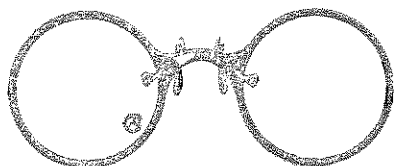


"Give a man the secure possession of a bleak rock, and he will turn it into a garden; give him a nine-years' lease of a garden, and he will convert it into a desert."

—Arthur Young.

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COMMON SENSE

Published Occasionally
For the benefit of those who have
the courage to think

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Number 1

THE CHANCES OF THE COMMON MAN

TAXATION

City, County, State & Federal



Published for

THE SINGLETAX LEAGUE OF TEXAS

WM. A. BLACK, Executive Secretary

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COMMON SENSE is a good name for this magazine. It is of old and respectable lineage. The first American child of that name was of Revolutionary days and had no small part in that great struggle. "These are times that try men's souls" is just as timely today as in 1775, tho the issues are totally different.

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Taxation



City, County, State and Federal

Taxation is much like Mark Twain said of the weather. "Everybody talks about it but nobody does anything about it." It is as inevitable as the weather, but it can be controlled and directed. It is a human institution and can be intelligently directed if we so will it. 10,000 Texans will glance at the heading of this article and pass on to something "more important." Time is too valuable to waste digging into facts and figures especially when you have an appointment at the golf course that must be kept. However, there are some who will read it carefully, and make an honest effort to understand. Even a few members of the Legislature may wade thru it. Most of these are too busy, really busy and find out to the embarrassment that they are ill prepared for their job when the time arrives for action.

I have lifted bodily two valuable tables from an article by Morris Edwards in the Nation's Business for January 1929. I trust that Mr. Edwards and the editors of the Nation's Business will forgive me for using these tables and my only excuse is the importance of the facts so well presented.

Right here I want to quote a few lines from Mr. Edwards' article. "These tables and all similar tables which obtain their facts from government sources fail to disclose one of the most far reaching tax relationships which this system has fostered. That is that everybody pays taxes; in many instances the firms, corporations and even individuals who make the actual remittances are only doing so in behalf of an unseen tax payer who, simply because his taxes are unseen nurses the illusion that he is escaping tax free.

"A little less salary, a few dollars more rent, a penny in the price of the loaf of bread and a little less work for the day laborer, may be taxes quite as much as the \$10,000

COMMON SENSE

Taxes	Federal	State	Local ¹	Total
Taxes: On income	\$1,761,659,049	\$ 27,535,105	\$ 72,160,017	\$ 1,861,354,171
On general property	247,258,938	353,601,983	3,514,479,150	3,873,081,083
On business	425,519,635	336,519,287	132,747,169	766,525,394
On consumption	46,068,399	286,063,504	34,421,963	754,821,309
On privilege	108,939,896	12,874,376	61,980,000	112,106,568
On inheritances	548,521,795	85,894,069	3,732,984	198,566,949
Customs duties	24,637,944	31,175,676	405,664,229	548,521,795
Assessments for benefits and services	11,864,378	7,314,116	39,082,153	461,377,849
Fines and forfeits	6,366,351	139,496,200	237,291,651	58,260,947
Subventions and gifts	83,839,855	13,995,479	42,688,879	373,154,202
Trust funds	10,530,290	11,044,051	47,148,963	140,524,013
Rent	178,137,149	55,900,452	162,255,746	68,723,304
Interest	218,045,281	118,731,659	146,803,831	396,293,347
Sale of property	55,693,163	10,096,333	567,036,199	218,043,281
Earnings of departments	24,908,525	29,345,505		321,228,653
Earnings of public service enterprises				602,041,067
Miscellaneous receipts				29,345,505
Totals	\$3,781,335,953	\$1,485,242,240	\$5,517,392,984	\$10,733,971,127

¹Local government revenues estimated.

This table, prepared especially for Nation's Business, represents the first compilation of data covering federal, state and local governments that has ever been assembled in related form. Numerous and authentic sources were studied in its preparation.

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SOURCES OF \$100 OF REVENUE

Of Federal, State and Local Governments

	Federal	State	Local ¹	Total
Taxes: On income	\$16.33	\$.26	\$.67	\$ 17.26
On general property	3.32	32.60	35.92	
On business	2.29	3.12	1.69	7.10
On consumption	3.95	2.65	.32	7.00
On privilege	.43	.12	.57	1.04
On inheritances	1.01	.80	.03	1.84
Customs duties	5.09			5.09
Assessments for benefits and services	.23	.29	3.76	4.28
Fines and forfeits	.11	.07	.36	.54
Subventions and gifts	.06	1.20	2.20	3.46
Trust Funds	.78	.13	.40	1.31
Rent	.10	.10	.44	.64
Interest	1.65	.52	1.50	3.67
Sale of property	2.02			2.02
Earnings of departments	.52	1.10	1.36	2.98
Earnings of public service enterprises	.23	.09	5.26	5.58
Miscellaneous receipts	.27			.27
Totals	\$35.07	\$13.77	\$51.16 ¹	\$100.00

¹Local government revenues estimated.

The totals of governmental revenues, as shown in the table on page 70 are reduced in this table to proportionate parts of \$100. This table, also prepared especially for Nation's Business, is unique in that it provides the first instance in which these quantities have been so related as to provide a bird's-eye view of the system by which all units of government—federal, state and local—obtain their revenue.

check which some employer, merchant or property owner may remit to a governmental unit." It is this unseen tax payer and his welfare that the intelligent Legislator and business man must consider. It was neglect and indifference to this "unseen" man that broke down so called civilizations of the past. It will be neglect and indifference that will retard or break down our own civilization.

