

"Know the Truth and the Truth shall make You Free"—St. John, 8, 32

THE BULLETIN

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CHICAGO'S BIG TAX-DODGERS ESCAPE AGAIN!

Effort of Anton J. Cernak and the County Board to Get a Scientific Appraisal of all Real Estate for the Quadrennial Assessment of 1927 Results in Failure

George O. Fairweather, Vice-Chairman of the Joint Commission on Real Estate Valuation, Proves Unfaithful to his Trust - After Pledging his Support to the County Board's Program He Uses his Powerful Influence to Defeat It

Fairweather Hires the Discredited Ely Institute in Northwestern University to Throw Dust in the People's Eyes

By EMIL O. JORGENSEN

Dear Chicago!

Has wealthy tax-dodgers have escaped again—and escaped after one of the most earnest efforts to drive them out into the open that the leading officials of the city have ever made.

Here is the story:

A year and a half ago the City Council and the Board of Education, faced with a serious shortage of funds, employed an appraisal company to determine the value of all real estate in that central business district of Chicago known as the "Loop." The work was done by the Manufacturers' Appraisal Company—a conservative organization of home and wide experience—but the results disclosed a most shocking state of affairs. Not merely were the assessments of property, as made by the Board of Assessors and the Board of Review, grossly unequal and without any semblance of uniformity, but the total amount of real estate escaping taxation in this district amounted to \$22,972,412—a sum greater than the value of all farm property in the five states of New Hampshire, Rhode Island, Delaware, Vermont and Nevada!

The County Board's Resolution

So inequitable and low was the assessment of bond and buildings in the Loop that a demand at once arose to have a competent organization make a valuation of all real estate in Cook County—in at least in the city—as a means of lightening the heavy tax burden on the small business men and homeowners in the outlying districts. Taking the lead in this demand was Anton J. Cernak himself—the President of the Board of County Commissioners. In a resolution he had before the County Board on October 25, 1926, President Cernak urged, not merely that an appraisal of all real estate be made by competent and experienced men, but that this appraisal be made on a base "for the quadrennial assessment of 1927." The resolution reads as follows:

"WHEREAS, under the methods of valuation and assessment of property for taxation in vogue for years the burden of taxation falls heaviest on the small home owner and small business man; tax rates are excessively high because millions of dollars in revenue-earning property are not contributing their fair and equitable share of taxes while owners of property adequately assessed or over assessed are paying much more than their fair share of the public burden;

"WHEREAS, more than a hundred cities in the United States have had their real estate appraised for assessment purposes on a scientific, equitable, and uniform basis, with the result that the tax payers in these cities have a feeling of confidence and satisfaction because such appraisal has secured lower tax rates and greater equity in the distribution of the tax burden;

"WHEREAS, under a joint investigation by the Board of Education and the City Council of Chicago an appraisal of the entire central business district of Chicago was made which revealed gross inequalities in the distribution of the tax burden; therefore be it

"RESOLVED, by the Board of Commissioners of Cook County that the president be, and he hereby is, instructed to secure estimates and proposals from recognized companies experienced in municipal appraisal work who are competent and qualified to perform such appraisal service and to take all necessary steps to secure such additional information as in his judgment may be needed, and that such estimates, proposals and information be submitted to this Board in time for this Board to instruct its finance committee to provide in the budget for 1927 a sufficient appropriation for the payment of such bids for such appraisal service as may be lawfully accepted, and that such information be used and the necessary steps be then taken by this Board to have all real estate, lands and buildings, in the County appraised on an equitable, uniform, scientific and lawful basis for the quadrennial assessment of 1927.

"RESOLVED FURTHER, that all taxing bodies of Cook County be requested to join the County of Cook in meeting the expense of such appraisal service."

The resolution was unanimously adopted.

President Cernak Proposes a "Joint Commission"

Since the main object of the resolution was, of course, to have competent appraisers employed "for the quadrennial assessment of 1927," President Cernak at once turned his attention to the best means by which this could be accomplished. Six weeks later, therefore, he laid before the County Board a proposal to appoint a "Joint Commission on Real Estate Valuation"—whose duty would be to carry out the provisions contained in the above resolution—the Commission to be composed of the Board of Assessors, the Board of Review, three County Commissioners and fifteen prominent and influential citizens of Chicago.

The proposal as laid before the County Board on December 6, 1926, by President Cernak (see Document No. 17107) reads in part as follows:

To the Honorable,

December 6, 1926.

The Board of Cook County Commissioners,
Chicago, Ill.

Gentlemen:

Under the resolution which was unanimously adopted by the Board of County Commissioners on October 25, 1926, I was requested to submit infor-

mation and suggestions to the newly organized County Board for use by the Finance Committee in making its report on an appropriation for 1927 to provide for a County wide appraisal of improved and unimproved real estate and development of procedure for the assessment of real estate on a scientific, equitable and uniform basis beginning with the quadrennial assessment of 1927.

