

TAX FACTS

Published Monthly
at 420 American Bank Building,
Los Angeles, Cal.,

by
The Los Angeles Single Tax League

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Subscription per year 50 cents

Vol. I Los Angeles, Cal., April, 1923 No. 12

THE WAY TO PROSPERITY

Every period of so-called prosperity, or good times, is attended by certain definite manifestations. Prices rise. Business expands. Profits increase. Wages advance. Consumption grows. This starts a second round of the spiral. Again prices rise, business expands, profits increase, wages advance, and consumption expands.

This spiral ascent might continue indefinitely, were it not for a false factor that enters into the problem. When employers sell more goods they can pay higher wages; and when labor has higher wages it can consume more goods. Labor and capital are the compliments of each other; their interests are mutual. Their co-operation can continue indefinitely. Any advantage that comes to either will be shared by both.

But let a false economic element be introduced. Suppose a pirate seizes goods in transit, or a tyrant levies tribute, taking part of the goods created, without rendering any service in return. Labor and capital will still co-operate, but with less profit and lower wages. And if this seizure of goods, or taking of tribute continues, there is certain to come a time when the greed of the despoiler, which grows by what it feeds upon, will overwhelm the weaker industries. Labor will lack employment, wages will fall, consumption will decrease, and more industries will go to the wall.

The descent of the economic spiral will continue until the depredator ceases activities long enough to let industry recover. When the panic has spent its force, and the goods on hand have been used up, business will gradually begin to function, wages will go up, consumption will increase, and the cycle of prosperity will be repeated.

Modern industry is afflicted by an agency whose activities are pure confiscation. The gain to business is not divided between capital and labor, but among capital, labor, and monopoly. This monopoly finds expression in a number of forms, as franchises and patent rights, but most commonly in

the form of land speculation. Capital can increase its earnings only by producing more wealth; labor has more employment and higher wages only as production increases; but the monopolist who controls the raw materials that labor and capital must have, increases his gain merely by advancing the price. As there can be no production without the use of land, employer competes with employer as business increases, until they push the price of land so high that there is no longer enough left for wages and profits. Business ceases and hard times return.

The common and invariable experience during prosperous times is the advance in the price of land. Vacant land that employs no labor and produces no wealth, yet increases in value, and renders gain to its owner. This gain does not come from nothing. It is not drawn from the air, or from any other element. It comes from the labor and capital that produce all wealth. Whatever the speculating monopolist gains, producers must lose. Labor and capital must stave off the evil end for a time by working harder, or by using labor-saving devices and discoveries. But these only whet the appetite of the speculator, and he advances his toll the faster.

Why the land speculator? What does he contribute to the community? Without capital there would be no business. Without the speculator there would be, what? The land owner who enriches himself, not as a laborer or an employer, but merely as a speculator, makes the same contribution to the wealth of the community that the pirate does who levies on passing ships.

The remedy is as simple as the disease. Government must have revenue. It may take this revenue from labor and capital, or from the land speculator. If taxes be taken from capital, there will be less to employ labor. If taxes be taken from labor, there will be less to buy goods. If taxes be taken from the land speculator, what? There will be no less wealth. He produces none. And there will be no less land. He can not advance the price because there is more land than industry can use, and other speculators will be as anxious as he to sell. His only recourse will be to reduce the price.

When it is recognized that the whole gain of the speculator,—plus the loss he causes by holding valuable land idle—comes out of industry, it will be realized what the change will mean to capital and labor to shift taxes—little by little, to avoid shock—from industry to community-made land values.