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The total tax burdens of the people of the United States in 1925 according to Mr. Edwards' table was roughly \$90.00 per capita. It is now believed to have passed the \$100.00 mark. Three years ago we estimated our taxes at one sixth the national income. It is now nearly one fifth and always we must consider who pays, who really carries the burden. If you hope for a reduction of these totals all you have to do is to note the progress of our cities, counties and states in the way of expenditures. Everywhere there is increase. Here in Texas we measure the popularity of our city and county officials by their willingness to spend money. Almost daily we employ an expert in some newly found way to spend money. Experts have been employed to search out new sources of revenues but I have yet to learn of the employment of an expert on the injustice of present methods.

There are just two general sources of taxes, land values and labor values. All leading economists recognize these facts. Labor values include all improvements in or on land, goods produced for consumption, transportation facilities, in fact everything that labor has produced and that serves some useful purpose. Land values are our natural resources. City lots, farm lands, less the improvements, minerals in place, in fact all that nature has placed here for man's use. It requires no profound thought to distinguish between the two. Hamilton, who was considered the great financier of the Revolution made this distinction. However, he wanted to tax industry because it comported with and promoted his aristocratic ideals.

Whatever our ideals may be we must take conditions as they are and work towards those ideals as best we may. The Constitution of Texas is very simple. It provides that all property shall be assessed for taxation. That means personal property, improvements and land values. In addition to these we can resort to occupation taxes, and thru the interpretation of the Supreme Court there is hardly any limit to what the Legislature can do under that clause. There are so many millions to be raised in Texas. Members of the Legislature have had it dinned in their ears that land is already bearing too much of the burden so they look around for the easiest way to get the money. When they

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speak of land they have the farm lands and the assessed taxes they bear, in mind. Let's see if the actual facts bear out this excessive tax burden theory. According to the 1927 Comptroller's Report (the last published) the average assessed value of Texas farm lands was \$9.02 an acre. The total State ad valorem tax rate was 67c on the \$100.00, or an average of 6c an acre taxes. That is just 6 per cent of \$1.00 per acre of its value. Its selling price is untaxed. The taxes paid on land are not a burden on the cost of production, they merely lower its selling price, and not its use value.

COUNTY TAXES

As this article is intended to furnish facts that may be of use to the investigator here are some from selected counties as taken from the Comptroller's Report above referred to.

Harris County lands were assessed at _____ \$37.39 per acre
 State rate _____ 67 c
 County rate _____ 94½c
 Total _____ \$1.615

Thus we find that Harris County farm lands contributed last year 60c an acre for county and State.

Bexar County farm lands assessed at an
 average of _____ \$18.00 per acre
 State rate _____ 67c
 County _____ 87c
 Total _____ \$1.54

Taxes per acre for county and state 27½c.

Harris and Bexar Counties each has a large city which makes for the value of the lands. It is locality and not fertility that gives these lands value. One more illustration. Austin County is the home of Representative Tillotson, who is very much concerned over any additional taxes on lands. The average assessed value of

Austin County lands is _____ \$13.32 an acre
 State rate _____ 67c
 County _____ 55c
 Total _____ \$1.22

The result is the average per acre taxes for Austin County

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lands for State and county purposes last year was a fraction over 16c an acre. Right here I want to recommend to our Legislators and tax experts that they take the Comptroller's Report and look over at the extreme right hand side of the table giving assessed values where they will find the county rate and the average acre value assessments. Another important fact that the same gentlemen might bear in mind is that the ratio of lot values to farm land values is almost the same as the ratio of population of cities to that of farms.

HIGHWAY FINANCES

Now let us turn for a moment to highway building, its effect on values and on society. There is no argument over the value of well built highways where they are needed. There may be some argument as to how they should be built and the selection of those roads that should have the preference in time. Representative Tillotson in a published plea for a permanent highway policy for Texas gives us many well considered suggestions. He is wisely against the proposed bond issue. He believes the State should pay its bills as it builds. However, he is against any additional taxes on the lands of the State. He thinks land already too heavily burdened. On this score I have already furnished him some hard facts from his own county.

He is somewhat confused in his economics and he does not stand alone in this regard. He is quite right when he says, "It is a fundamental principle of taxation that tax burdens may not be imposed without carrying a just and reasonable measure of benefit to those taxed." It would have been simpler if he had said that "Taxes should be levied on the basis of benefits received." This is sound doctrine but one that is rarely applied. Mr. Tillotson does not see it, because he says that "In recognition of this principle the policy of imposing ad valorem taxes on property throughout a long series of years to build highways chiefly used by those living beyond the area taxed should be discontinued." He proposes to assess the cost of building and maintaining against the traffic on the highways. Mr. Sterling and a host of others are with him on this. Build the highways but do not tax the land owners for it. If traffic only is benefited as

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claimed by these gentlemen, why is it that there is so much clamor for the location of highways and why the outcry against any proposed change of present routes? If traffic only is benefited then it should make no difference to the villages and towns and farmsteads where the highways are located. But curiously enough these people think otherwise.

The fact is so obvious that property only is benefited by public improvements that we fail to recognize it.

New York City and New Jersey built the Holland Tunnel at a cost of some fifty million dollars. It is now being paid for by tolls levied against the traffic using it. Good authority estimates that the Holland Tunnel has added at least three hundred million to the land values affected by this great enterprise. There has been no thought of making those directly benefited pay for the tunnel, but let the traffic bear the load. Absurd? Yes. But we have not yet learned to think straight on these propositions.