In order that early and definite decision may be reached on the practical steps to be taken for this County-wide appraisal and the development of a plan for the scientific assessment of such property for purposes of taxation, I beg leave to submit the following information and suggestions for your consideration and action.

The major provisions which, in my opinion, should be set up as essential for the successful carrying through of this work and on which any appropriation for such work should be premised are:

- (1) The appraisal of real estate values of Cook County for both land and improvements, though separately for each, to produce a fair and equitable value for taxation purposes which will be as nearly a uniform percentage of actual values as can reasonably be obtained.
- (2) The appraisal to be made under the direction and supervision of competent professional appraisers who use a systematic method.
- (3) The setup of a plan, procedure and administrative methods whereby such appraisals and uniform standards can be kept currently up-to-date.
- (4) The setup of a procedure whereby the general public can be made acquainted with the basis of such appraisals for any particular parcel of property, and with the extent of the departure of the Board of Assessors or the Board of Review, in their assessments, from such appraisals.

* * * * *

I, therefore, respectfully suggest the establishment by the County Board of a joint Commission on Real Estate Valuation to study and make recommendations to the County Board on the procedure for obtaining a scientific assessment of real property in the County, and then to contribute as a joint advisory agency in directing and guiding the appraisal work and in the development of procedure for the adoption, interpretation and effective administration of the complete plan.

This work, if started on or about the first of the coming year and carried on under the supervision of such professional appraisers, with the cooperation and assistance of representatives of the Board of Assessors and Board of Review, could be completed in time for use in the coming quadrennial revaluation.

I recommend that this Joint Commission on Real Estate Valuation should include the five members of the Board of Assessors, the three members of the Board of Review, three members of the Board of County Commissioners consisting of the President of the County Board and the Chairman of the Board Committees on Finance and Public Service, and fifteen citizens particularly qualified to advise upon such matters, to be designated from among some of the leading civic organizations.

* * * * *

Respectfully submitted,

ANTON CERNAK.

President Board of Cook County Commissioners.

The Assessors Are Hostile

As was to be expected the members of the Board of Assessors and the Board of Review resented the above proposal and resented it bitterly. They were, of course, the officials duly elected by the people to assess all property and as such officials they knew they had the legal power to prevent the employment of professional appraisers if they so desired. But they also knew that if a body such as the proposed Joint Commission on Real Estate Valuation, consisting of prominent and influential citizens, and backed by the voting population at large, were to recommend strongly that they engage professional appraisers to do the assessment work—they knew that if they refused to heed such a recommendation they would be committing political suicide. So the members of the assessing and reviewing bodies fought President Cernak's proposition to appoint a joint Commission with tooth and nail. How bitter the contest was may be seen in the following item clipped from the Chicago Tribune of December 28, 1926:

"The finance committee of the county board yesterday staged a hot battle over the proposition of President Anton J. Cernak to appoint a committee composed of the board of assessors, the board of review, three county commissioners, and fifteen citizens to study new methods of assessing property.

"Four assessors were present and fought against the suggestion as a reflection upon their methods of appraising property. It was said that the real reason for their opposition, not absented at the meeting, was a report that such a committee, if appointed, would recommend the selection of a Cleveland firm of experts to assess all county property.

"J. L. Jacobs, efficiency expert of the county, was said to be back of the plan to hire a firm of appraisers to do the assessment work. He spoke

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WHO OWNS OUR SCHOOLS?

The National Association of Real Estate Boards which is composed of 700 state and local boards has several propositions which it would like to see adopted. One of these is a special tax program. This tax program is by no means one that thinking men and women believe will do the people at large any good but anyhow the N. A. R. B. wants it and wants it badly.

Unlike most organizations, however, the N. A. R. B. is not taking its program directly to the people but is taking it to them through our schools, colleges and universities. A large number of text and reference books are being prepared by Prof. Ely's "disinterested" Institute for Research in Land Economics in Northwestern University an Institute which the N. A. R. B. is backing not only morally but financially and these books are being injected into all parts of our educational system.

