

“Take Taxes Off Industry!”

THE BULLETIN

OF THE MANUFACTURERS AND MERCHANTS FEDERAL TAX LEAGUE

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No. 3.

SENATOR COUZENS TO URGE LARGE TAX CUT

Our legislators in Washington seem to be pretty unanimous in their opinion that a further good sized tax cut should be made. Senator Couzens, who, with a force of 50 lawyers and accountants has just completed investigating the operations of the income tax law, will recommend not merely a greater simplification but that all persons receiving less than \$5,000 income annually be relieved from paying income taxes. It is estimated that about 5,000,000 persons, constituting nine-tenths of the whole number of income tax payers, come within this class. They pay about \$10,000,000 a year in taxes or one-thirtieth of the total.

Senator Couzens recently advocated a 50 per cent slash in tax rates. He urges retention of the federal estate taxes but repeal of the excise and automobile levies.

MUCH BUILDING, BUT HOUSING PINCH WORSE

A building program totaling \$5,000,000,000, for 1925 has been forecast by “The Architectural Forum.” Notwithstanding this very substantial building program the housing situation throughout the United States is, according to the Literary Digest, getting not better, but worse. This is not because there are not enough houses to rent but because the rental asked is too high for the average man to pay. Thus:

“Philadelphia has witnessed a larger housing construction during the past two years than at any period in its history. The building movement is continuing, particularly in the suburbs. Cities of new houses are springing up. “But in spite of all this the housing situation in Philadelphia is still bad. Families huddle together because they can’t rent a home of their own in which to live. This is not because there are not homes for hire. But because the rental asked is more than they can afford to pay.”

To bring down the rental—that is the big problem. But nothing will succeed in bringing down the rental so long as we maintain the unscientific tax system we now have. It is a system that inflates the price of both building and land.

It has been estimated that by shifting taxes permanently from improvements to land values the cost of constructing houses would be reduced by more than 35 per cent. Whether it would reduce it to this extent would have to be seen. Certain it is, however, that with more taxes on vacant lots building sites would be much cheaper than now while with no taxes on building materials of any kind houses would be much cheaper to erect. Moreover, with no taxes on houses after they had been erected, would do much to reduce the present rental to a reasonable point.

Be Careful, Northwestern University, Be Careful!

If newspaper reports are correct Northwestern University may soon have a “white elephant” on its hands.

Ever since this paper began a year ago to expose the hypocrisy and intellectual obliquity of Prof. Richard T. Ely of Wisconsin University and his so-called “Institute for Research in Land Economics and Public Utilities,” the breach in the ranks of the University authorities in Madison has been steadily growing wider until now, rumor has it, the axe is threatening to fall, and the worthy professor is looking around for a safe place to escape. That he has located such a place seems evident from the following news item taken from the Chicago Daily Tribune of June 2:

Madison, Wis., June 1. (Special.) Prof. Richard T. Ely, veteran economist of the University of Wisconsin faculty, may move to Northwestern University his famous institute for research in land economics and public utilities, according to reports on the campus here.

Prof. Ely today admitted that the move had been contemplated and said the final decision rests with the board of trustees of the Institute, which is independently administered. He said Northwestern University would make the announcement of the transfer, if a transfer is decided upon.

This action, we may say, is a good deal sooner than we expected as much of our strongest evidence against the professor has not yet been published. But what most astonishes us, if the above report is correct, is that great old Northwestern University should be willing to take what Wisconsin University cannot morally afford to keep! We cannot believe that Northwestern really knows what it is doing.

ARTICLE X

Prof. Richard T. Ely Exposed!

(This is the tenth of a series of articles by Mr. Jorgensen showing how a gigantic, nation-wide scheme, financed by special interests, engineered by Professor Ely of Wisconsin University, and masquerading under the guise of “research,” has been set on foot to lead the people, not TOWARDS the right solution of our economic problems, but AWAY from it.)

By EMIL O. JORGENSEN

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[Note: Topics 18 and 19 have been omitted from this issue and will be published later.]

20.—That Laborers Are Not Now OVERTAXED, 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 members 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, 91):

“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 mediæval 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

ABOLISH THE STATE INHERITANCE TAXES!

