

The "Other Side" of the Land Value Tax

Minnesota Farmer Gives His Reasons for Opposing Keller Bills—Says Farmer Would Be Hit by Plan and That Principle Is Wrong

BY J. B. BOSCH

Mr. Bosch is a prominent farmer of Atwater, Minn., who has made a study of the tax question.

THE bills introduced by Mr. Keller have had and are having considerable publicity and backing. More than 30,000 corporations and business firms representing billions of capital are backing them. The purpose of the bills, its advocates say, is to relieve business and industry from taxation, and as usual to help the farmers.

The main features of the Keller bills are that they will abolish the excess profits and the corporation income taxes (H. B. 6767) and levy instead a land values tax (H. B. 6773). The other two bills, H. B. 6768 and 6769, I am not opposed to, but I wish to protest against the land values tax and the principles on which it is based. The land values tax is the vital feature and that is practically all the advocates of the bills discuss.

Mr. Keller proposes to relieve industry from taxation, not by reducing government waste and expenditures, but by a new method of levying. "The only logical method," he said in his speech before congress, "of relieving the present oppressive taxes upon business is to place a proportion of this amount upon land values, which, after all, are created by the community and rightly can be taken by the community in the form of taxation."

Taxes may be levied on land values or anything else, but they must be paid in money. We pay the money out of the results of our labor, or as in the case of the trusts, out of the results of somebody else's labor. That is, all taxes must finally be paid by labor, and as long as the amount collected is great, they will be oppressive to society as a whole.

The advocates of the land values tax say that all monopolies are based on the holding of land and that therefore the tax will break them. The packers and the grain and milling combine have a monopoly of our food supply, but it does not rest primarily on the holding of land. Their monopoly is more than a monopoly of land. It is a monopoly of all the land it took to produce the food plus the labor value expended in the process of production, and as Mr. Lord showed us, the greatest, most powerful monopoly of all, the monopoly of money and credit, does not rest on the holding of land.

This monopoly can control or cripple almost any industry; it can easily put the land speculators out of business if it wants to, but it would be practically untouched by the land values tax. But how would the Keller bills affect a monopoly that is based on landholding—say the monopoly of coal? The mines would still be privately owned, and the owner will hire laborers to mine the coal. If it cost him \$5 a ton to have it mined, he will of course sell it for a little (?) more. And out of this profit he will pay his tax, whether it is levied on values or ventilators.

CAN SHIFT BURDEN TO THE CONSUMER

The land values tax will do one of three things to such a monopolist: (1) It will leave his tax bill the same. (2) It will lessen it, or (3) it will increase his tax. The first would have no effect whatever. The second could hardly be expected to break a monopoly. The third is hardly probable. Keller himself says that his income tax system will relieve our industries, including mining, of a load of taxation. But if a monopolist's taxes were increased by the land values tax, he

The Leader recently published an article by Congressman Keller of Minnesota, explaining the so-called "Keller bills," which include a land values tax of 1 per cent. John Lord, in his concluding article in the Leader, also explained the bills and advocated them as a step in the right direction. The accompanying article by Mr. Bosch gives the other side of the question.

Congress has already passed the tax bill for this session, and has repealed the excess profits tax, without providing any substitute for it like Keller did. The Keller bills were not even seriously considered by congress. But the tax question is always a live one, and hence, although congress has settled the matter of taxes for another year, it is not amiss to discuss a tax principle which undoubtedly will continue to be in the limelight.

For those who did not read the Keller and Lord articles on this subject, the following summary of the arguments in favor of the Keller bills will help those who read Mr. Bosch's article to get both sides of the question. The Leader has taken no stand in the matter.