Four years ago, says the N. A. R. B. in its News Letter of June 28, its educational courses were unknown in all but three or four institutions of learning. Now, these courses have been introduced into scores of Y. M. C. A. schools besides the following fifty-two leading colleges and universities: Univ. of Alabama, University, Ala. Municipal Univ. of Akron, Akron, O. Boston University, Boston, Mass. Bradley Poly. Institute, Peoria, Ill. Butler University, Indianapolis, Ind. Univ. of California, Berkeley, Calif. Univ. of Cincinnati, Cincinnati, O. Clark University, Worcester, Mass. Univ. of Colorado, Boulder, Colo. Columbia University, New York City. Denver University, Denver, Colo. DePaul University, Chicago, Ill. Detroit University, Detroit, Mich. Division of Univ. Extension, Mass. Dept. of Education, Boston, Mass. University of Florida, Gainesville, Fla. Univ. of Hawaii, Honolulu, Hawaii. John Hopkins Univ., Baltimore, Md. University of Kansas, Lawrence, Kans. Kansas State Agric. College, Manhattan, Kans. Indiana University, Bloomington, Ind. University of Iowa, Iowa City, Ia. Marquette University, Milwaukee, Wis. Mass. Institute of Tech., Boston, Mass. Miami University, Oxford, O. Univ. of Michigan, Ann Arbor, Mich. Univ. of Minnesota, Minneapolis, Minn. University of Nebraska, Lincoln, Nebr. New York University, New York City. North Carolina State College of Agric., Raleigh, N. C. N. Dakota Agr. College, Fargo, N. D. Northwestern University, Chicago, Ill. Ohio State University, Columbus, O. Okla. Agr. & Mech. Col., Stillwater, Ok. Univ. of Oklahoma, Norman, Okla. Oregon Agric. College, Corvallis, Ore. University of Oregon, Eugene, Ore. University of Pa., Philadelphia, Pa. Univ. of Pittsburgh, Pittsburgh, Pa. Purdue University, La Fayette, Ind. Rollins College, Winter Park, Fla. Univ. of So. Calif., Los Angeles, Calif. Southern Methodist Univ., Dallas, Tex. Temple University, Philadelphia, Pa. Univ. of Tennessee, Knoxville, Tenn. University of Texas, Austin, Tex. Agric. College of Utah, Logan, Utah. Univ. of Utah, Salt Lake City, Utah. Va. Agr. & Mech. Col., Blacksburg, Va. Washington University, St. Louis, Mo. Univ. of Washington, Seattle, Wash. Univ. of Wisconsin, Madison, Wis. Wittenberg College, Springfield, O.

Pretty good, isn't it? By going at it in this way thousands of students are inoculated each year with the kind of economic knowledge that the N. A. R. B. wants them to have and what is better still hundreds of these students annually graduate into the teaching class where they pass their learning on to the people around about them.

It is, indeed, very encouraging—for the N. A. R. B. But isn't it high time that this prostitution of our educational institutions for the benefit of special groups were brought to a definite stop?

Chicago's Big Tax-Dodgers Escape Again—Con.

in favor of President Cernak's resolution to appoint a committee to study the tax situation.

Attorney Charles Carnahan, who said he was voting the unanimous opinion of the board of assessors, then asserted that the Cernak resolution was an unwarranted interference with the operations of the assessors.

The Commission is Appointed

It was a hot and bitter fight. But the assessors were defeated. On January 4, 1927, the County Board unanimously approved the proposition submitted to it on December 6 to establish a Joint Commission on Real Estate Valuation, and President Cernak promptly appointed, as members on this Commission, the five members of the Board of Assessors, the three members of the Board of Review, three County Commissioners and the following influential citizens of the city:

Mr. Joseph K. Brittain
Mr. Albert J. Brockman
Mrs. Henry W. Cheney
Gen. Abel Davis
Dr. Walter Hill Scott
Mr. Joseph K. Defrees
Mr. George O. Fairweather
Prof. Jacob Viner
Mr. Edward E. Gery
Mrs. B. F. Langworthy
Mrs. Joseph R. Noid
Mr. Victor A. Olander
Mr. Walter Hill Scott
Mr. Gordon Strong
Prof. Jacob Viner
Mr. Henry Zander

"Horray!" shouted the long-suffering tax-payers of Chicago. "Now we'll get fair and equitable assessments!"

There was certainly cause for general rejoicing. The assessors might fume and rage at what they called "a rank interference with their official duties"; but they would not dare to disregard the Joint Commission—backed as the Commission was by the voters of the city—when it got ready to recommend to the assessors the employment of professional appraisers in connection with the quadrennial assessment.

Funds for a Scientific Appraisal Are Appropriated

Now could the assessors evade the issue by pleading the "lack of money." For the money to meet this particular expense was provided. On February 28, 1927, the County Board appropriated a special fund of \$250,000 for the (definite) purpose of "employing expert and other services" in the work of the quadrennial assessment. The Board of Education on March 23 appropriated \$100,000 for the same purpose and the City Council of Chicago on April 6 appropriated another \$85,000—thus making a total of \$435,000 available to the assessors in meeting the cost of a scientific appraisal for the quadrennial assessment of 1927.

It was a hopeful situation, indeed—the most hopeful that the people of Chicago have ever had. The assessors were cornered. Over them stood the Joint Commission, pointing to the money with one hand and brandishing the political whip with the other. Victory for the cause of equitable assessments seemed a foregone conclusion.

The Battle for a Scientific Appraisal Is Lost

But time passes. The months of January, February, March, April and May roll by. The assessors prepare for the huge task of the quadrennial assessment; they get it under way; they push it to full swing—but lo! as in the past with a force whose methods are based, not upon science, but upon guesswork! June and July come and go and August approaches. Still no request for one cent of the \$435,000 made available to the assessors for the employment of professional appraisers!