THAT UNSEEN TAX PAYER

Let us give a little attention to Mr. Edwards' table and note some of the taxes that go largely into the cost of living. We must not overlook the important fact that all taxes are paid out of our annual wealth production. There is no accumulated surplus on which to draw so these taxes must be collected out of that annual produce before we have anything on which to live. I might add parenthetically that rent or interest on the capital value of land is the next lien against our annual produce and that also comes ahead of our daily needs. Some of our tax payers who have to send in their checks to the treasurer may question these statements but the "law of economics" governs, and no statute law can override it.

This unseen man has a large part in that \$100 per capita tax burden. He cannot escape that \$5.00 per capita customs tax. In addition he has to contribute even more in the prices he has to pay for some of our highly protected articles. It may not be much on each item but the total is considerable when measured by his modest income. There is \$7.00 per capita taxes on business that he has to help pay. There is another \$7.00 per capita tax on consumption that goes into his daily account. Then there is another

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\$6.00 on public service. If you question these unrendered tax bills that the unseen man has to pay I only need remind you that \$6.00 out of every \$100.00 collected by the railroads goes for taxes.

Every public utility that serves us pays from 6 per cent to 10 per cent of its gross income in taxes. Out of every \$100.00 collected \$36.00 comes from the general property tax and it is estimated that nearly half of this is passed on into the cost of living. We can reasonably estimate that more than \$60.00 out of every \$100.00 taxes finally rests on the back of this unseen man just as it does on that of the heavy tax payer.

And who are these unseen tax payers? They are the great majority of us, so we need not wonder why it is so difficult "to make ends meet." The worst sufferers of all are the farmers. They have to bear their share of these shifted taxes and have no possible way of passing them on by adding them to the price of their marketable produce.

THE TEXAS FARMER.

Our ears are dinned by "farm relief" and the "farm problem" and many assume that the farmer's sad lot is a matter of only recent years. As a matter of fact the working farmer, has been steadily going down grade for 40 years. Here are some facts to prove it.

THE STORY OF TEXAS FARMS AS TOLD BY THE U. S. CENSUS

1890 Total number of farms	228,126
Total number of owned farms	132,616
Per cent of total	58.1%
Owned farms free of mortgages	119,093
Per cent of total	94.3%
Tenants	95,510
Per cent of total	41.9%
1900 Total number of farms	352,090
Total of owned farms	117,199
Per cent of total	50.3%
Owned farms free of mortgages	125,594
Per cent of total	76.6%
Tenants	174,991
Per cent of total	49.7%

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1910 Total number of farms	417,770
Total number of owned farms	198,195
Per cent of total	47.47
Owned farms free of mortgages	128,028
Per cent of total	66.7%
Tenants	219,575
Per cent of total	52.6%
1920 Total number of farms	436,033
Total number of owned farms	201,210
Per cent of total	46.1%
Owned farms free of mortgages	105,490
Per cent of total	52.4%
Tenants	232,309
Per cent of total	53.3%

For fear that you may overlook one important point in this table I want to call your attention to the fact that in 1890 more than 58 per cent of the farms of Texas were owned and that more than 94 per cent of them were owned free of mortgage debt. Thirty years later only 46 per cent of our farms were owned and only 52 per cent of them were free of mortgaged debt. These figures tell a story that even the most selfish land speculator and profit grabber should take note. The down grade has been even more rapid the past eight years, notably in the enormous increase of the amount of the mortgage debt. If this down grade continues for another generation at the same rate there will be little in store for our children.

CITY TAXES

City and local taxes make up more than half of our tax burden. 60 per cent of these local taxes is raised by ad valorem under the general property tax system. Local taxes are collected and spent under our eyes where we can measure the load and results. If there is any change to be made in the system of collecting here is the place to begin because we can understand and measure the effects. We can talk about the \$5.00 per capita tariff tax, Federal sales taxes, income tax, etc, but it does not mean much to most of us. It is too remote, too intericate in shifting and resting on the tax payer. But there is a chance for all of us to understand our local revenues.

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City taxes are increasing faster than any other governmental function. A new demand for city activities is almost a daily occurrence. We have reached the point where cities are advertising and paying for it out of the tax budget. New welfare schemes and enlarged recreation facilities call for more money which must be found. As a city grows interests become sectional. If the north side gets a new high school or swimming pool, the south or east or west side must have like accommodations. If a new thoroughfare is designated and developed in one direction that calls for other thoroughfares and so there seems to be no limit to the ambitious demands of our citizenship. As stated above in this article bonds have become epidemic so we keep pace with our bond limit to supplement our heavy tax levies in order to meet current demands. We have done it that way so long that few pause to consider the final reckoning.

However, there is a way to get in money for our cities and not add one cent to the cost of living nor check enterprise. There are a great many who know how it can be done but the opposition is so insistent and outspoken and there are so many difficulties in the way of adopting this better system that men hesitate to take the trouble necessary for its adoption.

Whether we realize it or not our Texas cities are managed and run largely by real estate interests. Of course, this statement will be challenged at once but it is true nevertheless. If you doubt the statement all you have to do is to read the daily papers reporting city activities and the real estate section of the Sunday papers. You need to supplement this by going over some of the city assessments for taxation. Any city in the State will answer. Some are a little worse than others. You will find below assessment totals for last year of some of our Texas cities with the percentage collected from the three classes of property, land, improvements and personalty. Houston gets more from lot values than any other city in the State and for many years has kept its percentage of personalty relatively low. On the other hand you will note that Dallas goes far heavier on personalty and improvements. In the face of the fact that Dallas business is very hard hit in the matter of local taxes, Mr.

