "MONSTROUS JOKE"

The President praises "proper budget organization," says the Searchlight (Washington, D. C.)—when the simple truth is that the present budget law is a monstrous joke, conforming to no great principle of budget reform and hardly marking even a beginning of the end of the old spoils and pork system.

He repeats the claims about "economy" and "saving." Why, in God's name, cannot the American people be told at least some measure of the truth about the fiscal affairs of the nation!

(Turn to page 4, col. 1)

FEDERAL TAXES HEAVIER THAN STATE AND LOCAL

One-sixth of the national income of the United States went into taxes in 1921, according to a report recently issued by the National Industrial Conference Board.

"The tax bill in the United States is fast making inroads on the surplus necessary for economic progress," the report declares, "and threatens materially to hamper our growth, especially in view of the uninterrupted rise in local government taxes."

Regarding the growth of taxation, the report says:

(Turn to page 3, col. 4)

FARM PAPER ENTERS FIGHT FOR LAND VALUE TAX

Cloverland Magazine Seeks to Relieve Tax-ridden Farmers and Business Men by Making Land Speculators Bear Their Fair Share of the Burden

The long-looked-for tax fight between the overburdened farmers and business men on the one hand and the undertaxed land speculators on the other, has broken out in the Great Lakes Region. And Cloverland Magazine, a farm journal of wide circulation, published at Menominee, Michigan, has thrown its powerful influence on the side of the producing interests.

From the time that the first white settler began pulling the stumps and preparing the soil for

cultivation on down to the present day, the large land speculators and owners of vast cut-over areas in the north country have enjoyed exemption, or practical exemption, from all taxation. So low in fact have taxes been on land that is idle that there has been little or no inducement for the holders to sell it, the result being that today through Northern Michigan, Wisconsin and Minnesota there are over 30,000,000 acres of fertile cut-over lands—enough, if properly cultivated, to feed the nation—held out of use!

But not only has this low taxation of the idle land failed to induce the speculators to sell it at a reasonable price to those who want it; it has also enabled them to grow rich at the expense of the whole community. For a decade or more strenuous efforts have been continually put forth by the enterprising business men and citizens of the north country to bring in new settlers in order that the vast region round about might be built up, the agricultural conditions lifted to a higher plane, and business in general placed upon a more prosperous footing.

While these laudable efforts have been put forth however the land speculators, both in country and city, have sat comfortably back and reaped a rich harvest where they have never sown. From a mere two or three dollars an acre a few years ago the value of the bare, uncultured land has been boosted to twenty, thirty, forty and even fifty dollars an

(Turn to page 2, col. 4)

LARGE DECLINE IN U. S. TAX RECEIPTS

Federal tax collections during the fiscal year ended June 30, 1922, fell off almost \$1,400,000,000, or 30 per cent, as compared with the previous year, according to the annual report of the internal revenue bureau just issued by Commissioner Blair. Income and profits taxes showed a decrease of \$1,141,000,000, or 35 per cent.

Total tax collections for the year aggregated \$3,197,451,083, compared with \$4,595,357,061 for 1921, while income and profits taxes for 1922 amounted to \$2,086,918,464, against \$3,228,137,673.

Miscellaneous collections arising from taxation other than that on incomes and profits amounted to \$1,110,532,618 for 1922, a decrease of \$256,686,770, or 19 per cent.

SOME VIEWS OF THE ELECTION AFTER THE LAND HAD SLID

NOT A SHRINKAGE, A WASHOUT!

"EAST IS EAST AND WEST IS WEST"

GIVING HIM LESS ROPE



(Brooklyn Daily Eagle)



(Louisville Courier-Journal)



(Brooklyn Daily Eagle)

THE BULLETIN

of the Committee of Manufacturers and Merchants on Federal Taxation (Inc.)

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Bluefield, W. Va.
- THE W. H. HOLLIDAY CO.,
Laramie, Wyo.

Our "Prosperity Taxation" Program

Introduced into the House of Representatives June 2, 1921, by Hon. Oscar E. Keller of Minnesota.

Congressional Bill No. 6767

This bill repeals all existing sales and commodity taxes except those on tobacco, distilled spirits, oleomargarine, habit forming drugs and products of child labor. The bill also repeals the present tax on the incomes of corporations.