Why disguise the situation? The great opportunity has come and gone! The effort of the County Board to get a just and equitable valuation of real estate in 1927 for taxation purposes has been defeated—and the tax-dodgers are safe for four years more!

Where the Responsibility Lies

Let us now endeavor to see who is to blame for this defeat.

The assessors to blame? That, probably, will be the most common opinion. It will be said that the Joint Commission has done its best to carry out the County Board's objective but that the assessing and reviewing bodies have stubbornly refused to pay any heed to the Commission.

If we look behind the scenes, however, we shall find that this is not exactly true. We shall find, indeed, that instead of earnestly trying to get the assessors to employ the services of professional appraisers for the quadrennial assessment, the leaders of the Joint Commission have done their best to prevent it. What is more, if we examine closely we shall find that the guiding genius in this work of prevention is the very man who at the beginning pretended to be the strongest supporter of the County Board's program—Mr. George O. Fairweather!

Who is Mr. George O. Fairweather? Mr. Fairweather is the manager of properties for the University of Chicago. Incidentally, too, he is the Chairman of the Executive Committee of the "Conference of Civic Organizations Interested in Taxation."

Now Mr. Fairweather's interest in the problems of taxation may be wholly unselfish. There are some ribald people, however, who believe that his interest in the matter is due chiefly to the fact that the University of Chicago owns some eight millions of dollars of real estate in the Loop which is largely escaping taxation—much of this real estate being assessed at less than one-half of its actual value!

Mr. Fairweather Offers His Aid to the County Board

At any rate after the Board of County Commissioners had passed its resolution in October, 1926, to have professional appraisers make a valuation of all real estate throughout the county for the quadrennial assessment of 1927, Mr. Fairweather hastily swung his forces into line and offered to aid President Cernak in every way he could. As the Chicago Tribune said on December 12, 1926:

"On October 25 President Anton J. Cernak of the county board asserted in a resolution presented at a board meeting that under the present system the burden fell on small business men and home owners and that much property in large parcels escaped. He recommended that competent appraisers be engaged to handle all assessments. This action met with the approval of the civic organizations and G. O. Fairweather, chairman of their executive committee, sent Mr. Cernak a letter offering to aid him and the other boards."

The plan outlined to the County Board on December 6 by President Cernak to create a Joint Commission on Real Estate Valuation to push this appraisal—a plan which, as we have already seen, aroused the bitter antagonism of the Board of Assessors—this plan particularly received Mr. Fairweather's approval. As the Chicago Herald-Examiner of December 14, 1926, said in reporting a prominent meeting held at the Union League Club:

"Yesterday's speakers were President Anton J. Cernak of the county board; G. O. Fairweather, chairman of the executive committee, and John A. Zaigerle, county auditor of Cuyahoga County, Ohio, in which Cleveland is situated. . . . Fairweather urged establishment of the valuation commission by the county board and full cooperation by the other officers of government and citizens who may compose the commission."

Labels credit for getting this appropriation through and for the manner in which it was passed belong to Victor A. Olander, Secy of the Illinois Federation of Labor.

Now it is only natural that one who would support the County Board's program with such earnestness and zeal as Mr. Fairweather was supporting it—and do it in the face of the violent opposition of the assessors—would make a desirable man to have on the Joint Commission. So when on January 4, 1927, this Joint Commission was officially created and the members were appointed, the name of George O. Fairweather was among them.

Mr. Fairweather Takes Charge of the Commission

San to and behold! Now the scene changes:

The first meeting of the Joint Commission—with Mr. Fairweather acting as Temporary Chairman—was held on January 12. The meeting was closed. Just what took place at this meeting is, therefore, not definitely known but some unpleasant rumors leaked out. Those rumors were to the effect that while the Commission might "go through the motions" of passing the County Board's program for a scientific appraisal of real estate, care would be taken by the leaders of the Commission to see that the program was "perjured." That these rumors were not without some basis of fact is evident from the following account of the meeting which appeared in the Chicago Tribune on the following day (January 19):

"Opposition from the county taxing bodies to the special committee on property valuations recently appointed by Anton J. Cernak, president of the county board, melted away yesterday when citizen members of the com-

mittee declared they had no intention of attempting to take over any of the duties of the assessors.

"The assessors this year face the huge task of placing a new valuation on all real estate in Cook County for the first time in four years. There had been a rumor that the special committee of citizens would recommend outside assistance in the job and the tax officials were loud in their protests. But at the first meeting yesterday the committee members assured the three assessors present that they would do nothing more than research work and render advice, which might or might not be taken.

"Assessor Bringer was ready with a diplomatic statement welcoming the assistance of the special committee, expressing a belief in the high purpose of its members."

