

Privilege Fights With Lies

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In September, 1933, Judge Jackson H. Ralston, of Palo Alto, California, appeared before the Annual Convention of the California State Federation of Labor in Monterey and asked if this organization would support a movement to free labor and industry from the burden of unjust taxation. The result is the present Amendment offered the electorate in California.

The principal purposes of this amendment are:

1. It repeals the Sales Tax and the Use Tax, which together account for some \$92,000,000 in revenue. It repeals the Motor Vehicle License Tax which collects some \$10,000,000. It abolishes over a period of nine years all taxes on Improvements and Tangible Personal Property which today produce about \$135,000,000 in revenue.

2. It carries prohibitions which, except for police and regulatory purposes, prevent the use of tangible production values as the measure for licensing, excise, sales or other possible forms of taxation.

3. The Amendment retains existing Income, Inheritance, Gasoline, Corporation taxes, and permits severance taxes.

4. Land value taxation is retained. The bulk of some \$250,000,000 in taxes will in ten years be shifted from sales and produced property to land values.

The total bill of the people of California, including federal, state and local government, is some \$750,000,000. Neither the federal nor the state government recovers one cent by land value taxation, although their expenditures create or maintain in California vast land value benefiting a comparative few, many being absentee land holders. The local governments of California collect about \$130,000,000 in land value taxes.

Thus it can be seen that California, an empire in resources and population, collects less than 20% of its total government costs from ground rent. It permits some 80% of this publicly made value to be privately appropriated by interests who have

Now, at last, a fundamental issue is engaging the press and the people of California. The Ralston Tax Relief Amendment, providing for gradual application of land-value taxation over a period of ten years, has now been accorded a place on the November ballot. A like measure was denied the ballot two years ago on a technicality.

no more to do with making it than the other Californians. Accompanying this private "communism" of the publicly created wealth are the cries of ever-hungry politicians and bureaucrats for more confiscation of the private wealth of the people.

The tactics and character of the opposition to this Amendment can be indicated by two direct quotations.

The San Francisco Examiner, July 29, said editorially: "Divested of its cumbrous, pseudo-intellectual theorizing, the single tax proposal is simply to penalize the home owner.

"To double or triple his taxes, make him the sole financial, beast of burden; to eliminate other taxes, no matter how equitable or sensible or easy to pay, and squeeze the home owner to the point that he will surrender his property."

The California Real Estate Boards and their "front," the California Association Against "Single Tax," have featured a line of propoganda in almost all the papers of the State which reads: "This vicious proposal is an exorbitant land tax—a tax on your home, your rent, your farm, your business."

The truth of the contentions of the opposition hinges on the answer to two questions. 1. Where are the land VALUES of California and who holds them? 2. Can a tax levied on the value of land be shifted?

Basic data for the use of the proponents of the Ralston Amendment was compiled by Prof. Alfred S. Niles of Stanford University. Taking the

data issued by the State (or Counties) for 1936 and 1937, the following facts are revealed:

Three counties, Los Angeles (36%), San Francisco (11%) and Alameda (5.7%); of a total of 58, have more than half the total California land values. Cities have 60 per cent of the total, rural areas 40 per cent. The city areas of Los Angeles and San Francisco counties have as much land assessments as all of rural California.

To arrive at any exact idea of how much farm land value there is in rural California is almost impossible. However the basis for good judgment exists. Great discrimination in favor of city and town property assessments of land exist because in cities only location value is considered, while in farms fertility, leveling, ditching, etc., are classed as land values. Prof John R. Commons of the University of Wisconsin is of the opinion that perhaps as much as 50 per cent of what is called farmers' land value should be classed as improvements. Under the Ralston Amendment the farmers will demand exemption of such values from their land assessment, for with varying rates and exemptions as between land values and improvement values it will pay them well to do so.

Considering the mineral, timber, oil, gas, water-power and water rights, right-of-ways, airport, and pleasure resort areas, zones for subdivision developing near large cities, one can see that bare, unimproved farm land location and natural fertility values are but a small part of the rural values of California.

Prof. Niles' study of San Francisco illustrates the tendency of land values to largely concentrate in downtown retail and wholesale areas of any city or town. One-fourth of San Francisco's land values are in what is officially known as the Central Traffic District, an area of less than one-third of a square mile (210 acres). The land in this district is worth more than that in any ONE of 51 Counties of the State. Included in the Central Traffic District are five triangular blocks, average size 1.4 acres, the land being assessed at over \$2,100,000 in each block. These seven acres have more land value than any one of 23 coun-



ties in the state, but not a single building is assessed for as much as the land on which it stands.

Less than half of California's voters hold any title to land whatever. Of those who do hold land few hold any of great value. Most of them hold what might be termed "sleeping room only" or "hard work" land. Therefore, under land value taxation, these people would either receive no direct tax bill, or one of little consequence compared to the consumer taxes which this Amendment would remove.

The bulk of land values are concentrated in downtown, industrial and natural resource areas and have long been "owned" by a few estates, corporations and rich individuals. One would be safe in saying that, absentee land holders considered, less than ten per cent of the people of California control ninety per cent of its land values. While the question of revenue for government is ordinarily considered a public question, a comparative few, knowing that the value of their special privileges absolutely depend upon it, have ganged up on the people and business men and they have said: In tax matters, "WE ARE THE STATE."

The universal acceptance of the fact that a tax on land values cannot be shifted would seem to make any argument superfluous. Prof. Harry G. Brown summarizes the matter in his book "The Economic Basis of Tax Reform" (p. 57) when he says: "One thing at least can be asserted with positiveness, viz., that a tax on the rental value of all land, however used, can neither be shifted from one land-owner to others, nor from land-owners as a class to any other class."

