

Why Pay Your Bills Twice?

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Business Man. "It's plain, Beckwith, that something is wrong: business is bad, politics is corrupt, and we are threatened with another world war. But it is such a complicated matter that I do not think any one knows the answer."

Beckwith. "You'll be surprised!" B.M. "Is it that easy?"

B. "You be the judge; you are to pass upon the answer."

B.M. "But can I tell whether or not the answer is correct?"

B. "You can. I'll prove my points by your own testimony."

B.M. "But I may not know the answers to your questions."

B. "Oh, yes you will; you are a business man."

B.M. "If it is as easy as that, we should all be ashamed."

B. "Correct. Now for Question No. 1. You are selling gasoline on a lot that you rent vacant; so that what you pay your landlord is all for location advantages?" B.M. "That's right."

B. "You feel that you must be on the highway; and that you are justified in paying a high rent to get a location on the highway?" B.M. "Yes."

B. "Is your rent all the traffic will bear? Would your landlord ask more, if he could get it?" B.M. "Yes."

B. "You are inside the city and entitled to fire protection and police protection?" B.M. "Yes."

B. "Is that service worth anything? Does your landlord charge you more rent because of it?"

B.M. "Certainly it is worth something. I suppose the landlord counts that in when he fixes my rent. I would."

B. "You have no children in the schools, yet I dare say he charges you more rent because of the schools. Is that so?"

B.M. "I expect he does. I would, were I in his place."

B. "And you think the location is worth the rent you pay, or you would not pay it?" B.M. "Yes."

B. "You agree that, in the main, and on the average, the rent is the market value of the contributions made by others around and about, far and near, to the security, comfort, convenience and pleasure of those paying the rent." B.M. "Yes."

B. "Then you, here, and each of the others in his location, pay the full market value of the sewer service, fire and police protection, postal service, the use of the streets and highways and of the schools that go with his location?"

B.M. "Yes, that follows; you can hold me to that."

B. "You will stand by that—that you pay in your rent the full market value of all these services?"

B.M. "Yes, that is what rent is, and what it is paid for."

B. "Then why should you pay taxes?"

B.M. "Taxes, why pay taxes? The government has to have revenue; we pay taxes to support the government."

B. "Why does the government need money?"

B.M. "Why? Because it has to maintain the police, the highways, etc. This costs money."

B. "But you told me just now that the rent you pay is for the highways, schools, for the protection that the fire and police departments give you, and for other service you get here."

B.M. "Yes, I did say that. Both answers seem to be correct."

B. "That cannot be! Tell me, would you say that your rent is the wholesale, or the retail price of the service?"

B.M. "I do not understand; I cannot see the application."

B. "Your landlord sells you \$100 worth of service each year; but you know he doesn't render this service himself. He buys it for re-sale and sells it to you. He buys it at the tax office and at the tax rate and then he sells it to you at the market value."

B.M. "Is that why you speak of the wholesale price and the retail price of the service?" B. "Yes, he's a middleman."

B.M. "There's some sense in that; but not much. I can see that he is a middleman; but you forget that he has invested money in this lot." B. "What did he pay for the lot?"

B.M. "I don't know; but it was plenty; and he pays taxes."

B. "Are his taxes as much as the rent?"

B.M. "No, of course not; if they were, he would not want to own the lot."

B. "Then if the rent is the market value of the service he sells you, and his taxes are less than the rent, the city is selling our public service to him at less than the market and losing on the deal."

B.M. "But, if he had to pay the government all the rent, he would have nothing for himself. He is entitled to a return on his investment."

B. "What did he invest in?" B.M. "He invested in the lot."

B. "Just a minute! Is that true? You say you pay him \$100 a year as rent on this vacant lot; we know that his taxes on it are \$28. That leaves him \$72. That is 6% on \$1,200; so I suppose he considers the lot worth \$1,200."

B.M. "That is right. I have heard him put that price on it."

B. "If his taxes could be got down to \$16, his net rent would be \$84, instead of \$72; and the lot would then be worth \$1,400 instead of \$1,200. Then if taxes should go up, say to \$76, his net rent would be \$24, and his lot would sell for only \$400."