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Roy E. Smith, President of the Dallas Real Estate Board is reported as having said, "Two great troubles now confront realtors and are, the tax situation which leaves the burden of taxation upon real estate, and the fact that real estate is not regarded as a liquid investment." At the same meeting Mr. Wm J. Bailey of Fort Worth, a gentleman who has grown very rich because he happened to hold some real estate that became valuable when Fort Worth located its city hall some years ago. Mr. Bailey is quoted as saying that "real estate should be relieved of its unjust burden of taxation and that taxes should be put on intangibles, such as oil." There is nothing very intangible about oil or oil business but this paper holds no brief at this time for the oil man. But let us return to Dallas for just one or two illustrations of how heavy real estate is burdened in that city. Two city blocks that stood on the assessment rolls for years at about two and one fourth millions that are worth any time these past years at least eight millions. This is the land value assessment I am referring to at less than 30 per cent its selling price. A corner lot for which the American Exchange National Bank paid \$400,000 was on the assessment rolls at \$105,000. A main Street lot leased on the basis of \$10,000 per front foot is on the rolls at \$1875. Still real estate is bearing too heavy a burden.

Now let us take an example from Houston. As noted above Houston has maintained for many years the most favorable basis for city taxes of any city in the State yet her assessor lags far behind in central property values. A choice corner was recently leased for \$65,000 a year and taxes. That corner is on the city tax rolls at \$298,000 which is less than 30 per cent of its lease price. The lessees in this deal expect to collect that \$65,000 and all the taxes from the people of Houston. Many of the merchants in our cities are beginning to see that all of their energy is devoted chiefly to protecting the landlord. There is nothing invidious in these concrete illustrations. They are given merely to illustrate the fact that there is a reservoir for city and local taxes from which we now take but a dribble.

City assessors like other officials are bound by the Constitution and it says that all property shall be assessed for

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taxation. It also says that taxes shall be equal and uniform. But even under these limitations city assessors can appraise lot values at their market price and use any percentage of that value they choose provided all lots are treated alike. That gives uniformity. They can also appraise all improvements and place them on the tax rolls at an agreed percentage of value for improvements and make it stick if all improvements are treated on the same basis. If this cannot be done under the Constitution as it now stands then the thing to do is to change the Constitution. There is nothing insurmountable in that. What's more, if we don't change our system and we continue to add taxes on to labor values in order to lighten the load on lot values our whole scheme of production and distribution will break down and most of us will sit idle, wondering stupidly why it should happen. We will have more to say on this question of city taxes in our next issue.

You won't understand this and the chances are that you won't try, but here it is anyway. Houston in 1927 would have required a tax levy of .0578 on land values as assessed to raise the required revenues.

Six Houston industries were assessed at \$2,170,570 and paid city and school taxes \$63,489. If these same industries had .0578 levy on their land assessment their taxes would have been \$25,039, thus saving to industry \$38,450.

At the same time two city blocks were assessed at \$3,743,850 and paid city taxes \$110,970. A land values tax at .0578 would have been \$187,448 thus taking \$76,478 more of what properly belongs to the people of Houston.

The Graded Tax Law of Pittsburgh has lowered the taxes of a great majority of home owners in that city. The levy on improvements is 50 per cent of that required on lot values. There are no taxes on machinery and goods. Texas business might profit by following Pittsburgh's lead.

CITY ASSESSMENTS 1928

City	Land	Improvements	Personal	Total
DALLAS	\$92,892,075	\$101,287,950	\$75,108,050	\$270,348,075
% of Total	84%	38%	28%	
City tax rate	\$1.51			
School rate	.94			
	\$2.45			
Total taxes \$3,623,527				
SAN ANTONIO	\$85,720,730	\$ 89,066,180	\$55,379,700	\$230,166,610
% of Total	37.2%	38.8%	24%	
City tax rate	\$1.97			
School rate	.81			
	\$2.78			
Total taxes \$6,338,631				
HOUSTON	\$152,770,740	\$102,596,130	\$49,849,740	\$305,216,610
% of Total	50.5%	33.6%	15.9%	
City tax rate	\$1.87½			
School rate	1.08			
	2.95½			
Total taxes \$7,019,150				

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Fort Worth does not report the separate totals of land and improvements. 24 per cent of that city's taxes comes from personal property and 75 per cent is collected off of real estate.

Land and improvements	\$129,920,615
Personalty	42,552,496

Total	\$172,473,111
-------	---------------

City tax rate	\$1.66
---------------	--------

School rate	1.00
-------------	------

Total taxes	\$4,587,784
-------------	-------------

Amarillo does not total separately the land and improvements. Personal property in Amarillo bears the lowest per cent of the total. (16.4 per cent) of any city reporting except Houston (15.9 per cent).

Land and improvements	\$49,617,530
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Personalty	9,733,470
------------	-----------

Total	\$59,351,000
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City tax rate	\$1.35
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Total taxes	\$801,238
-------------	-----------

School district is larger than city and consequently has separate assessment values.

Which Falls is another ambitious city that still lags behind in the matter of totaling the assessment of land values and improvements separately. The school district has separate assessment and valuation so we are omitting it here.

Land and improvements	\$41,945,820
-----------------------	--------------

Personalty	9,967,880
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Total	\$51,913,700
-------	--------------

City tax rate	\$1.40
---------------	--------

Total City taxes	\$726,791
------------------	-----------

Beaumont and Waco are two ambitious cities of near the same population and are close together in the total assessed values. However, there is a market difference in the per-

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centages of total that land, improvements and personalty bear. It is easier to live, work and do business in Beaumont than it is in Waco. The more of taxes levied against lot values and the less on improvements and personalty the better it is for all concerned. Waco gets 8 per cent more of total values from improvements than she does from lot values, a heavy penalty on improvements and one that discourages the enterprising man. She gets 2/3 of city revenues from improvements and personalty and one third from lots. Reverse these percentages and business would take on a new life.