Congressional Bill No. 6769

This bill amends the income tax law so as to distinguish between "earned" and "unearned" income. The tax on "unearned" incomes together with the super-taxes is retained, but the tax on "earned" incomes is cut in two. All salaries, wages, etc., together with all profits derived from businesses personally conducted or in partnership are classed as "earned" incomes.

Congressional Bill No. 6768

This bill amends the inheritance tax beginning with estates of \$20,000 to \$35,000 there is a tax of one per cent; \$35,000 to \$50,000 two per cent; \$50,000 to \$100,000 four per cent; \$100,000 to \$250,000 six per cent, and so on until the point of \$100,000,000 is reached after which the tax is about 75% of the entire estate. [Note: This bill is now being amended and the rates reduced to a maximum of 50% instead of 75%]

Congressional Bill No. 6773

This bill provides for a federal tax of one per cent on the privilege of holding lands and natural resources worth over \$10,000, after deducting the value of all buildings, personal property and improvements. In the case of farms, cost of clearing, draining, plowing and cultivation, together with soil fertility are classed as improvement values. This bill will exempt over 98% of all actual farmers. It also exempts standing timber from taxation whether naturally or artificially grown.

This bill aims to relieve business, industry and agriculture by taxing monopoly holders of vacant natural resources, valuable "sites" in cities and the holding of land, in general out of use. The revenue raised under this bill will be about one billion dollars annually. This revenue program would relieve producing business of about \$1,250,000 annually, and the people of from three to five times this amount in inflated living costs.

HICKORY, DICKORY, DOCK!

Hickory, dickory, dock!
Taxes run up the clock,
There is room for but one,
So down profits run.
Hickory, dickory, dock!

A SIGNAL VICTORY

Would that there were more papers in America like the Pottsville (Pa.) "Republican." This paper has for months been waging a fierce battle to have the assessed valuation of the anthracite coal lands in Schuylkill County, Pennsylvania, raised to at least a fraction of their actual value, in order that the overtaxed business interests might secure a degree of relief, and the county saved from absolute bankruptcy.

Worth not less than a total of 2 billion dollars in this one county alone the coal lands had, a few weeks ago, an assessed valuation of only 53 million dollars. Now however the assessment has been raised to a figure close to 500 million dollars—not as much as it should have been, perhaps, but a respectable raise anyway.

Of course, there is a good deal of kicking and grumbling on the part of the speculators who were holding vast quantities of coal land out of use—a great deal of it deliberately for the purpose of restricting the supply and boosting the price—but the anger of the speculators and the coal monopolists, is more than counterbalanced by the delight of the business men and other citizens of the county in having their taxes cut practically in two, while at the same time, giving the county its much needed revenue.

If natural resources everywhere bore their full share of taxation, there would be little occasion at any time for penalizing industry and enterprise.

THE KANSAS INDUSTRIAL COURT LAW

The Kansas Industrial Court is apparently becoming as unpopular among employers in the Sunflower state as it is among the employees.

This is quite to be expected. No court that fails to distinguish between what is competitive industry and what is non-competitive land can hope successfully to regulate the affairs of men—at least for a very long time. Until such distinction is made, and remedial measures are taken accordingly, Kansas will be no freer from industrial disputes and turmoil than will any other state.

REVOLUTION IN EUROPE

"This winter," writes the well known English journalist, Sir Philip Gibbs, "will see a widespread renewal of revolutionary effort in many countries of Europe."

We are afraid so. And yet we are not surprised. What has been done in Europe either before or since the War to remove the fundamental injustices upon which the revolutionary spirit feeds? Practically nothing!

What has been done to eliminate monopoly of the gifts of nature, to equalize opportunities, or to rid society of those groups of parasites who habitually live upon the other groups? Little—very, very little! Should Europe then be surprised at its own harvest?

"As ye sow, so shall ye also reap."

Farm Paper Advocates Land Tax

(Continued from page 1)

acre, while vacant building lots in the cities have been multiplied in value, tens, hundreds, and frequently thousands of times. So far out of reach of the average man in fact has the value of the bare land been pushed that new settlers have now practically stopped coming in. As a consequence of this again few, if any, new roads, bridges, churches, and school houses are being built; agriculture is making little or no

WON'T BE NO CORE!