B.M. "I don't follow you there. I don't see what you mean."

B. "I mean that a lot is worth what it will yield."

B.M. "Right. That's good business sense."

B. "Then if the rent is \$100 and the taxes are \$28, the net yield is \$72, and if money is worth 6%, the lot pays interest on \$1,200 and will sell for \$1,200." B.M. "Right; that's agreed."

B. "Then, if the tax-collector took all the rent, the net rent would fall to naught. That is interest on nothing; so the lot would have no investment value and would not sell at all, although it would still rent for as much as before."

B.M. "I see; but that is an unreasonable supposition; taxes won't go that high."

B. "That is beside the point. What I want to show you is that the man who "invests in a lot" is not really buying a lot; he is laying a wager." B.M. "How so?"

B. "When your landlord made what you call his investment in this lot, he really bet the price of the lot that the city would continue to sell him \$100 worth of service for \$28; or, if the levy on the lot rose above \$28 that he would be able to raise your rent even faster than they raised the levy."

B.M. "Well that's his lookout. I needn't worry about that. I am only a tenant."

B. "You are more than that; for you are also a taxpayer. Remember, when the city sells him for \$28 the service which he sells to you for \$100, the city loses \$72. Then the city has to levy a stock assessment on the stockholders in the city to raise the \$72 needed to finance the \$100 worth of service you have bought of him. And you, as a stockholder in the city (a taxpayer), have to help make up the \$72 the city loses selling \$100 worth of service for \$28." B. M. "What would you do?"

B. "I would have the rent (ground rent, perhaps, to you?), paid into the public treasury and stop levying stock assessments (taxes) on the people." B.M. "And we would pay rent only?"

B. "Correct; once is enough! Why pay bills twice?"

B.M. "What about my landlord's investment in this lot?"

B. "You have the lot; all he has is the \$72 annuity. He is speculating in rent; he has bet the price of the lot that he can raise your rent faster than they raise your taxes.

"That is why he wants the highways financed by a gas tax on your customers, instead of by a levy on the tax roll.

"That's why he wants a sales tax to finance the schools.

"That's why he wants the cost of relief shifted from the local tax roll to the State, or to the Federal government, neither of which taxes his lot.

"And that's why he wants the State and the Federal Government (which do not tax his lot) to tax gasoline and sales and to

tax payrolls and wages to finance the FHA and the AAA and other devices to stimulate business—and so save for him his \$72 annuity.” B.M. “But would the rent yield enough revenue?”

B. “You have agreed that your rent is the market value of all the service rendered you here on this lot?” B.M. “Yes.”

B. “Then that covers the production cost, interest, insurance, depreciation, operation, and delivery charges on that service.”

B.M. “True enough, that would run the government; but how would you finance new schools and new highways, etc.?”

B. “In that \$100 is what you pay for the contributions to your welfare by theaters, churches, industrialists, professional men, etc. That service is financed by private capital. The rent paid for this private service would accumulate a fund for new public projects; and when they are finished the increased rent income resulting from these projects would maintain them.”

B.M. “Under such a system, who would buy land?”

B. “No one; for land would not sell. It would have no sale value. No one would hold more land than he used; and all unused land would be unclaimed land and could be had for the taking. As no one could get any of the rent, no one would be selfishly interested in controlling the government. This would end crooked politics and end war. As people could live where they please, each race would live by itself and this voluntary segregation would solve the race problem.”

B.M. “It seems too simple—too good to be true. But suppose this is granted. What about the exploitation of Labor and of the man of small means? How would you stop that?”

B. “You agree that, to get wages one must invest labor; and, to get interest, one must invest capital—and do it himself; for, although he may steal another’s wages or interest, that is not getting it as wages or interest. Denied rent and limited to wages and interest, men could get only their own; then every man would get his own. A selfish man wanting more would have to make himself more useful and at least act like an honest man.

“Collecting the rent instead of taxes would not make men virtuous; but, as the value of a government is measured by the rent that men will pay to live under it, denying men rent would make it impossible for men to profit selfishly by controlling the government. No selfish man would then try to control the government, or wish to stir up a war. The more selfish the man, the more he would want law and order and peace.”

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