Speaking of inheritance taxes, Mr. A. C. Pleydell, Secretary of the New York Tax Reform Association, says:

“Residents of this State whose estates are sufficiently large to come under the Federal tax law had best examine their wills to make sure that some one for whom they think they have made provision does not acquire a deficit.

The ancient Romans had a custom pleasing the revengeful whereby a man could will his debts to an enemy, who had to accept the legacy. Our laws do not countenance this exact procedure, but the same result can be accomplished if one studies the possibilities of multiple taxation of inheritances.”

In the same connection Mr. C. H. Frost, Manager of the Courier-News of Plainfield, N. J., in a letter to this paper says:

“When you consider that inheritances have been taxed during the time they were under the ownership of the deceased, is it not sufficient that the income of the inheritance continue to be taxed instead of the corpus or capital of the estate? Please examine the history of the inheritance tax and its application in various states and by the Federal Government and you will see that it is not only in the fact that the states and federal government take large proportions of the principal, but that they tie up an estate and hold it impounded so long that executors very often lose an opportunity to dispose of the holdings to advantage and thus suffer more than one loss on capital account.

The inheritance tax is generally accepted as a rightful tax assessed for the privilege of bequeathing property or upon the heirs for the privilege of inheriting property. That it takes out of the working capital of the country large sums each year does not occur to many people, the great majority of whom don’t have to pay a direct inheritance tax because they leave less than \$50,000. They don’t realize that they are paying an indirect tax on account of the real losses incurred by this tax. Let us tax ourselves to support our various forms of government in some sensible way and not deprive widows and orphans of their main means of support.”

Amen! Let us, indeed, tax ourselves “in some sensible way and not deprive widows and orphans of their main means of support.” Keep the federal estate tax if we must—at least keep it until we have sense enough to raise our revenues from the unearned values of lands and natural resources—but let us get rid of the state inheritance taxes as soon as possible.

GAS TAX BILL IN ILLINOIS DEFEATED

After a heated battle lasting many months the proposed gas tax bill for Illinois has been defeated. The author of the bill, which was sponsored in the main by the real estate groups of the state as a means of substituting the gasoline tax for the present country highway and bridge tax on real estate, failed to call the measure up for passage.

(Continued on next page)

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HERBERT QUICK'S SOUL GOES MARCHING ON!

On May 10, Herbert Quick, farm economist, editor and author, died of heart disease while attending the Journalism week at Columbia, Mo.

With his death the people lose one of their staunchest friends and the nation one of its greatest citizens. Herbert Quick spent many years of his useful life as an editor of various papers, chief of which was "Farm and Fireside," published at Springfield, Ohio. He was appointed a member of the Federal Farm Loan Bureau at Washington when that body was created by act of Congress, and upon resigning after three years' service, President Wilson thanked him for "organizing the bureau and initiating its exceedingly useful functions." He was a novelist of wide fame and of rare ability—his books "The Brown Mouse," "Vandemark's Folly," and "The Hawkeye," ranking among the nation's best sellers.

But Herbert Quick's chief distinction lay in the earnestness with which he believed in the doctrine of Henry George. He never lost an opportunity, either in speaking or writing, to convey to his listeners or readers, the great lesson that George taught. He particularly believed—and a lifetime of deep thought only served to strengthen that belief—that the farmers' only salvation lay in adopting the idea that Henry George gave the world. Shortly before he died he wrote his book "The Real Trouble With the Farmers." (Bobbs-Merrill)—a book which is without doubt the best diagnosis of the farmer's difficulties published in many years. No finer tribute perhaps could be paid to Herbert Quick than to quote briefly at this time from this most important work:

"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.

It would take from no man any value which he or any other individual has personally created. All land values are creations of society; it is only the improvements which are of individual creations, and they would be freed from taxation.

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 income. 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.

If I were you, Mr. Conservative Citizen, I should carefully consider giving 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."

Herbert Quick is dead. But his works are not dead, and his soul goes marching on!

