

TAX FACTS

Published Monthly
By The Tax Relief Association of California
333 N. Madison Avenue, Los Angeles, California
Phone: OLYMPIA 7852

NORMA COOLEY - - - - - EDITOR

Subscription per year 50 cents

VOL. XIV LOS ANGELES, CAL., OCTOBER, 1935 NO. 6

LAND VALUES

The Bulletin of the National Economy League, Western Pennsylvania, quotes from a radio address of Mr. Crimmins, President of the Redwood (Minn.) County Taxpayers' Association: "Fourteen years ago, the value of farm property in the United States was estimated to be approximately 80 billions. Today it is about 40 billions, or a shrinkage of about 50 per cent in fourteen years. Shrinkage of 50 per cent in real estate value is measured by the deadly parallel of a 350 per cent increase in the rate of taxation during the same time."

It is not necessary to know the exact rental value of this farm land to know that if the rent had been collected by government, and no other tax imposed, when the value shrank, the tax would have been lower, for the very simple reason that the rent and the tax would have been identical.

The same thing would be true of urban land. Many people who bought lots during the speculative fever a few years ago, complain that the land was assessed when it was of greater value than it is today, and consequently, the taxes are not proportionate to its present value. The confusion arises, naturally, from our failure to distinguish between real and speculative land value. During our boom days in California, some who hoped to hold up future comers for tidy sums of unearned increment, paid enormous prices for business lots on our beautiful highways and in numerous subdivisions. Came the depression, and the influx of population slackened. The lots, instead of being gold mines, became a drug on the market and were left to the mustard and wild oats. The chipmunks love it.

The baffled "investors" mourn because they "can't get out of their lots what they put into them," and secondly, because they must continue to pay taxes on real estate that has dwindled in value. What value? Land, under our present policy, has two values, its real value and its speculative value. The real value is determined by what anyone can "get out of it," or produce on it by the application of labor, above what he could produce on the best free land with the same exertion. Whether he intends to plant lettuce or manufacture tools or sell cold cream doesn't matter. The nature of his business is immaterial, how much of what he produces is he

willing to give for the privilege of doing so on that particular site?

If he is to have the exclusive right to produce his goods on that spot, it means that the other members of the community—all of them—are excluded, and must be compensated for giving up their claim to the land. Land, not having been produced by individuals, cannot become the property of individuals as can labor products. We treat it as though it could, and therein lies our trouble.

The demand for land in any community fixes its value, and if no one holds more land than he can use with his own labor, there will be plenty available for all. The rental value, undoubtedly, would be lower than it is now. Whatever its amount, it would represent the true value of the land, and if paid into the public treasury to defray the costs of government, the taxation of personal property and the products of industry would be unnecessary. We are assuming that the opportunity for labor would be vastly increased, and four billion dollar charity funds would be unnecessary.

What of the speculative value? Well, what is a poker chip worth? It, too, has two values. To the manufacturer, it is worth whatever it cost to produce it. To the gambler, it is worth any value that those at the gaming table agree to give it, a value that has nothing whatever to do with the cost of production. In the case of land, there is no cost of production, and the real value, determined by what can be produced on it, merges into a value determined by what the owner thinks someone will give for it in the future when the population has increased.

One land company had the affrontery to advertise business lots for \$3500 that had sold, not so long ago, for \$7000. You have to cut your own weeds, these are business lots. This decrease in price does not conform to the idea that growth in population means increase in land value. The population in Los Angeles has been increasing even during these depression years. There are more people here now than there were during the boom days when these lots sold for \$7000. That two people need more land than one, is undeniable. There is more actual demand for land in Los Angeles today than there ever was before, but the realtors are finding it difficult to stimulate the market because people haven't the purchasing power of pre-depression days, and they aren't "playing."

If you will consider for a moment, you will see that a land value tax is not a tax on land, but just what it says, a tax on the value of land. To be more explicit, the tax is the economic rent and would rise or fall automatically with the growth or shifting of population. There could not possibly be any complaint that the tax was not proportionate to the value of the land.