

TAX FACTS

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A Land Chest

From other cities than Los Angeles, comes the ominous warning that Community Chests and other charitable organizations are paying out their last dollars to aid the destitute and unemployed. When these funds are exhausted, suffering will become acute unless new measures can be found to meet the situation.

Mr. Manchester Boddy, Los Angeles newspaper publisher, comes forward with the suggestion of a community land chest. "The project would provide parcels of land, from half an acre to two acre farms, for thousands of families with deflated incomes," the publisher explained. "Land is the mother of all wealth. Our population is huddled together in an overcrowded city, and we have between 100,000 and 116,000 unemployed, yet all about us are thousands of acres of idle land."

Why should any community, any state, any nation ever have an unemployment problem on its hands as long as it has unused land within its boundaries? Whether an anthropomorphic God created the earth for man's special benefit, or nature, through the long process of evolution, developed the genus homo along lines similar to other animals, and like them born to scratch a living from the soil—whatever the cause or purpose of his creation, if man is to make a living at all, he must make it from and on the earth, itself. The moon or the other planets won't do—too inaccessible.

No man can labor at digging a ditch or building a house or keeping books or selling collar buttons or broiling hot dogs unless he uses land. There is not space in this little paper to trace each of these occupations through all its connections with the soil, but surely that isn't necessary. If it were possible for the population of the earth to increase so rapidly and to such an extent that every square foot was occupied and being used,

and still the babies came, then we *would* have a problem on our hands. But as long as there is plenty of acreage to be used for farms and gardens, ample space within towns and cities for building homes and stores and offices as they may be needed, as long as the actual surface of the earth is larger than will ever be needed to supply human wants, where is your problem? What would you think of a cow that stood in the middle of a meadow and balled because she was hungry when she stood knee-deep in clover? Her labor would consist in putting her head down and opening and closing her mouth according to certain physiological rules. And wouldn't she be a fool not to do it?

Man must do a little more than open and close his mouth to obtain a living, unless he is a politician, but whatever method he employs, he will use land directly in tilling the soil or raising stock, or he will use it indirectly through the products of the soil, which may come to him as raw materials like lumber or metals or wool or cotton, or as finished articles like typewriters or adding machines or equipment of various kinds.

The All Year Club of Southern California has spent thousands of dollars telling Eastern folks about the pleasures, advantages and benefits of this corner of their country. According to these California Boosters, all who come here will find themselves standing knee-deep in clover, as it were. To a certain extent they are right. The soil is fertile, the climate isn't bad, there are many advantages that nature provided without consulting anybody, and she makes only one charge to all comers. If you would make a living in this pleasant land, whether you be black or white or brown or yellow, whether you are tall or short or fat or lean, if you would gather wealth from nature's storehouse, you must work. You can't get off the Sunset Limited, unpack your trunk, and

expect the strawberries to jump into your hand. Nature says strawberries must be cultivated, and if you don't care to do it yourself, you may work at something else and exchange the product of your labor for the berries that someone else cultivated.

That is all that nature has to say about the matter, but men don't like to pay nature's price, so they are everlastingly trying to get others to provide them with strawberries for which they pay with the product of another man's labor. The men, and women, too, who have come to California, have not been playing the game according to nature's rules. They have been trying to garner riches without working for them, and that procedure has left some of the population standing knee-deep in clover and crying with hunger.

When I was a child and went with other children into the fields to gather violets, we often espied a particularly fine plant full of blossoms while we were busily picking violets from a plant near by. To prevent some other child from running off with the prize, we would merely point to it and cry "dibbs on that one," and that phrase was law. We could then proceed as leisurely as we liked, even stopping to gather from several plants before beginning work on the one that had attracted our attention. No child would dare to touch it so long as we had used the magic words. Absurd? What about the people who have come to California and are not content to possess only as much land as they can use, but must look about them for the choice spots that others will want to use, must use if they are to live here at all, and cried, "dibbs on that one." Their course of action is a little more technical, more firmly bound with red tape, but in the eyes of nature, who demands labor, and labor alone, in exchange for her stores, it must look quite as silly as our childish formality, sillier, in fact, for we children did get around to our violet plant within a short time and "used" it.

These men and women have no intention of using all this land that they have laid claim to. They did not produce it with their labor, but the money that is paid to them either as rentals or selling price can be exchanged for the products of other men's labor, and that is as near as we can come to chattel slavery under the circumstances—and a very good substitute it is, too; but what is the result?

The State of California is the second largest in the Union, and as Mr. Boddy says, "all about us are thousands of acres of idle land." There is enough idle land in California to support many times the number of people that are here, yet thousands of men are unable to make a living in this great natural store house. The land on which they would labor as farmers or clerks or carpen-

ters or whatnot, all belongs to somebody else, to some one who is holding it idle until the price goes up.