Waco Assessments 1928

Land	\$20,011,600	33.7%
Improv.	24,807,440	41.9%
Personal	14,467,830	24.4%
Total	59,286,870	100%

City tax rate	\$1.75
---------------	--------

School rate	.65
-------------	-----

Total	\$2.40
-------	--------

Total taxes	\$1,422,884
-------------	-------------

Beaumont Assessments 1928

Land	\$26,223,240	42.5%
Imp.	22,551,970	36.6%
Personal	12,866,400	20.9%

Total	\$61,641,610	100%
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City tax rate	\$1.50
---------------	--------

School rate	.97
-------------	-----

Total	\$2.47
-------	--------

Total taxes	\$1,522,547
-------------	-------------

Beaumont can collect and use \$100,000 more revenues than Waco and with less burden on enterprise. The conventional mind will not see or understand this but there are some that will, and in course of time many more will be forced to recognize it.

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SINGLE TAX IS "NATURAL TAXATION"

JAMES R. BROWN

Thomas G. Shearman, who forty years ago was one of New York's great lawyers and a real economist, used to call the Single Tax, the Natural Tax, because it took the values that society created and paid the bill that society incurred. He argued that it was quite as natural and scientific to say that the value that appeared with the coming of society and increased with the growth and development of the community, was the natural source of revenue for the community as it was to say that the milk that came into the mother's breast at the birth of the child was intended for the sustenance of the child. This seems to me to be a rational and natural assumption.

A little while ago we built a tube for vehicles under the Hudson River, from New York City to New Jersey. It is known as the Holland Tunnel. The cost of the tunnel was \$50,000,000, and it caused an increase in land values on the New York end and on the Jersey end of some \$300,000,000, so experts tell us. In paying for this tunnel, we did not have sense enough to collect at least \$50,000,000, of this increased land value to pay for the tunnel, so we charge the people who use the tunnel an amount sufficient to defray current expenses and take up construction bonds at maturity.

Well, some people would say that is the proper thing to do, charge the people for the tunnel who use the tunnel. Let us see how that will work out. Here is a truck used in the wholesale grocery line. It goes through the tunnel and pays its charge. That charge is not really paid by the owner of this truck, it is charged into the price of the goods that the truck carries, and will be added into the cost of living of the people who at the same time will be paying increased rents, due to the construction of the tunnel and \$300,000,000, of land value will gravitate into the pockets of people who render no service, who deliver no goods, who are not in any business that is an advantage to industry.

Cases of this kind can be seen on every hand and there is no limit to the citations that we could make. For instance,

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in New York City we are spending hundreds of millions building subways. The construction of these subways has added to the value of the land of Greater New York, five times, experts tell us, the cost of the subway and yet we have not had sense enough to collect a fifth of the economic value thus created to pay the cost of building them.

We, therefore, saddle on to the backs of the people a burden to supply the amount of capital needed to build and maintain the subways, at the same time they as tenants are called upon to pay increased rents because of the increased value that the building of the subway gives to the land served. It is also unique and interesting, although pathetic, to hear the suggestion to build more subways, while not one-half of the land is in use that is made accessible and usable by the subways already running.

Thomas G. Sherman was right when he called the Single Tax natural taxation, for with the coming of society a value appears that attaches to land. We call it land value, that is not true, it is not the value of land, but the value of government. It is the value of the streets and the lights and the sewers and the police, the schools and the fire department.

What could be more reasonable, more honest and more natural, than to take the value that society creates and pay the bill that society incurs.

BRITISH COLUMBIA

(Reprinted from Land & Liberty, London, December 1928)

The latest particulars about local taxation in British Columbia are given in the Report of the Inspector of Municipalities for the year ended 31st December, 1927.

Most of the local revenue is derived by the direct taxation of land values, the value of land being everywhere separately assessed whether it is used or not.

Of the 62 cities and municipal districts, 26 levy all local taxation on land value and completely exempt improvements, except that in three of these municipalities improvements are taxed (at half value) for school purposes only.

In several cities and municipal districts, land is taxed at full values as everywhere else, and improvements are taxed

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at a proportion of their value, varying from one-tenth to one third.

The remaining 25 cities and municipalities levy their taxes on the full value of land and on half the value of the improvements. Thus, throughout British Columbia at least, half the value of improvements is exempt from local taxation.

Vancouver (population 128,350) is an example of one of the cities where improvements are taxed at half value. The total value of land is 128 million dollars; the total value of improvements is 104 million dollars. The total tax revenue in Vancouver in 1927 was \$5,907,457. In round figures the land value tax amounted to 71 per cent of its revenue.

An interesting point is the decrease in the arrears of taxes as a result of the action taken by the Provincial Government which compelled the municipalities to deal with defaulters. Over the whole of British Columbia these arrears in 1919 were \$12,035,983; in 1927 they were \$3,631,703. In Vancouver alone the arrears have been reduced from \$5,216,455 in 1919 to \$980,310 in 1927.

The effective operation of land value taxation in British Columbia is illustrated in many ways. The land speculation before the war had sent up values to astonishing heights and it is on record that municipalities failed to deal with tax-defaulters. While neglecting to impose the taxes that were assessed they were borrowing heavily, and that further helped to boost the selling value of land because the money was used to carry out most ambitious municipal enterprises. The Provincial Government enforced collection of the taxes levied. Then the bubble burst. In 1914 the total land value of Vancouver, for example, was on the rolls at \$150,456,666. 14 years afterwards, in 1928, the total assessment of land value is returned at \$128,010,071, although the population had grown from 106,110 to 128,350. Meanwhile, in the same period the aggregate value of improvements has increased from \$76,199,743 to \$104,324,975. Who can say that the taxation of land values has not been beneficial.