Prof. William H. Kiekhofler, of the University of Wisconsin, whose text book, "Economic Principles, Problems and Policies" is used by the University of California, says: "A tax on the income of land, known as its Economic Rent, on the value of land obtained by the capitalization of its Economic Rent, cannot be shifted."

The large land holders can shift taxes on improvements, because of known economic laws, in prices, and that is why they oppose tax exemption on improvements. But taxes levied on land values they must pay out of their land rent income, which is not in any way increased by the tax. If they could shift these land value taxes why expend so much money to defeat the Ralston proposal?

In the practical working out of

the Campaign in California the forces of reaction and opposition to increased land value taxation, such as the California State Chamber of Commerce and local affiliates, the Real Estate Board, and the political hirelings, especially the California State Board of Equalization, admit that a tax on land values cannot be shifted. They constantly harp on what they term "confiscation" of land by the Amendment. They ignore the certain confiscation of wages and salaries, the earned incomes, by the tax structures they themselves set up and maintain.

In a memorandum by the Research Department of the California State Chamber of Commerce, dated April 1, 1938, there is the following: "... the effect of exemption of improvements and personal property, as an average over the state as a whole, would be to impose land value taxes equal to nearly three-fourths of the indicated rental value of land. Attempted addition of a state ad valorem tax to raise \$100,000,000 annually, would bring the average levy up to nearly 100% of average land rents, actual and potential. ... In other words, the best available evidence supports the conclusion that this measure is an attempt forcibly to graft onto existing structures of local governments the "Single Tax" plan of confiscating land rents."

The proponents estimate that some 60% of the total annual rental the people create may be recovered for the use of the people by the success of the Ralston Amendment.

Throughout opposition literature will be found frequent references to the destruction of the market or selling price of land, which, while used as an identical term as "land value" is in fact but a part of land value.

The California State Chamber of Commerce, principal source of "misinformation" on what they call "Single Tax," in a printed piece of literature issued some time ago, said: "The proposed single tax would increase the total tax load on property and SHIFT A LARGER SHARE of the tax burden from. ... Public Utilities — Office Buildings — Expensive Residences ... To ... Small

Homes, or Flats-Farms—Unimproved Lands."

It goes on to say: "The present taxable value of public-utility property is about ONE-TENTH in land and NINE TENTHS in improvements and tangible personal property. For a skyscraper business property, about one fifth or less of the total taxable value is in LAND and four-fifths or more is in the building and office equipment.

"In residence property, land is one-fourth (or less) of the total, for new and expensive homes. On older and less expensive types of homes, the ratio of LAND to total value increases. It may be a third, or a half, or even more. On farms, LAND comprises from one-half to four-fifths or more of the total value."

Of course the falsity of this propaganda is evident to one slightly conversant with the basic principles involved. The "tax shift" is NOT from ANY ONE KIND of land AND improvements" combined in a UNIT as the California State Chamber of Commerce declares. The basic shift is SPECIFICALLY from ALL improvements and tangible personal property to land VALUES. On this basis the tax shift is absorbed by land VALUES wherever they may be. One acre in downtown Los Angeles owned by one estate or corporation may absorb as much land value tax as 10,000 acres of residential land, owned by 50,000 holders.

The California State Chamber of Commerce and the California Real Estate Boards seek to deliberately mislead the people into opposing this tax reform so essential to the preservation of Democracy and American ideals. They carefully refrain from saying, and they know it is true, that the taxes on improvements and tangible personal property used in utilities, office buildings, stores, apartments and houses for income purposes are NOW shifted to other property holders or non-property holders; to farmers, home owners, renters, and consumers as "hidden taxes" in higher prices and rents. They discreetly fail to indicate or discuss WHERE THE TAX BURDEN FALLS TODAY under the tax system they have created, and in defense of which they are willing to risk their honor.

In this connection it is so odd that what is termed "Spreading the Tax Base" is so well known to the economists and people, while the economic truths conveyed to the mind by the term "shifting" or "incidence of taxation," taught in the same



The Freeman, October, 1938

chapters as a rule in our college textbooks on economics, is not known. There is real humor and tragedy in the thought of how the "Tax Base Spread" rolls up into price and "soaks" the consumer.

With land value taxation as a base, the burden falls where the land values are; in downtown retail and wholesale and industrial districts, in large holdings of land of less value, and not in farms (family sized) and in residential areas which have little total value, and the area of which is divided among many holders. And since land value taxes cannot be shifted to non land value holders, but must be paid out of income the land now gives the holder, the holders of the bulk of the land values must contribute much more to the cost of government under this Amendment.

The California experience indicates that the real estate and land value monopolists will fight "single tax," no-tax, or any suggestion of land rent collection at the "drop of a hat." Whether it be home rule in taxation, step by step, or taking land rent all at once, they are against it. They

recognize the danger of the idea securing a foot-hold. They have seen gasoline taxes, income taxes, inheritance taxes grow from small beginnings to sizeable proportions. They fear that once the principle of land VALUE taxation is truly established the people will see its advantage to themselves.

Regardless of the correctness of the collection of the full land rent, practical considerations require a "step by step" process of abolition of taxes, and the substitution therefor of the public collection of the rental value of land. Nowhere has the "all at once" program ever had even a chance to start or succeed. On the other hand "steps" have been made. The failure to "keep stepping" does not indicate the failure of the policy.

Today a new environment exists. That the movement will produce the needed man power, thanks to the Henry George School of Social Science and other developments, there is no doubt. That it will continue "stepping" wherever started, though the first steps were taken long ago, there is also no doubt.