Mr. Boddy is right in wanting to make land available for the unemployed, and if he will study the matter a little more, he will see the necessity of changing our tax laws so that this will be the natural situation, and not an arbitrarily established "land chest" to help us through a crisis.

Nature has provided a "land chest" for every man and woman born into this world. It is man who has made a mess of things by claiming more than his share, by making his neighbor pay *him* for working in the store house that was meant for all. Until this situation is changed, we will continue to feed through charity some who are standing knee-deep in clover.

HOME OWNERSHIP

Last month our Washington friend, "Labor," added its voice to the plea for a little common sense in solving this problem of home ownership. In an editorial "Labor" says: "Quite probably, the proposed plan of Federal home discount banks will lower the cost of home financing, though there is grave reason to fear that the real estate interests will take up any slack created in this manner.

"One of the organizations supporting the plan complains that real estate prices are low because of lack of credit; plainly implying that such prices will boom if the credit is supplied. Jacking up the price of a lot is a poor way to help a man build a home."

"Labor" is right. Any plan designed to stimulate home building will fail of its real purpose unless it includes measures that will prevent the land speculator from reaping all the benefit. Let us leap all the intervening causes and say that real estate prices are low because of lack of buyers. Any plan of financing that will stimulate buying will naturally send the price of real estate up, and it will be difficult for Federal home discount banks or any credit systems to keep step with the rising price of the lots upon which these homes must stand.

"Labor" closes its editorial by saying: "When workers have steady employment at reasonable wages, no one will need to preach at them to own their homes. They will attend to that for themselves."

It would seem, then, that the government, and such economists as lend their support to the plan, are trying to solve the problem from the wrong end. Some measure that would release idle land and provide jobs for men with an increase of wages and buying power would do more to stimulate home building than all the financing and credit systems in the world, and would not defeat its own purpose by raising the price of lots.

HIGH TAXES OR HIGH DOLLARS

GEORGE H. DUNLOP

[Tax Facts is opposed to wasteful expenditures whether by private citizens or public bodies. When tax money is not economically spent it is an economic loss which everyone should oppose. We believe, however, that taxes wisely and efficiently spent for proper public purposes usually add more to the permanent wealth of the community than like amounts spent by individuals, and so we were interested in a recent address by Mr. E. Holtby Myers regarding governmental expenditures, and we asked Mr. George Dunlop, who is known to nearly all of us as quite a student of tax matters and public spending, to write us an article along the same lines—here it is:

EDITOR.]

What was it that caused the business depression? Was it the increasing burden of taxation or was it the increasing value of the dollar, with its concomitant fall in the general price level, that disorganized the business world?

For fifteen years following the outbreak of the World War, practically the whole world was on a paper money basis, resulting in a correspondingly high price level. With the recent attempted return to the gold standard by the leading nations of the world, the general price level tended to fall back to the 1913 level. This fall in the price level has been far more disastrous to business than has been the tax burden.

England affords an interesting example. Six months ago she gave up her gold standard and thus cheapened the value of the English pound about twenty-five per cent. Since then she has been more prosperous. Did she reduce her taxes at this same time? No. On the contrary she raised them. All this is very confusing to the argument that high taxes are the chief cause of the business depression.

There are economists and financiers who claim that the dollar can be made cheaper, the general price level raised, and the bankrupting burden of debt be lightened, without the United States having to abandon the gold standard. These suggestions should be thoroughly looked into.

Coming back to the question of high taxes, the lesser of the two evils we are discussing, of course taxes are much too high—particularly the federal taxes. Over \$2,500,000,000 of federal taxes, about two-thirds of the total federal taxes, are being spent each year for war purposes, past, present and future. This is a good deal for what we get in return. If local taxes are high, at least we have some new streets, school houses, fire engine houses, jails, hospitals, etc., to show for them. We don't seem to have much to show for our expenses, direct or indirect, due to the World

War. At least two generations will have to pay high taxes because of that unhappy event. But can we afford to wreck our local governments with inadequate financial support because the federal government is forced to levy such burdensome taxes.

And let us not forget that, bad as high taxes may be for business, they are not as bad as the sinking of prices back to the 1913 level. High dollars are an even worse burden than high taxes.

WE DIVIDE THE LOAF

The acceptance of the six-hour day and the five-day week is urged as one way out of our unemployment difficulty. This would allow employers to keep more men on the pay roll, but since the falling off of consumption has left so little in the hands of most employers, there is not much to be passed on to employees. It means dividing the loaf into smaller and smaller pieces.

Any artificial regulation of working days and working hours, like most rules that are set up arbitrarily, will probably result in almost as much harm as good. Whatever their immediate result, such rules will have no lasting or salutary effect for the reason that they do not touch the root of the trouble. One objection to Socialism is that it involves too much regulation.