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THE CHANCES OF THE COMMON MAN

By Harry Gunnison Brown

Certain important effects which increased land-value taxation when accompanied by decreased taxation of commodities, capital, and incomes, would tend to produce are consistently ignored by most writers of our economics texts. Being above all things scientists, they are more interested in showing the non-conformity of the policy to their intuitive ethics than they are in exhibiting its probable consequences!

Perhaps the most significant probable consequence is a decrease of tenancy or, at least an increased ease of becoming an owner of land. For, as the opponents of single tax are fond of pointing out in their reference to "vested rights," increased land-value taxation would reduce the saleable value of land. Lower selling values of land make the purchase of land for farms, homes, or business easier. And not only would a higher tax on land values make a lower selling price but also, by virtue of it, other taxes could be correspondingly reduced. If labor and interest incomes were less taxed, it would be easier to accumulate, out of earnings, the money necessary to buy a piece of land. Despite the conventional acceptance by economists, almost as a fetish, of the "ability theory of taxation," it does not at all necessarily follow that taxation according to "ability," in the sense commonly understood, most conduces to the general well-being. Indeed, it may be that the advocates of it, who have plumed themselves upon their sympathy with common man, have so been in some degree auxiliaries of the forces of reaction.

But there is another way of looking at this matter, which, to many, may seem even more significant. We all know that success is frequently a precarious thing. Sometimes the business changes of a few months sweep away the accumulations of a lifetime. So, too, sickness or some miscalculation for which we may or may not be entirely to blame, will occasionally leave us, after years of effort and thrift, financially where we started. Our children, then, or, if not our children, perhaps our grandchildren, have to

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begin a struggle which we fondly hoped they would be spared. If land is comparatively untaxed, then it is made harder for them to get started. The incomes they may earn have to be taxed directly or indirectly, and they can save but slowly. The value of land is high and they cannot soon buy land. They may be obliged to remain tenants or laborers for years—perhaps so long as they live.

To tax land values more and other things less would be, therefore, a reform somewhat similar in principle to the abolition of imprisonment for debt, to the doing away with debt slavery, and to the establishment of bankruptcy laws. We would protect the individual—ourselves, our children, our grandchildren—from the danger of falling so hopelessly low in the economic scale as is now possible. High land prices may mean prosperity for some. But there can be no question that they tend to make the situation of the propertyless person, even though he be hardworking and thrifty, comparatively hopeless. And, paradoxical as it may appear to those who have never thought about it, the levying of progressive taxes on incomes, along with the ordinary taxes on commodities and property, as an alternative to special taxes on land values, may keep such hardworking and thrifty persons down economically because it keeps land prices up. A tax on land values is fully made up, for such prospective buyers, by reduced land prices and, if land speculation is so discouraged, more than made up. But taxes on commodities, capital, and incomes are always some burden to the hardworking and thrifty propertyless person, unless they are so levied—assuming this to be possible—that no part of any of them falls directly upon, or is shifted to, him.

It is to be noted that the end sought can be fully achieved only by a general tax on all economic rent or land values. A progressive tax on land values (progressively higher as the land owned by the taxpayer is of greater value), since the highest tax could hardly take more than the entire rent, would leave small holdings comparatively untaxed. This would leave the price of land fairly high and keep it hard for persons of small means to acquire land. Large holders would, indeed, prefer to sell. But their financial position

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need not be seriously injured or that of their former tenants greatly improved. For they could dispose of their land to these tenants and others on mortgage security,, so ceasing to hold title and avoiding the progressive tax. Or they could organize numerous corporations each of which would own a small amount of land and in all of which the original large holders of land could keep control, or they could avoid the tax in other ways. It is also to be noted that really to penalize large holdings as such might operate to force small-scale business even where large-scale business would be more economical. Thus, it might, if evasion were impossible, prevent the establishment of department stores and cause the establishment, instead, of small specialty stores.

But even when this advantage (viz., the protection of the individual against the danger of falling so hopelessly low in the economic scale) of levying taxes largely on land values is carefully pointed out, objections are made which indicate either an unwillingness (perhaps, sometimes, mere carelessness) or an inability thoroughly to analyze the problem. For example, it is sometimes said that the greater cheapness of land is no advantage to would-be owners since, although the land is made cheaper by land-value taxation, the greater tax offsets the lower selling price. The new owner, it is said, merely pays the tax instead of the higher purchase price or instead of interest on a larger mortgage. Those who present the above argument apparently overlook entirely the fact that, if the greater annual tax on the land no more than offsets the lower purchase price, then the reduction of other taxes, including taxes on improvements, is all clear again. And they also overlook the fact that the greater tax on land values, by discouraging speculation in land, i. e., by increasing the competition of land-owners to get their land used, lowers land rent. The salable value of land therefore falls, partly because the rental yield which is capitalized into a salable value is reduced by this competition, as well as partly because the remaining rent is further reduced by the increase of land-value taxation. Hence, the new buyer finds that the greater cheapness of land more than offsets the increased tax which he has

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to pay on it, even if his other taxes are not reduced—as they thereafter can be.