(W. C. Morris in The Leader)

headway; the surrounding towns and cities are slightly more than holding their own; while business and industry are suffering in every direction.

But this is not all. As a result of allowing the do-nothing land speculators to escape paying their fair share of taxes, the revenue burden has naturally fallen with crushing force upon the enterprising folks who have put their land to the proper use. Every little clearing made, every turn of the plow, every newly-bought implement and machine, every improvement added to the farm, home or factory, has simply furnished a new excuse for the assessor to levy still higher taxes upon the owner. The bigger the progress and the better the citizenship, the greater has been the tax penalty! Indeed, "so heavy has the burden become on the producers, workers and builders in Cloverland territory that, according to tax officials, a vast number of farmers are now delinquent in their tax payments one, two and even three years; thousands of others are hopelessly bankrupt, while hundreds of others again have abandoned their farms and pulled out for parts unknown.

To reverse these vicious and destructive revenue methods—to DECREASE the taxes on the farmer, the homeowner, the merchant or the manufacturer who improves his land, and INCREASE the taxes on the speculator who does nothing but hold his land idle—this is the commendable task that Cloverland Magazine has set out to do. Says the editor in the November issue:

"If a merchant wants to erect a new building, alter the old, put in a larger stock of goods so that his patrons might have a better selection he is promptly taxed for his ambition to render better service to the public. . . . If a farmer clears an acre of land and places it under production, builds a modern dairy barn and silo, substitutes pure bred stock for his scrubs, erects a residence to give his family more comfort, he is fined for being progressive. . . . If a working man saves enough money to buy a lot and then borrows enough to build a home, he is immediately assessed a penalty in taxes for his desire to become a home owner. . . . If the owner of a large tract of idle land really wanted to reforest the areas unsuited

for agricultural purposes he would be penalized for providing lumber for the next generation.

Behind all this melange of taxation must be a solution, or at least a partial solution of the problem, that will give impetus to agricultural, industrial and business development and home owning instead of retarding it.

"Soaking the rich" is not going to solve the problem. Excess profit tax, corporation tax, income tax direct sales tax, are not going to solve the problem. These are only make-shifts which alter methods of tax dodging, "passing the buck," and eventually lead to the same old equivalent and unfair apportionment. None is basic enough to build a new foundation for a tax system that will put a premium on thrift, energy, industry, business, progress and improvements instead of a penalty.

Taxes must be reduced on improvements, penalties for progress must cease as the pyramid of taxation on industry and business is mounting so high that it is too heavy, or the crash must come sooner or later. The only escape is through an equalization of taxes by taxing land values and placing a premium upon progressiveness instead of a penalty.

It is going to be mighty interesting and profitable to watch the far-reaching changes that will result when this sensible and wise tax policy is adopted.

One thing is certain—land speculation, whether in country or city, with its long train of evils, will be broken. With higher taxes laid on the millions of acres of vacant cut-over lands and the

A 100% FARM PAPER

**Tax Problems
and
CLOVERLAND**

The most vital issue concerning the future development of Cloverland is TAXATION. The burden of taxation must be lightened on the farmer and working men, industry and business, if progress is made.

**Cloverland
Magazine**

In fighting the battles for the settler, the farmer, the working man desiring to build homes, the expansion of industry, the promotion of business by shifting the burden of taxes from industry and business to idle land withheld from use.

hundreds of thousands of idle residence and factory sites, it will no longer pay the speculators to hold them out of use and intending settlers and builders will be able to secure their ground at a much more reasonable price. This will let immigration in; the whole country will settle up more rapidly; rural conditions will improve; towns and cities will grow; and business will everywhere expand.

Another thing is certain too—with taxes greatly reduced or abolished on all improvements and

TAX THE LAND; UN-TAX THE TREES—BEST FOREST POLICY

(From Cloverland Magazine, Nov. 1922)

Taxation of standing timber has been and is now responsible for cutting large tracts of timber in certain districts instead of conserving it. Under the proposed system of taxing on the land value basis all standing timber comes under the category of "improvements" and is not subject to taxation, the tax levy being upon the land value only. This is a system of taxation that is strongly advocated by a large number of lumber companies and leading economists, and is favored by the National Forestry Association.