The assessors, indeed, had good reason to rejoice. No sooner was the first meeting over than Mr. Fairweather immediately took steps, not "to secure estimates and proposals from recognized companies experienced in municipal appraisal work" as contemplated by the County Board, but to see that the proposal of engaging the services of professional appraisers for the quadrantal assessment was effectively ditched!

The Commission's "Field of Work" Is Laid Out

First a "field of work" embracing a large number of studies and investigations was laid out for the Joint Commission—studies and investigations

NATIONAL TEACHERS' BODY CONDEMNS ELY INSTITUTE IN NORTHWESTERN U. American Federation of Teachers, After Long Investigation, Declares Prof. Ely's Institute for Research in Land Economics is "Masquerading Under False Colors"—Case to be Laid Before the A. F. of L.

"The mills of the gods grind slowly, but they grind exceedingly fine!"

About two years ago the CHICAGO FEDERATION OF MEN TEACHERS became disturbed at certain "facts" which Prof. Ely's privately-supported Institute in Northwestern University was distributing throughout the nation under the label of "impartial and disinterested research." After making an investigation the Chicago teachers passed a resolution (April 16, 1925) denouncing the Ely Institute "as an insidiously dangerous factor in the social and educational fabric of our country" and voted to lay the matter before the Tenth Annual Convention of the AMERICAN FEDERATION OF TEACHERS which was to be held in New York City in July.

The AMERICAN FEDERATION OF TEACHERS after considerable debate passed a resolution requesting the Executive Council to "take steps towards a fair and impartial investigation of the Institute and its work." The Executive Council referred the matter to the Education Committee with instructions to report its findings at the Eleventh Annual Convention of the teachers which was to be held in Chicago June 27—July 1, 1927. The report of the Education Committee to this convention follows:

"Your committee, after investigation, submits the following findings and recommendations:

"The American Federation of Teachers has always vigorously defended academic freedom and your committee believes that a particularly dangerous attack on academic freedom is involved in the present conduct, control, and financing of this Institute. The American Federation of Teachers, believing that unbiased research and the scientific method honestly used offers the best hope for sound solutions of our social, economic, and political problems, and that anything which must discredit the agency of scientific research in the public mind is blocking progress at its source. Your committee finds that the Institute for Research in Land Economics is so misusing the conception of research, and the offense is the more serious and far-reaching because it inescapably involves a great privately endowed university. There is not sufficient compensation for those concerned in the intellectual integrity of higher education, in the fact that the Institute had previously left a great publicly supported institution, the University of Wisconsin.

"This serious charge is based on the violation of a cardinal principle of scientific research, open-mindedness, the avoidance of preconceived, fixed ideas. The scientist may set up an hypothesis, but when it becomes an obsession, he ceases to be a scientist. The following is an example of this advance determination of what the research is guaranteed to show. In 1922, early in the history of the Institute, Professor Ely published the 'Outlines of Land Economics,' three base books, as the groundwork for the future research which would result in an announced fifty volumes. On page 117 of Vol. 3 is found, 'If regulation of size of land holdings is needed, this should be brought about by other methods than by taxation.' In Ely's pamphlet, 'Taxation of Land,' published the same year, on page 47 we find, 'If regulation of the size of land holdings is needed, this should be brought about by other methods than by taxation.

Let us get the facts first and then undertake the proper regulation, but not by taxation.' (Bold-face ours.) He may be right—we are not here concerned in any theory of taxation—but closing the door in advance to any solution, however distasteful or wrong that solution may seem to the Director of the Institute and his transferees and backers, vitiates any claim to disinterestedness, and degrades research to the level of special pleading.

In view of this spirit it is not surprising to find the President of the National Association of Real Estate Boards, Robert Jemison, Jr., saying under the caption Research in his annual report to his organization for 1926:

"The Institute for Research in Land Economics and Public Utilities, of which Dr. Richard T. Ely is the head and which is now affiliated with Northwestern University, has undertaken to make an extensive study of the taxation of urban land values. This is one of the great problems with which we are vitally concerned. An impartial, scientific survey of the facts in this connection will, we believe, help us to convince the nation, in a manner which our own statements can not do, that real estate is bearing more than its just proportion of the tax burden. Moreover such a report will emphasize the social and economic results of our present tax policies in a manner which will lift the discussion of this question far above any mere consideration of dollars and cents.

Mr. Jemison's frankness did not go so far as to add that a still greater advantage in the affiliation of the Institute with a great university lay in the opportunity to influence the minds of thousands of students who would carry the predetermined results of supposed research stamped genuine by a great university, into the schools and communities of every section of the nation.

Nor is it surprising to find that while the Institute receives from Northwestern University the use of valuable facilities, it is also largely financed by private foundations and organizations, among them the National Association of Real Estate Boards—nor that last June the National Association of Real Estate Boards doubled its dues for the avowed purpose among others of aiding research and education.