But some may still insist that there is as much reason for interfering by taxation, or otherwise, with the right to receive income from capital as with the privilege of drawing rent from land, seeming, despite such arguments as have been presented in the foregoing pages, to see no distinction between land values and capital values of any significance for public policy. In order to give every reasonable consideration to those who hold such a view let us inquire carefully what would happen if, instead of removing taxes from capital and putting them on land values, we should do just the opposite, i. e., remove taxes from land values and put them on capital. The net income from capital would thus be reduced. Unless and until this fact caused a decrease of saving and so lessened the supply of capital and raised interest rates, the net rate of interest realized on capital would be lower. But, certainly over any considerable period, the value of capital goods could not be less than the cost of production of such goods, else capital would not be constructed even to take the place of old capital wearing out, and there would finally be no capital at all. It seems obvious, therefore, that no considerable cheapening of the salable value of capital could, in the long run, be expected from the heavier taxing of capital. But the correlative lighter taxation of land values would encourage speculation in land, keep land out of use and make land rent higher. The fact that from this higher rent less was taken in taxation would mean a greater increase of net rent than of gross rent. The capitalized value of land, even if the interest rate at which the land was capitalized did not fall as a consequence of the increased tax on capital, would tend to rise in as great a proportion as its net rent. It would be harder for an ambitious and thrifty but poor man to save enough to buy a piece of land. And, after he had bought it, though the tax on his land values would be less, the tax on any improvements he might make would be more. The increase of tenancy would be accentuated.

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But to remove taxes from other things and impose them on land values would cheapen land and make it easier to acquire, while capital goods could not become worth more than the cost of duplicating them. Owners of land and capital would pay heavier taxes on their land but lower or no taxes on their capital. If they intended to continue using their land rather than sell it, its lower salable value would be no injury to them. Owners of land who intended to sell it in order to buy other land would lose no more as sellers by the fall in the salable value of land than they would gain as buyers. Owners of land who intended to sell, not for the purpose of reinvesting but in order to use up the proceeds in current consumption, would, indeed, lose, since the reduced salable value of their land would mean diminished possibilities in the way of such consumption. Owners of unimproved and slightly improved land would lose, at least temporarily, since the increased taxation of their land would more than offset any decreased taxation of their capital. But even they, if they were hardworking and thrifty, would gain from the reduction or abolition of taxes on capital, since whatever capital they might thenceforth accumulate would be less taxed or not taxed at all. In cases where their future accumulations in general or their future improvements on their land were considerable, a net benefit might be realized even by persons who, at the time the change went into effect, had little or no property except in unused land. To tax land values rather than improvements certainly does not guarantee fortunes to the thriftless. It means heavier taxes on the non-improving owners of land. It does nothing to encourage—discourages rather—the holding of land by persons too thriftless to use it well. It does remove a penalty now generally placed on thrift and land improvement. Unlike part of our present taxation system, it is not communistic. It does not try to reduce the efficient to the level of the inefficient. It does not try to reduce the thrifty to the level of the unthrifty. Finally, despite its non-communistic character, the taxation of land values rather than improvements, incomes, commodities, etc., gives a better chance to the ambitious poor to get started economically and to acquire a

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competence.

The net effects likely to be produced by a system of raising revenues as largely as possible from taxes on bare-land values can perhaps best be visualized if the reader will inquire as to the probable consequences of the adoption of such a system in every state of the United States but his own. Where would people prefer to invest capital—in his state or outside? Where would people anxious to accumulate capital and improve their land prefer to live? Where would persons anxious to start large enterprises prefer to start them? Where would persons anxious to become home owners feel inclined to buy land and build? Where would laborers be more likely to find desirable opportunities for employment? Is that policy the more desirable which would attract capital and labor? Or is that policy to be preferred which makes the community adopting it a less promising one for both capital and labor?

For the benefit of those economists who may still be determined to admit nothing, it is perhaps worth while to put the matter in the form of a dilemma. Either the substitution of land-value taxation for other taxes lowers the salable value of land or it does not. If it does not, then the talk about "vested rights" is nonsense even from the conservative point of view. If it does, then there can be no denying that such a tax removes obstacles which now stand in the way of the economic progress of the thrifty poor and the economic rehabilitation of those whom fortune has dealt heavy blows. Why try to blink the issue? If conservative economists really believe the "vested rights" argument to be, of itself, a sufficient objection to change, why not frankly say so instead of contending that such change would not bring results which reason clearly indicates it would bring or instead of ignoring the likelihood of such results? Does the explanation lie in a fear that an argument which to them is conclusive might seem inadequate to some of their readers? Or do they feel the proposal to tax land values more heavily to be so vicious that it must be attacked from many angles?

There are a considerable number of the more "liberal" present-day economists who, like the socialists, with whom,

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however, they would be otherwise at odds, class only labor incomes as "earned" and class all incomes from property, whether interest on capital or rent of land, as "unearned," and who are favorably disposed towards discriminatory taxes on what they call "unearned" incomes. The impropriety of such a classification has been sufficiently shown in the first part of this book. But it is desired, at this point, to call the attention of these economists, and readers in general, specifically and most emphatically to the difference in the consequences which are likely to ensue according as we levy taxes on the income from capital or on the rental value of land. It sometimes looks as if a good many economists were willing to make every kind of distinction which might seem to indicate sympathy with the common man except the one distinction the application of which would do the common man most good.

HISTORY

The SINGLETAX LEAGUE OF TEXAS was organized at Dallas March 16th & 17th, 1916. A year's pioneer work had already been done by the Texas League for the Taxation of Land Values. The latter was an organization that had served to revive interest in the single tax and to secure the names of men who had been interested in the subject. Some years previous there had been considerable unorganized activity in the State but latterly had lapsed into indifference and neglect. Of course, there were a few outstanding well known single taxers such as Joe Pastoriza and H. L. Ring of Houston. The conference at Dallas in March, 1916 was made up of more than 100 representative men from every quarter of Texas. The first declaration of the LEAGUE was a recital of economic and social conditions that then maintained in the State; the down grade of the farmer and the increase of tenantry and mortgaged debt; the struggles of the wage earner; the uphill fight of commerce and the unjust, unequal and unscientific methods of taxation that were the underlying cause of these unfortunate conditions. The work of the LEAGUE was to be educational and it has carried out that program thru all these years. This has been done by lecture, newspaper publicity and wide

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distribution of literature. We have distributed several hundred thousand pieces of single tax literature throughout the State, and that activity is still going on.