Taxes are also exempt on growing forests, thus permitting large land holders to reforest their idle land and not be taxed to death for their enterprise and while the timber is in the process of maturing. It has been estimated that our present system of taxation would cause an accumulation of taxes as the growing forest matures that would amount to more than the timber would be worth, or more than consumers could afford to pay, or at least make manufactured lumber a luxury. Quite a number of owners of cut-over land that is not suited for agricultural purposes have declared they would gladly inaugurate a reforestation program and reforest were it not for the fact that under our present system "taxes would eat the timber up." In fact, the taxation that would fall upon reforested property, or the growing timber which is an actual improvement, is all that prevents the largest land holder in Cloverland territory from reforesting many idle acres. The head of this big concern said:

"WHEN THEY WON'T TAX US TO DEATH WE WILL GLADLY REFOREST. TAXATION IS ALL THAT STANDS IN THE WAY OF REFORESTATION."

Taxing idle land, or land withheld from use, would be based upon its "unearned increment," or what the land might earn were it improved and on a basis of value due to its proximity to improvements, population, commercial advantage or any other feature that adds specific value to land.

The land tax is to reach the reactionaries, the land speculators who do nothing with land except to hold it while others improve it. It is to reach the owner of idle land who withholds it from use for any selfish motive and retards the progress of a community. It is to reach the "land hog" who squeezes tribute from those who wish to enter business, build industry, erect a home or clear up a farm.

personal property the tax-ridden farmers, homeowners, merchants and manufacturers will be given an immense relief, not only the first year, but each succeeding year. Moreover, with little or no taxes bearing upon the processes of agriculture, business and industry, human thrift and enterprise will go forward as if imbued with new life. Farming will be encouraged instead of discouraged, commerce will be promoted instead of hampered, business will be stimulated instead of retarded—in short, every branch of human activity will be given the fullest and freest opportunity for its natural expansion and development.

Turning the vast region of Northern Michigan, Wisconsin and Minnesota from a fertile wilderness into a garden spot of Am-

erica may not be exactly what Cloverland Magazine expects to do, but this unquestionably will be the result of the land value tax policy which that progressive paper has now begun to advocate, is carried to a successful conclusion.

More power to its arm!

HEARD FROM AN EDITOR
Clinton, Ind.

Gentlemen:
I am sending you herewith a small contribution to help keep the Bulletin going. My business has almost been wiped out by the intolerable conditions that prevail in a coal mining center where about every fad and fallacy can be safely propagated except the true remedy for the situation.

Fraternally,
I. C. BISHOP,
Editor, Clinton (Ind.)
Saturday Argus.

BLIGHT OF BIG LANDED ESTATES

One answer to the question of why home owning in the United States is decreasing may be found in the report of "Large Land-holdings in Southern California," issued by the California Commission of Immigration and Housing in 1919. In eight counties of Southern California, the report states there are 255 holdings, each of more than 2,000 acres, aggregating 4,893,915 acres. The Southern Pacific Railroad holdings in five of these counties amount to 2,598,775. Aside from railroad lands there are 32 holdings each of more than 15,000 acres; 7 holdings exceed 50,000 acres each; one has 101,000 acres; and one 183,399 acres.

The report charges underassessments and lack of improvements on these big estates. "Much of the land in these great holdings," says the report, "is not for sale under any conditions; some of it is for sale in tracts of a size which renders it wholly inaccessible to the man of small means wishing to make productive use of it, and most of it is for sale at prices which prudence forbids the prospective cultivator to pay."

It is easy to understand why the owners of these great estates with little or no improvements should object to a tax system that would exempt improvements from taxation and levy all taxes on lands at their site value, and it is encouraging to learn that the working farmer with a little acre beginning to understand the opposition of the big speculators. They begin to see why farming does not pay as well as holding land idle, and they are looking for the remedy.—Tax Facts.