Your committee desires to avoid any misunderstanding. It is not questioning the sincerity of Professor Ely's convictions, nor the right of the organized real estate interests to finance research. The growing control of research by private endowment creates a complex social problem which, happily, this committee is not called on to solve, but we gladly grant that scholars of high integrity may and do legitimately serve private foundations. But the issue here is one of a masquerade under false colors. We have an Institute affiliated with Northwestern University, and conceived for by Northwestern as a genuine Institute of Research. This Institute is largely supported by private groups, and it is obvious that much of that support would cease the moment the announced results of the research ran counter to the economic interests of those groups. The law of self-preservation may be presumed to operate in the case of institutions and even in institutes. Certainly with the handicap of so equivocal a position, research can not gain and maintain the confidence and respect of the public. And this unnatural union of university and research in the interest of supporting groups, must react disastrously on the university. It seems to your committee an acute and insidious form of a disguised control of higher education.

The committee recommends that the American Federation of Teachers use all available means to secure adequate publicity for this report."

The Resolutions Committee reported in turn as follows:

"The inquiry of the Committee on Education in this instance is directed toward the Institute conducted by Dr. Richard T. Ely in association with Northwestern University.

"In dealing with this section of the report of the Committee on Education, the attention of the delegates is especially directed toward the significant comment on this peculiar form of association of an education institution and a research institute which follows:

"We gladly grant that scholars of high integrity may and do legitimately serve private foundations. But the issue is one of a masquerade under false colors. We have an Institute affiliated with Northwestern University as a genuine Institute of Research. This Institute is largely supported by private groups, and it is obvious that much of the support would cease the moment the announced results of the research ran counter to the economic interests of those groups. The laws of self-preservation may be presumed to operate in the case of institutions and even institutes. Certainly with the handicap of so equivocal a position, research cannot gain and maintain the confidence and respect of the public. And this unnatural union of university and research in the interests of supporting groups must react disastrously on the university. It seems to your committee an acute and insidious form of a disguised control of higher education."

The Education Committee asks that all available means be used to secure adequate publicity for its report.

The Resolutions Committee moves concurrence in the recommendation of the Education Committee. It further moves that publicity be given through this organization and that copies of this section of the report be forwarded to the Education Committee of the American Federation of Labor."

(Motion carried.)

that were not merely unnecessary for the purpose in view, but which would take months and in some cases years to complete! This "field of work" was submitted to the Commission at its second meeting held on January 19—just one week after the first meeting had been held. At this second meeting also Mr. Fairweather, who had been acting as the Temporary Chairman, was officially made the Vice-Chairman of the Commission—no Chairman being elected either then or later.

Fairweather Hires John O. Rees as Director

In the second place Mr. Fairweather promptly cast about, after the first meeting, for a man who could act as Secretary and Director of the Commission and who, being paid a good salary by the Chicago Association of Commerce, could be depended upon to use his influence to defeat the main purpose sought by the County Board. Such a man Mr. Fairweather found in the person of John O. Rees, a young attorney connected with the municipal research bureau in Cleveland, Ohio.

How adroitly Mr. Rees has carried out his part of the plan may be seen, for instance, in the reports prepared by him for the Joint Commission. In these reports Mr. Rees not only suggests to the assessors very mildly and timidly the engagement of professional appraisers to determine the true value of lots and lands, but he emphasizes to them the advantages of employing other means to accomplish the same end, such as—Heaven save us!—the "sollicitation" of the assistance of The Chicago, Cook County, Village and suburban Real Estate Boards!

Moreover, in explaining to the County Board the reason for recommending to the assessors substitute proposals of such a doubtful character Mr. Rees goes on to say that "the Commission did not confine itself to a recommendation that an appraisal company be employed by the Board of Assessors," because "there was an honest difference of opinion among the citizen members of the Commission as to the advisability of employing an appraisal company," especially "under existing conditions," that the employment of such an appraisal company would "involve the expenditure of a large amount of public funds," that it "might seriously handicap the Commission in its future activities," etc., etc.²

Such wonder that the assessors, at the first meeting, "welcomed" the Commission and expressed their confidence in the "high purpose of its members!"

Prof. Ely's Institute Is Put on the Job

But this was not all. Lest the charting of a series of long studies and investigations, and the urging of Mr. John O. Rees to direct the work, might not be successful in preventing the engagement of competent appraisers for the quinquennial assessment, Mr. Fairweather hastened to employ the services of Prof. Richard T. Ely's "Institute for Research in Land Economics" in Northwestern University. This Institute was put to work gathering statistics, not to determine whether there was tax dodging in Chicago (for that fact had been well known in those many years), but to determine just in what portion of Chicago the tax-dodging was the greatest.

Now just why were such statistics desired? And particularly why was the Ely Institute—an Institute which is financed chiefly by the National Association of Real Estate Boards and similar organizations and which has been condemned by the AMERICAN FEDERATION OF TEACHERS as unworthy of public confidence and trust—why was this Institute employed by Mr. Fairweather to gather them?