PROF. RICHARD T. ELY EXPOSED!—Continued

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 labor is over-taxed now than his "proper share" of these burdens. He is not 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 government itself, and the second body being the

landowners. 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, waterpower locations, coal and oil beds, mineral deposits, public utility franchises, railroad rights-of-way, 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 landowners 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 tanners must, when they sell their leather, get back their taxes from the shoe manufacturers, the shoe manufacturers

(Continued on page 3)

NEWS NOTES

A "Chicago Forum Council"—non-partisan and non-sectarian—is being organized by Mr. Fred A. Moore. Such a Council is needed not only in Chicago but wherever human problems are seriously discussed.

Perhaps it is putting it a little strongly, but there seem to be few men in the country who can skate so close to the brink of hell without falling in as can H. L. Mencken. More power to his arm!

We are informed that the literature of the Henry George movement is soon to be enriched by another book from the pen of Louis F. Post. The book will bear the title of "The Prophet of San Francisco," and will appear about July. From a perusal of the Table of Contents we have no hesitation in assuring our readers of a great intellectual feast.

"If I Were President" is the title of a forthcoming book by Lynn Haines, the brilliant editor of "The Searchlight on Congress." The book will be, in a sense, a compilation of the views of numerous men and women active in public affairs. It is a book that should do much to throw light on a distinctly little understood subject, and no man in the United States, perhaps, is better qualified to prepare such a book than Mr. Lynn Haines.

"There is one plain maxim to which I have adhered through life; that in every question in which my liberty and my property were concerned I should consult and be determined by the dictates of common sense. I confess that I am prone to distrust the refinements of learning, because I have seen the ablest and most learned men equally liable to deceive themselves and to mislead others."—William Pitt.

The sum of \$219,790,762 represents the total endowments of five leading universities in the United States, or, rather, that sum did represent the total endowments at the beginning of of this year. Since then the University of Chicago, fourth on the list, has begun a drive for more funds.

Harvard leads with an endowment of \$64,413,891. Columbia is second with \$56,407,421. Yale is next with \$39,697,259, then comes Chicago with \$31,992,620, and finally Ieland Stanford with \$27,270,571.

The University of Pennsylvania, which is endowed with only \$10,208,000, will begin a campaign next month for a fund of \$45,650,000. Of this it is planned to set aside \$27,700,000 for endowing the various schools and departments, and \$17,050,000 for land, buildings and equipment."

A \$2,000,000 fund is being raised by the National Association of Credit Men to combat the "crooks in business."

"The smart crook," says Mr. J. M. Judson of the Association "is not robbing trains these days. He goes into business. There is less chance of his getting caught and there is more money to be made. There are dozens of bands of criminals in this country, which operate on well-planned bases. They are well financed. They have competent legal advice as to steer them away from jail sentences, if things go amiss. Now and then one of them slips; is caught in the act; is tried and sentenced. But those who escape punishment of any sort are so greatly in the majority that they continue their practices with the result that more than \$250,000,000 was lost last year by legitimate business houses."

All of which shows what happens when the natural avenues for making an honest living, become closed.

Mr. Goode: "My boy, why is it always best to tell the truth?"
Boy: "Because you don't have to remember what you say."

PROF. RICHARD T. ELY EXPOSED!—Continued

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 consumer' 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 moneys 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 burdens, a "large development of indirect taxation!"

21.—That Indirect Taxes Are 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 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. 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, 24):

"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 poor harder one in his Packard automobile and the other in his "Hivver"—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 the 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 Encyclopaedia 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

Unfairness
of indirect
taxation

Hits the
poor harder
than the rich

The fruits
of indirect
taxation

PROF. RICHARD T. ELY EXPOSED! — Continued

the butcher, on the hide when sold to the tanner, on the dressed hide sold to the shoemaker and on his 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 beggary 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 terms 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; and 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 as economics is concerned, to exercise its faith and not its reason. That very clearly is why he has taken (1) such great pains to be believed to be understood, and (2) such great pains 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 "confiscation" 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, perfume 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 belongs to the whole community.

As the well known Catholic divine, the Rev. Edward McGlynn, has truly expressed it!

"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 aid 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 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 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.

(To be continued.)

¹ From the Document presented by the Rev. Edward McGlynn to Mgr. Satelli 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.