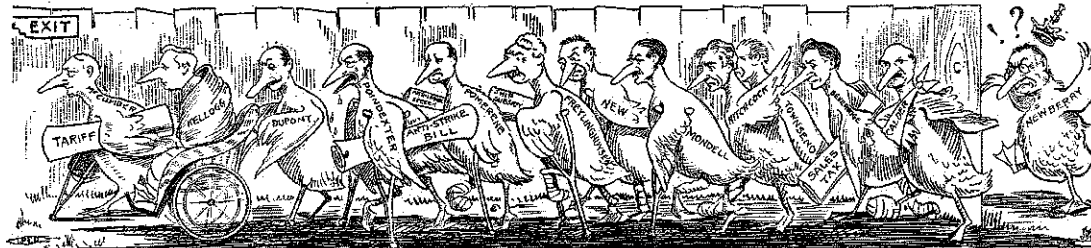
Federal Tax Burden Heaviest

(Continued from page 1)

"In the fiscal year 1913-1914 taxes paid to national, state, and local governments in the United States represented 6.4 per cent of the national income. By 1919-1920 the ratio had grown to 13 per cent, and by 1920-1921 to 14.3 per cent. In the calendar year 1921 one-sixth of the current national income was diverted into tax channels for the support of governmental bodies in the United States.

"Before the war state and local taxes had been growing faster than federal taxes, and federal taxation constituted but three-tenths of total taxation. In 1919, however, federal taxation constituted over three-fifths of total taxation and in 1921 federal taxes amounted to slightly more than one-half of the national total."

AS ONE LABOR PAPER SEES IT



THE PARADE OF THE LAME DUCKS AND ONE DUCK WHO IS BADLY SCARED!

(J. Baer in "Labor")

Calls Budget Law "Big Joke"

(Continued from page 1)

The Treasury at this minute faces a deficit approaching a billion. Unpaid bills and claims against the Government total no one knows how many billions. Instead of paying maturing debts, there have been refundments and manipulations. It's all a mess,—how chaotic and critical, no one can tell because in all the records of the government there is no balance sheet that accurately reveals both sides of the public ledger.

In addition to permitting the people to be a little informed about war graft, there ought to be such an audit of Treasury assets and liabilities as would enable the public to translate political and rhetorical "savings" into actual facts and figures, however discouraging they might appear.

On the debit side, this should include deficiencies, income spent in advance, current debt manipulations to provide for refundment rather than payment, all pending unpaid bills, claims, etc.

In short, we need accountability, instead of politics, to handle the adding machine.

AN EXCELLENT TAX
RULE TO FOLLOW

As good a pair of rules as can be formulated for the guidance of legislators is found in the simple precepts: Tax nothing that you want to keep; tax nothing that can move. The best way to get rid of undesirable things is to tax them; on the other hand, the best way to stimulate the production and maintenance of desirable things is to exempt them from taxation. Again, if movable things are taxed they will move, just as capital is moving out of Switzerland at the prospect of a tax. Personal property can move, all forms of wealth can move. The one thing that can not move is land. The production of wealth is desirable, the possession of wealth is desirable; the more wealth produced and the more of it we all will have, the better off we are. The one thing that is distinctly undesirable is the private monopoly of publicly-created land-values. Well, then, since land can not move and the monopoly of land-values is undesirable, the logical thing would be, as we see it, to tax nothing but land-values. As a fiscal policy, we can see nothing against this procedure, and everything in its favor.—The Freeman.

WORLD CONFERENCE
ON LAND VALUE TAX

Announcement comes from England that an International Week's Conference on the Taxation of Land Values will be held next year in Oxford from the 13th to the 20th of August.

"This will be an exceptional opportunity," reads the announcement "for friends of the move-

IT MAKES A MIGHTY BIG DIFFERENCE
HOW YOU RAISE YOUR REVENUEBy Otto Cullman,
President, Cullman Wheel Co., Chicago.

The taxation of industry in any form, as economists have long pointed out, discourages industry. It cripples business. It destroys initiative. It increases prices, and by increasing prices, reduces the purchasing power of the people, shortens sales and checks production. The tendency of a tax on industry is always like that of Mohammed Ali's tax on date trees which caused the Egyptian fellahs to cut down their trees; like that of the chimney tax in Ireland which caused the cottages in Ireland to be constructed without chimneys—the smoke being allowed to leak through the cracks in the walls and roof; or like that of the window tax in France, which caused the houses in France to be built without windows.