That is something at which we can only guess. It will be remembered, however, that the public demand for professional appraisers (see the resolution of the County Board) was based on the idea that the wealthy property owners in the central business district of the city were underassessed while the small business men and homeowners in the outlying districts were overassessed. Hence, if by any chance it could be shown that this idea was wrong, that the facts in the case were just the contrary, the demand for professional appraisers on the part of the people might soon vanish into thin air.

Be this as it may, however, the Ely Institute—with Prof. Herbert D. Simpson in charge of the work—was promptly engaged by Mr. Fairweather to gather statistics regarding the extent of underassessment in various portions of the city. Prof. Simpson began his work in January (shortly after the first meeting of the Commission had been held) and announced his findings in July.³

What the Ely Institute Found

Now just what do you suppose Prof. Simpson found? That the County Board was right in assuming the Loop to be underassessed as compared with the residence districts? Not at all! After examining 6,105 pieces of property and comparing the sales value with the assessed value, Prof. Simpson found the situation to be just the opposite—namely, that the Loop was greatly overassessed as compared with the residence districts! In other words, Prof. Simpson found that while residence property was assessed at an average of less than 30% of its actual value, Loop property was assessed at 68% of its actual value.⁴

It was an astounding discovery, indeed! And its announcement was equally startling. Bursting upon the reading public like a bomb it rocked the city to the remotest corners and its reverberations in the newspapers have been heard even down to the present time. Of course, the citizens were dumfounded at the facts disclosed, but, as might be expected, the assessors were filled with glee.⁵

Now whether Prof. Simpson's 6,105 properties were "juggled" in any way, as some charitable people believe, is not for us to say. But there are a few factors in the case that look peculiar.

In the first place Prof. Simpson's conclusion that Loop real estate was assessed at an average of 68% of its selling value was based upon the records of 21 properties which had a total value of \$7,933,000. But the total number of properties in the Loop district is close to 2,000 and these properties have an aggregate value of more than \$1,100,000,000—or one-half the value of the whole city! In view therefore of the extremely small number of facts upon which it is based, can this far-reaching conclusion be considered scientific or sound?

But there is a more serious element involved than that of unsoundness. Whose properties were these, the assessed value of which was 68% of the selling value? Our "best citizens" are certainly being assessed on their property in the Loop at no such lousy percentage as that.

Some Examples of Tax-Dodging in the Loop

Take, for instance, the properties owned by the trustees of our two great universities—Chicago and Northwestern.

The University of Chicago itself owns some thirteen pieces of property in the Loop which were appraised by the Manufacturers' Appraisal Company in 1926 at \$7,675,878 and assessed by the Board of Review in the same year at \$4,127,552—or less than 54% of the real value. 54% is no small distance from 68%.

Northwestern University also owns many millions of dollars of revenue bearing real estate in the Loop on which it is assessed not a single penny. Of course, Northwestern University, by virtue of its charter is exempt from the payment of all taxes on all its property forever, and, therefore, cannot—at least legally—be classed as a tax-evader.

Trustee George A. McKinlock of Northwestern University, however, owns real estate in the Loop having an appraised value in 1926 of \$2,416,301 and assessed by the Board of Review at \$1,408,816—58% of the real value.

Trustee Melvin A. Traylor again is president of the First Trust and Savings Bank. This bank owns in the Loop seven pieces of property appraised in 1926 at \$3,910,743 and assessed at only \$2,172,380—or 55% of the full value.

Mr. James A. Patten, who gave the Patten gymnasium to Northwestern University, owns Loop real estate valued in 1926 at \$3,515,420 and assessed at \$1,717,692—only 48% of the real value.

Trustees Theodore W. Robinson and George W. Dixon are directors of the Central Trust Company. This trust company owns real estate in the Loop appraised in 1926 at \$2,469,695 but assessed at only \$1,156,133. This is 46.8% of the real value.⁶

Trustee Nathan W. MacChesney again is the General Counsel for the National Association of Real Estate Boards and a director of Prof. Ely's own Institute for Research which, in turn, is financed largely by the National Association of Real Estate Boards. Mr. MacChesney owns three pieces of land in the Loop which were appraised in 1926 by the Manufacturers' Appraisal Company at \$701,323 but which were assessed in the same year at only \$323,696. This is just 46% of the real value.

How conservative, by the way, the values established by the Manufacturers' Appraisal Company are, may be seen from the fact that another lot appraised at \$222,697 was afterwards leased by Mr. MacChesney for 149 years at an average rental of \$12,500 a year. On a 5% basis this gives a selling value of \$250,000. But that the selling value is actually much higher is evident from the fact that Mr. MacChesney has an option to buy this particular lot before Sept. 30, 1927, at \$375,000.7 And the lot was assessed in 1926 at \$38,610!

