

STATEMENT BY GEORGE SHIBLEY, DIRECTOR OF THE RESEARCH INSTITUTE, OF
WASHINGTON, D. C.; MEMBER OF UNITED STATES SUPREME COURT BAR

BENEFIT FUNDS FROM TAXATION OF RENTAL VALUES AND OF CONCENTRATED
WEALTH

Mr. Chairman and gentlemen of the committee, my name is George Shibley, and I am director of the Research Institute, of this city; and am a member of the United States Supreme Court bar. For 40 years I have been an independent social scientist, paying my own way and supporting various activities in the public interest. I am aiming at equal rights in regulated private enterprise, the program for liberty, the liberal program.

I ask your attention to suggest that in your search for benefit funds for our citizens against economic hazards you consider the following social philosophy and actual facts of history in our Republic.

In the levying of taxes by Congress there are two main systems: To levy in such manner as to cause the consumers to pay the tax; or to cause the holders of special privileges in this country to pay the tax.

In the latter category, that the holders of special privileges should be taxed to secure the benefit funds which the Nation is looking for to pay the benefits for social security, are:

First. The taxation of land values—the rental value based on location-omitting improvements, fertility, minerals, and standing timber. It is taxation of the unearned increment, caused by the presence of population. And—

Second. The taxation of the excessive concentration of wealth.

We first present taxation of concentrated wealth as it calls for historical treatment.

PROPOSED TAXATION OF CONCENTRATED WEALTH

In our Republic the concentration of wealth is so excessive, as an outcome of the rule of the few, for four generations except 1861-65 and 1913-18, that shortly before the setting in of our existing great depression, "504 men in our Republic had a greater net taxable income than the value of all the wheat, and all the cotton produced by 2,800,000 farmers the following year." (Proceedings of the National Grange, 1933, p. 25.)

The explanation is that this excessive concentration of wealth is the outcome of four generations of the rule of the few, by machine-rule party government except 1861-65 and 1913-18. It began in 1544 by the sly debasement of the national nominating conventions of the two parties, by the action of the State committees.

These changes in the mechanism of party government are described in part in a Z-volume work published in 1855, written by former United States Senator Benton, in *Thirty Years View* (vol. 2, 596).

In 1860, at the polls, the voters recaptured their National Government, but an outcome was the Civil War for 4 years and the saving of the Union, and the ending of chattel slavery.

But with the ending of that internal war and the assassination of President Lincoln reaction set in in Congress, and it was continued until 1908, a period of 43 years, and the rolling up of concentrated wealth.

In 1908 both of the national nominating conventions of that year were liberal. But President Theodore Roosevelt's candidate for President in the Republican National Convention who was elected turned out to be reactionist: Secretary of War Taft of the Roosevelt Government.

Then at the next election, in 1910, former President Roosevelt came out against the policies of President Taft, thus becoming a balance of power for a liberal House of Representatives, which made good, and as the next campaign approached, in 1912, the only real issue was, Which of the liberal leaders shall become President? The award went to Gov. Woodrow Wilson, of New Jersey, an expert in economics and government. The election was another peaceful revolution at the polls. This is told in President Wilson's inaugural address and in the ending of the worst of the privileges up to the time of the outbreak of the World War.

That is, in 18 months there was ended the trust era, including the ending of the Bankers' Trust in Wall Street. It was the setting up of the Federal Reserve System and of the Federal Trade Commission, the enactment of the second anti-trust statute, and revision downward of the tariff on imports.

Then after 6 years of this Wilson liberal Government there came reaction at the polls in the 1918 congressional election, a counterrevolution. Both Houses of Congress were returned to the old guard of the special interests; and it was continued in the next election, 1920. On March 4, 1920, a liberal cartoonist pictured the special interests backing up to the National Capitol a moving van to take control. And that was done.

So openly did the special interests rob the country that after the sudden death of President Harding three of his Cabinet members were driven from office by investigations by the liberal Senate.

However, for 12 years the reactionist Republican Government was continued at the polls. And now for 2 years there has been in office a Democratic Government, and it is about to enact security legislation, a leading issue being: From whence shall come the necessary funds by taxation?

I am herein proposing that these funds for social security shall come from two main sources: From a much higher income tax on concentrated wealth and from funds by a tax on land values—the rental value omitting improvements, fertility, minerals, and standing timber, but at the start to touch only the people with an income of \$2,000 for the unmarried.

Thus the two main sources of taxation for the start are outlined, but during the coming generation there will surely be taken over by the people, the voters, the entire unearned increment, the bare value of the land, the location. This is to be taken by the ones whose presence creates the value, and in doing so it will raise the standard of living.

At the start of this social security legislation at this session of Congress the viewpoint should be to best promote the general welfare by supplying funds for the maintenance of the unemployed, and for the support of such as are in declining years, and as are defective; also the fatherless children, and later the support of all children. After we are out of this depression there is not likely to be any considerable unemployment because of liberal government.

The liberal program.—The technical name for this plan of taxation is the program for liberty, equal rights, before the law, the liberal program. This is in contrast with the conservative program, in less polite language, the reactionist program, of the ruling few.