The advocates of the land values tax bill say it is aimed chiefly at land speculators and monopolists of natural sources. They claim the tax can not be handed down to others like other taxes and that, since land is the basis of monopoly, it will help break monopolies. They give figures to show that less than 4 per cent of the farmers would pay a tax under the plan, and these only the biggest land holders and not actual working farmers. Exemptions to farmers include all improvements and all value put on the land by reason of labor, which would make the tax valuation much less than the land value, less improvements, now used for taxation purposes. On top of that the farmer is allowed a \$10,000 exemption. Besides the merchants and manufacturers' organization which Mr. Bosch mentions as advocating the bill, the Farmers' Federal Tax league, composed of some of the most prominent of progressive farmers of the country, is advocating it. The United States Chamber of Commerce and big business organizations generally are opposed to the Keller plan, although it is only fair to say some progressive farmers like Mr. Bosch also oppose it.

could shift it to the public, for he controls both the output and the price of his product. And taxes or no taxes, the golden rule of big business is "all the traffic will bear." An excess profits tax which Keller opposes would limit profits and it could not be shifted. Personally, I believe in public ownership of public utilities and natural monopolies.

Mr. Keller declares that the land values tax will reduce rent and solve the housing problem. He knows that the taxes which a landlord pays on his building are shifted in the form of rent. If a landlord is taxed, say \$100, on his building, he does the logical thing and adds \$125 to what otherwise would be his rent. But if he is taxed \$150 on the "land value," his mentality will be upset so that he will reduce the rent! Be that as it may, the greater portion of taxes on city property is local; so that it is obvious that it is a local problem and that a federal tax system will not solve it.

The underlying principle of the land values tax is that "land values are created by the community

and rightly can be taken by the community in the form of taxation;" that the holding of land is a privilege, but that the holding of other forms of wealth is not. Suppose that a man sells a piece of land for a million dollars. Having sold it, he is exempt from the tax, although he has as much wealth as the man that bought.

TAX OTHER PROFITS, NOT ONLY ON LAND

The buyer may have paid all that the land was worth, but according to this principle, he is supposed to have all the benefit of the past increase in the price of land. The holder of the million has just as much wealth, his wealth gives him as much or more power; his wealth, through interest, will increase steadily, endlessly—but he will not be taxed on it. I agree that land values are socially created, but I maintain that all other values are likewise socially created. The value of an education, or profession, a work of art, an invention, a discovery of science, a business, is dependent on the existence of civilized society and civilized government.

The profits derived from the holding of land should be taxed, declare the backers of the Keller bill. But what of a few other kinds of profits? For instance, the profits of a wheat speculator in buying and selling imaginary wheat; the profits of the railroads and other trusts on a lot of watered stock; the profits of the banks in collecting interest on the people's money and on money that does not exist; the profits in making a 50-cent cowhide into a few pairs of \$5 shoes; the billions of dollars of war profits?

The merchants and manufacturers who are backing the Keller bill want the excess profits tax removed. Would it be unwarranted if one would assume, then, that they must have made excess profits?

The purpose of the Keller bill, however, is to lighten the taxes on business and put them instead on land values, "which after all are created by the community and rightly can be taken by the community in the form of taxes," says Keller.

This tax will not burden industry, we are told. Why not extend this harmless but effective form of taxation and tax the rainfall? The rain which falls in the United States every year is worth billions of dollars. Its value, too, is created by society. This is plain. Where there are no people living, as for example in the Atlantic ocean, rain isn't worth much. And when there is a drouth we can see that people lose millions of dollars. Therefore, those people who receive the benefit of the rain, should pay to society a part of the value which society creates. It may possibly be objected that the rain is not monopolized by individuals, but somebody must be getting the benefit and they should be taxed. This tax has all the beautiful simplicity of the land values tax, and it would not harm business nor reduce the rainfall.

I have not yet worked it out in all of its details, but when I get it put together into a scientific system, I shall submit it to Keller and the committee of merchants and manufacturers on federal taxation.

It is said that hardly any farmers would be hit by the land values tax, because of the \$10,000 exemption. Let us apply the tax to the state of Iowa, an agricultural state. According to the federal census bureau there are in Iowa 231,439 farms with an average value of \$31,292 exclusive of

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A FRIEND IN COLORADO



This picture is of William Eastman, a Leader reader who farms near Center, Col. He writes that he tries to make part of his living by raising hogs, but that after feeding 30-cent grain and getting only \$8 per hundred pounds for his hogs, he finds that he is running behind.