One of the first moves of the LEAGUE was to have the subject "Resolved, that all revenues of Government-Federal, State and local—should be derived from a single tax upon land values; constitutionality granted." Debated by the high schools of the State thru the Interscholastic League. The Intercollegiate League of the Southwest also used the same subject that year. These debates raised the question of taxation and the single tax in the minds of thousands who had never heard or thought of the question before. The demand for pamphlet literature was very large and it carried a suggestive message of hope into many a home.

The LEAGUE has never been able to maintain a continuous organ of propaganda. There have been several issues of COMMON SENSE and we have used the term Common Sense Series on many thousands of pamphlets. During recent years the country press has been particularly liberal of space for articles on the single tax and the many phases of our present taxing methods. These weekly articles have been effective. They allay "fear" of change and furnish facts from which the reader can draw his own conclusions.

It is not an easy matter to overthrow the established customs of centuries. Men naturally fear a change and cling to established ideas even against their own reason and judgment. Carlyle said that "It is the very nature of evil to be self destructive" but we cling to evil methods until self destruction compels a change. It looks as if we might pursue that course in Texas though there are signs of more intelligent action.

It is all a matter of understanding. If we can reach enough people and give them an opportunity to discover for themselves what is needed a change in our methods of taxation can be gradually brought about in Texas so as to make her an outstanding example of intelligent statesmanship. Of course, it takes money and far more money than the LEAGUE has had, to reach the intelligent leaders of the State. Social, welfare and business organizations have multiplied so fast these late years that we overlook

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fundamental questions in our clamor for emotional publicity. If less money were spent to boost real estate and more attention given to remove the load from industry we would soon have a far more contented and hopeful people.

The undersigned was elected Executive Secretary of the SINGLETAX LEAGUE when organized in 1916 and has continued to act in that capacity all these years. There has been no clamor for his place, as but few men care to assume the struggles and anxieties incident to such work with the sacrifice that seems to be expected. There are enough avowed single taxers in Texas to make this the most effective organization in Texas. I leave the answer to each of you why it has not become such. What have you done to help Texas take her rightful place as the leader of all?

Wm. A. Black, Executive Secretary

SINGLETAX LEAGUE OF TEXAS.

208 West Myrtle Street,
San Antonio, Texas.

THE CHANCES OF THE COMMON MAN

We are reproducing in another column a chapter from "The Taxation of Unearned Incomes" by Harry Gunnison Brown, Professor of Economics, University of Missouri. That very conservative journal the Los Angeles Times says, "It is in this careful analysis of property and the nature of incomes that Professor Brown has made a distinct contribution to the much befogged subject of taxation. * * * The elaboration of the theme is thorough. It is this methodic and scientific treatment of the subject that will arrest the attention of the careful thinker."

The chances of the common man is giving concern even to some of the uncommon men. This common man is very numerous. He is about 75 percent and more of us and as he finds his chances slipping he becomes more insistent upon finding the real cause. He may find an answer in what Professor Brown says.

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CITY POLITICS

Texas cities in recent years have been strong on the spend. The popular officials have been those ready to respond to any and all kinds of public improvements. Bond issues have been epidemic and anyone who questioned the policy has been a "knocker". Now there seems to be some rumblings of opposition. Houston last month turned about face and overthrew its long time popular administration alleging insufficient returns for the high taxes and big bond issues. There is discontent in Dallas though the present officials have been in but two years. San Antonio seems to be different. The present city administration has already been approved by the Chamber of Commerce and the Real Estate Board and so far as heard from all the present officials are willing to sacrifice themselves for two years more. However, there is sure to be opposition. Mr. Ed. A. Christian has told some of his friends that he may be a candidate for Tax Commissioner and Mr. Christian has a host of friends in San Antonio. He was collector of Internal Revenue for the First Texas District under Wilson. He was also candidate for State Treasurer in 1922 when he carried Bexar County by a large vote and with practically no campaigning received a large vote throughout the State. Mr. Christian has not formally announced nor has he given out any policies for which he will contend.

However, he says he is going to make the race and will have something very definite to propose in the way of administering that important office. We assume that there will be others to offer themselves in response to the rumblings of discontent with the present crowd.

CITY MANAGER

Mr. M. E. Tracy, writing from Cincinnati for the Houston Press has this to say about the new city Government.

Cincinnati, Jan. 24.—Streets are clean and in good repair, when they were full of holes and cluttered three years ago, while taxes have been reduced. That is one way of telling what the city managers plan has done for Cincinnati. Marked improvement in the police

and fire departments also might be cited.

Colonel C. O. Sherill, who came here after serving a long apprenticeship in Washington, D. C., deserves a large share of the credit, though some belongs to the plan itself, and some more to those public-spirited citizens who not only put it over, but have backed it up. Approximately 300 communities have adopted the city manager plan, the most important among them being Cleveland and Cincinnati. Professional politicians have invariably opposed its adoption to begin with and tried to undermine it afterwards. They have succeeded in only a few cases.

Increasing popularity of the city manager plan suggests a real and apparently settled change in our attitude toward government, especially in local affairs.

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