This liberal program as to taxation is that the land values created by the presence of the people should go to them, but the legal title to the land continue as private property as at present.

The reactionist program of the at-present ruling few—the ones who each 2 years invest in the millions of dollars of campaign funds—is that the funds for the proposed social security shall come from a tax levied on all of the consumers, with the monopoly of land values to continue to the ruling few, along with the retention of the other special privileges, including the privilege of supplying most of the campaign funds.

An added argument.—An added argument for the proposed tax on concentrated wealth is that the considerable ending of concentrated wealth is necessary for the ending of the unemployment. That is, in order that full-time employment shall again proceed the product must be consumed, whereas the excessively rich pile up most of their income by offering to reinvest it. Each thoughtful citizen can see the point.

The remedy.—The remedy for the existing great depression, a depression the continuance of which is frightening everyone, is the liberal program, for the restoration of liberty, as I have said. Deflation is the main cause of the depression.

Our country's history.—I have outlined our country's history as to liberal and reactionist government and briefly mention the principal books on the subject.

In 1855 was published *Thirty Years View*, describing at that time the rule of the few, and something as to how in 1844 the people lost their political liberty. The author is former Senator Benton.

In 1888 was issued the two-volume work, *The American Commonwealth*, by James Bryce, a liberal member of the British Parliament, aided secretly by various of our patriotic citizens.

In 1913 was published *The New Freedom*, an epitome of President Woodrow Wilson's campaign speeches, and in 18 months the outcome of the Wilson liberal government was the ending of the trust era, as I have outlined.

Thus in the standard books is proved the rule of the few at times in our Republic. The outcome during the four generations just passed has been the excessive concentration of wealth, as I have described. Now our Nation is searching for funds to pay for social security, a next step in our social development, and I

have pointed to sources which if tapped, will vastly benefit the Nation-will considerably raise the standard of living.

I now mention the 2-volume work published in 1835 wherein is set forth the remarkable equality of opportunity at that time in our Republic: Democracy in America, by Alexis De Tocqueville, of France.

Our country at this session of Congress in deciding the policy for financing social security should read as follows by Dr. John Dewey, professor of philosophy at Columbia University: In the 600-page volume, The Philosophy of Henry George, by Dr. George Geiger, associate professor of philosophy, University of North Dakota, the noted John Dewey in the foreword, says,

"Dr. Geiger has given us a book which meets contemporary demand for an adequate interpretation of the thought and activity of Henry George regarded as a vital whole. It will enable the reader to obtain a clear and comprehensive view of one of the world's greatest social philosophers, certainly the greatest this country has produced."

The date of that book is 2 years ago. It emphasizes that in no sense was Henry George a land nationalist. His plan is a plan of taxation by leaving the legal title in private owners as at present but that society, which by its presence creates land value, shall take to itself that value (p. 130). At the same time to do justice to the investors in land; that is to apply a progressive policy of land-value taxation, namely, to apply gradually the idea of land-value taxation, so as to prevent injustice to land owners. (Louis F. Post, in The Prophet of San Francisco, 261.)

An inappropriate name is the "Single Tax", for other forms of taxation are necessary, plus the fact that at the start only the thin end of the system is to be applied.

In conclusion.- I n conclusion I summarize the foregoing as a whole by the following draft of a proposed joint resolution for Congress:

"Whereas government is of three main types-liberal government, conservative government (also described as reactionist government), and radical reactionist government; and

"Whereas liberal government aims at the voters' liberty, the liberty of each limited by the like liberties of all, while conservative government is government by the few, aiming at special privileges for themselves; and

"Whereas our Congress is searching for benefit funds, for the payment of security to our citizens against economic hazards, and has the choice of two main systems, the levying of the tax in such manner as to cause the payments to come from the consumers, or to cause the payments to come from the holders of the existing special privileges: Therefore be it

Resolved by the House of Representatives of the United States (the Senate concurring), That for a more equitable distribution of products in private enterprise and a more continuous employment of the work people, there shall be ended by progressive taxation of incomes and progressive taxation of land values, the excessive concentration of wealth, a concentration the outcome of four generations of the rule of the few, by means of machine-rule party government except 1861-65 and 1913-18. The year 1844 is the date of the people's loss of liberty nationally; and further

"Resolved, That the funds for economic security for the people of the Nation and of the States should come wholly from the levying of taxes by Congress on the special privileges (1) of concentrated wealth and (2) of land values based on location, omitting improvements, fertility, minerals, and standing timber, but not to touch incomes of less than \$2,000 a year for the unmarried."

STATEMENT SUBMITTED BY THE UNITED STATES ENGINEERS, INC., NEW YORK CITY

HON. PAT HARRISON, *Chairman Senate Finance Committee:*

Herewith for insertion in record in hearing on economic security bill, two communications among many that have been submitted to the President with a vital bearing on this bill and other legislation being considered.

A single sentence in letter to the President, of May 17, should be carefully considered by this Congress: "There is nothing too big to do that we can do, and if we can make it pay to do we must finally do it or sink into oblivion."

U. S. ENGINEERS, INC.,
By W. EDWARD NEWBERT,

Prof. Engineer, New York State Representative Agent.

Address: General Delivery, New York City.