No matter how or when or where a tax on industry be levied, the effect is always to injure industry. Tax sales and you cut down the number of sales; tax imports and you shut out imports; tax manufactures and you check manufacturing; tax improvements and you lessen improvements; tax commerce and you prevent exchange; tax business and you drive it away.

It follows, therefore, that since the PUTTING ON of new taxes on industry, has the effect of further crippling industry, the TAKING OFF of taxes on industry would inevitably have the effect of promoting and stimulating industry.

DIFFERENCE BETWEEN LAND AND THE PRODUCTS
OF INDUSTRY.

Have you ever thought of the difference between land and industry?

Land is not artificial like industry and its products; it is natural. It is not produced by man, but has been produced by Nature. Products may be duplicated or reproduced; but land cannot be duplicated or reproduced. There may be any number of crops of machines, buildings, locomotives, warehouses or factories, but there is only one crop of land. Products can be moved about, burned up, blown to fragments, destroyed or replaced, increased or decreased, but not so with land. Land is stationary and its quantity is rigidly fixed.

LAND VALUE TAXATION BEST FOR THE NATION

No amount of land value taxation, therefore, can reduce the supply of land, injure business, check production, or stop one wheel of industry. On the contrary the MORE the value of land is taxed, the MORE the land is used, and consequently the BETTER it is for business, whereas the LESS the value of land is taxed, the LESS the land is used, and consequently the WORSE it is for business.

This is true because the LIGHTER the tax on the value of land the GREATER is the inducement to hold the land idle for speculation, or for the "unearned increment" that it will yield in the future. The HEAVIER the tax on the value of land, on the other hand, the GREATER is the inducement to put the land to profitable and intelligent use. And it is the land that is USED and DEVELOPED, not the land that is UNUSED and UNDEVELOPED, that turns the wheels of industry.

ment from various parts of the world to meet one another and exchange views. Terms will include full board and lodging in residence at one of the colleges. Fuller particulars will follow later. The intention is to have a series of instructive addresses on such questions as valuation, the taxation of land values in practice, attitude of the political parties, the land question in history, existing methods of taxation, true free trade, the ethics of property, methods of propaganda, etc. This early announcement is for the special benefit of our co-workers abroad who are likely to be in this country during the summer. They are invited to communicate at once with the United Committee, London 11, Tothill Street, S. W. 1."

"The reserved right of the people to the rental value of land must be construed as a condition to every deed."
—Justice Miller, U. S. Supreme Court (1887.)

POPULATION AND
THE FOOD SUPPLY

The sixth section of the Reconstruction series published by the Manchester "Guardian" and edited by John Maynard Keynes is devoted to population, agriculture, food supply and the peasant revolution in Europe. In dealing with finance, industry and trade the series has been most illuminating. In its political views it has been, on the whole, most admirable. But in taking up the subject of population, its increase and decrease, and the economic effects to be anticipated therefrom, it has fallen to the low estate of dreary Malthusian drivel, through the miasmatic muck of which no ray of light is discernible. The brilliant writers who contribute to its make-up are plainly dissatisfied with their work.

This earth is big enough and rich enough to support many times its present population in greater comfort than that in which it supports its present inhabitants if they would but work together to make it a garden instead of conspiring to make it a shambles. There is no evidence that any country has ever suffered from an excess of population, though there is plenty of evidence everywhere of an excess of stupid blocking of economic endeavor. Two hands are born with every mouth, capable of feeding it if not prevented, and by co-ordination their individual capacity for production can be indefinitely augmented and increased.

With a civilization fit to bring children into, there is no assignable limit to the number of people who might find human existence happy and comfortable, nor any measuring the grandeur to which such a civilization might develop.—Commerce and Finance.

In five years the U. S. Congress has passed 62,500 laws, of which 48,960 were for the direction and control of business.

A teacher wrote on the blackboard this warning: "Don't throw lighted matches around. Remember the fire of London!" When she returned from lunch she found the following written underneath it: "Don't spit on the floor. Remember the food!"

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