We Americans don't like to be told. We don't want anybody to tell us how long or how hard we must work, and we would chafe under such restrictions whether they were imposed by a government or an individual or the force of circumstances. Open up the natural opportunities to labor and let each of us decide for himself whether he wants to work long and industriously and amass many possessions, or take life more leisurely and philosophically, leading the book-loaf-and-thou sort of existence.

Let it be understood from the start, that all these regulations are to be temporary, merely serving to pull us through this crisis—if they will. Meanwhile, let us keep our thoughts steadily on the main objective, the freeing of labor and capital, alike, from the stranglehold of monopoly and privilege.

It is not really a tax bill. It's a vacuum cleaner.—*New York Sun.*

Ford has placed an eight-cylinder car on the market. Lizzie, meet Octavia.—*Thomaston Times.*

You can save a life in India for \$1.35. You can save one in America by just blowing your horn.—*Los Angeles Record.*

It is announced by the stylists that blue will be the predominant color this spring. As if we didn't know.—*Thomaston (Ga.) Times.*

There's a bright side. After watching great minds combat the depression you should be rid of your inferiority complex.—*Denton Record-Chronicle.*

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THE FUTILE GESTURE

After reading a sample copy of Tax Facts, a man in Chicago writes: "It, of course, will be practically impossible to levy all taxes on the basis of benefits received, for the simple reason that until we change the whole organization of our society, there will be any number of people who could not possibly pay on that basis, and levying a tax that cannot be paid, is, of course, a futile gesture." Very futile, indeed, say the assessors of forty-eight states who have been vainly trying to devise some plan that will enable them to find out just how much personal property people do own. Church members and atheists, alike, lie like pirates when the assessors begin to ask questions, till these servants of the law are at their wits' end to know how to discover the taxable personal wealth that is hidden away at the opportune moment.

Levying a tax that cannot be collected is, certainly, a futile gesture, and one that might well be dispensed with. The personal property tax should be relegated to the museum along with other ancient relics. Our friend in Chicago doesn't see how we can "levy all taxes on the basis of benefits received." Neither do we. We wouldn't even try. The phrase, "all taxes," we suppose, is meant to include the personal property tax, taxes on improvements, taxes on land values, taxes on intangibles, fees, licenses, franchises and any others that we may have omitted.

Much confusion arises when we fail to distinguish between land and the products of labor. Nature produced one; man made the other. Could there possibly be a greater difference in the nature of two things? Consider land in a class by itself and put the other things, personal property, improvements, stocks and bonds, etc., in another group—and forget it. Why should we try to levy a tax on them according to the benefits they receive from government when they don't receive any? As a town grows, it increases its services to its citizens in the form of public schools, police and fire departments, libraries and so on. What is it that increases in value as these services grow? Has the oldest house in town steadily increased

in value with the growth and development of these services? Does personal property, furniture, automobiles, radios, clothes, jewelry, increase in value as the town grows; or is a Frigidaire or a one carat diamond worth just as much in Gopher Prairie as it is in Chicago? When Mr. Ford turns out an automobile, it is priced at so much F. O. B. Detroit. It makes no difference whether it goes to a big city or to a nine o'clock town.

There is only one thing that does receive benefit from services of government and increase in value accordingly—land. Groceries may be cheaper in a large city than in a small town, they usually are, but how about building lots? Where is the most expensive land in the United States? Why? Why should people pay such exorbitant rents to use office space in lower Manhattan? Well probably they think they can earn more there than they could on cheaper land on the outskirts of Yonkers. The benefits that society as a whole confers upon its individual members through organized government, through social intercourse, through all group activities can be enjoyed only by people who live within the limits of that community, state or nation. And the value of the land they occupy is the value of the benefit they receive. This value is the product of the group as a whole and consequently belongs to the group. It is that factor in the production and distribution of wealth that economists call "rent." This "rent," since it was created by the community, is what we propose to collect to pay for these services of government.

To levy a tax on the value of land according to the benefit that it receives from government is both practical and possible. There is no dispute about the fact that lots on State Street, Chicago, are worth more than those that lie barely within the city limits. It is true that speculation in land has inflated land value wherever it amounts to anything at all. If this value, or rent, were collected for the public treasury, instead of for private pockets, speculation would cease, and values would assume a more normal relationship to social needs and social benefits.

We do not need to "change the whole organization of our society" in order to adjust our tax system and place it on a scientific basis. We could use the same organization that we have now, but to much better effect.

We all pay this "rent" now, but only a small portion goes into the public treasury. The bulk of it goes into private pockets, and to make up for this loss, governments must levy all sorts of taxes, without rhyme or reason, in order to pay their bills. Cut these bills down ever so much, and the public will still be paying twice for the same services—once to the government in the form of taxes, and again to private individuals in the form of rent and selling price of land.