Trustee John J. Mitchell of Northwestern University again is president of the Illinois Merchants Trust Company and Trustee Charles H. Schweppé and Robert W. Campbell (son-in-law of Judge Gary of the United States Steel Corporation) are directors of the same company. This trust company, for one thing, owns the Illinois Merchants Bank Building—one of the finest buildings in the Loop. The west half of this building was appraised in 1926 at \$7,328,871 and assessed by the Board of Review in the same year at only \$6,000. This is less than 1% of its real value!

This we might go on giving instance after instance of real estate owned in the Loop by our university brethren which is assessed anywhere from 3% on down to 20%, 10%, and even 5% of its actual value. But it is unnecessary. The above facts clearly indicate—and the trustees of both Chicago and Northwestern Universities are certainly not our biggest tax dodgers—that the average assessed sales value of all real estate in the Loop is less a great deal less—than the 68% found by Prof. Simpson.

And just as Prof. Simpson's 68% is much too high an average for all real estate assessments in the Loop district, so his 30% we have very good reason to believe, is much too low an average for all real estate assessments in the residence districts.

Conclusion

Such, then, is how tax-dodging for the "gold-coasters" in Chicago has been made safe for four years more. After one of the most heroic as well as hopeful movements on the part of citizens and public officials to get a uniform, equitable and scientific assessment of real estate for the 1927 quinquennial, the movement has been wrecked, wrecked for the same purpose that a pirate scuttles a ship, and wrecked by one of Chicago's most trusted citizens—Mr. George O. Fairweather!

That Mr. Fairweather had ample opportunity to carry through the County Board's plan for the employment, in the quinquennial assessment, of competent men "experienced in municipal appraisal work" cannot be doubted. Mr. Fairweather had position, he had authority, he had power. Newspapers gave him their fullest attention, civic organizations their good will, high public officials their approval, and the citizens at large their loyal backing and support. With the smallest amount of courage and determination, therefore, he could have brought to an early end the grossly unfair assessment conditions that prevail in Chicago today.

But having once got control of the Joint Commission on Real Estate Valuation Mr. Fairweather used all his resources to defeat the very purpose for which it had been created. Not only did he map out long studies and investigations for the Commission—studies and investigations that had little or no relation to the immediate thing to be accomplished, not only did he employ as director from another city a man who could be depended upon to side-step and evade the main objective, but he engaged for a questionable purpose a questionable Institute to gather questionable statistics—an Institute which many months before the CHICAGO FEDERATION OF MEN TEACHERS had publicly declared to be an "inordinately dangerous factor in the social and educational fabric of our country,"—the Ely research Institute in Northwestern University!

It was skilful work. But there is more to come. The assessors are expected soon to announce with a flare of publicity that, acting upon the recommendations of Mr. Fairweather's Commission, they are making the big tax-dodgers in Chicago disgorge—are increasing the assessments on their real estate holdings by millions and millions of dollars!

It will make wonderful reading for the public. But how tragically small their reform will be as compared with the great reforms contemplated by the County Board is evident, not merely from the fact that the total amount of real estate escaping taxation in the city is in excess of one billion dollars, but from the fact that after the assessors have increased the assessment on a piece of property there is nothing to prevent the Board of Review from cutting it down to where it was previously. No unit values of land will have been established by the assessors to insure uniformity, no land value maps published, no reports made showing improvement values separately, no general rules applied or standards set up—nothing, in short, that will indicate to intelligent people that the assessment of real estate is any more systematic and equitable or tax-dodging any less in Chicago than it was before.

²See preliminary report of the Joint Commission on Real Estate Valuation to the Board of Cook County Commissioners, p. 8. The report is undated. Address Mr. John O. Rees, Tacoma Building, Chicago, Ill.

³After its appointment by the county commissioners, last January, Mr. Fairweather said the group of citizens cast about for an agency to employ in the collection of data and found that Prof. Richard T. Ely's Institute at Northwestern and the work of Dr. Simpson, the tax specialist at the Institute, made an ideal combination. Expenses for the survey were contributed by the Chicago Association of Commerce. —From the Chicago Daily News, July 5, 1927.

⁴"The Assessment of Real Estate for Taxation in Chicago," by Herbert D. Simpson, Ph. D. See pp. 11-16. Published by the Institute for Research in Land Economics and Public Utilities, Northwestern University, Chicago, Ill.

⁵"The report shows that loop property, contrary to general belief, is assessed at the nearest to cash value of any class."—Chicago Record-Examiner, July 6, 1927. See also Chicago Daily News, July 5, 1927; Chicago Tribune, July 5, 6, 1927; Chicago Daily Journal, July 6, 1927.

⁶"In the assessors' office attention was called to frequent charges by Miss Margaret Haley of the Teachers' federation, and a recent charge by Ald. John Clark, chairman of the city council finance committee, that the more valuable property was not taxed on the same basis as is the poor man's home. Dr. Simpson's study indicated the contrary. The assessors were pleased but reticent."—Chicago Tribune, July 6, 1927.

⁷See Chicago Tribune, July 1, 1927.