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California

The Sales Tax and Proposed Constitutional Amendment for Land Value Taxation

By Jackson H. Ralston

In California, at the election in the coming November, will be fought out the most important electoral battle for direct industrial freedom which has yet taken place in any jurisdiction anywhere in the world. Other contests have occurred, involving considerable areas and populations, and many of them have been won.

I shall ask you, however, to picture in the present struggle a territory 800 miles in length and between 200 and 300 miles in width, with a population of over 6,000,000 souls and voting lists of more than 3,000,000. I shall also ask you to consider taxation on land values of slightly over \$100,000,000, which, if our proposition prevails, will be raised to approximately \$260,000,000.

With all these elements in consideration, the truth of what I have said will be manifest, even though as great a population as that of Sydney, New South Wales, has adopted our scheme of taxation, and although it prevails to a large extent in Western Canada and in other areas.

Six times in the past, propositions which have been given the name of "Single Tax" have been submitted to the voters of California. The first two of these involved nothing more than home-rule in taxation, and, generally speaking, the remaining propositions were so extreme and radical in their nature as to excite the natural fear of the electorate. All of these propositions were defeated by considerable majorities, although the home-rule proposal received on its two occasions about 41 or 42 per cent of the entire vote.

Let us come now to the circumstances attendant upon the present proposal, and consider also its nature.

In 1933, the Legislature of California, under the influence and control and at the instigation of the great landed interests of the State, so changed the Constitution as to make a sales tax practically inevitable. This immediately followed, the rate of taxation being fixed at $2\frac{1}{2}$ per cent. So great a protest was made against the tax as applied to foodstuffs sold in the stores that these were a year or two later eliminated from the tax levy, although foods sold in restaurants were subject thereto, and the rate of taxation was increased to 3 per cent.

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Immediately upon the coming into effect of the first sales tax it seemed to some of us that the time was ripe for a really forward movement. Accordingly, a constitutional amendment was prepared under the terms of which the sales tax was to be immediately abolished and no further one allowed. The recent constitutional amendment, limiting taxation upon general property to one-fourth of the amount of the appropriations, was proposed to be struck out; and an exemption of a homestead improvement, assessed value to the amount of \$1,000, was to be put into immediate effect, while the remaining taxation upon improvements and tangible personal property was to be wiped out 20 per cent per annum for the ensuing five years, and then end—the necessary replacing revenue to be raised from land values.

Under the Constitution of California, electors equalling in number 8 per cent of the votes cast at the preceding gubernatorial election have the right to demand that any legislative proposition should be placed before the whole electorate. The necessary number of signatures were not secured in time to put this measure on the ballot of 1934, but they were obtained in time for the election in the coming fall. In this wise the question comes before the people.

The first step taken in furtherance of the amendment was to lay the proposition before the State Federation of Labour at its Annual Convention, and that body unanimously gave it support and on two subsequent occasions reiterated such action. This leads me to remark that however it may be in other countries, in the United States the Labour organizations are ready practically as a unit to support any measure looking toward the relief of industry from taxation, and our friends have very generally neglected this positive source of strength.

We are now in the height of the contest over the amendment, and we have to say that our opponents have handled their side of the question with ability and without scruple. We know, however, by this time, both their strength and their weakness, and are now in a position to measure swords with them.

The core of the opposition to us is found in the Real Estate Boards, which have heretofore exercised complete influence in the State and do not understand the existence of opposition to their rule. These Boards largely control the State Chamber of Commerce. The national centre of this organization has just received severe denunciation at the hands of Edward A. Filene, a prominent merchant of Boston, as being controlled by business men instead of being an aid to business. The State Chamber of Commerce deserves a like denunciation.

Furthermore, almost the entire officialdom of the State is against us. Our success would mean the elimination of the expenditure of \$1,500,000 a year for the collection of sales taxes, and the gradual getting rid of useless officials occupied in the assessing of improvements and tangible personal property. These official emoluments cannot be disposed of without a fight on the part of the beneficiaries.

Under a false plea that revenues of the State assigned to school teachers would be affected by our amendment, organizations of teachers have been appealed to, although it cannot be a matter of slightest importance to them, looking at the question abstractly, whether their revenues are contributed to indirectly by a sales tax or by a tax upon land values.

Again, it is very hard for the farmer to understand that an increased tax on land values will not be prejudicial to him, and we shall not be able before the election to change this opinion to any large extent. Nevertheless, our amendment will aid the small working farmer, while undoubtedly the so-called farmer whose lands are held for speculation will find his taxes increased. However, the farming population in California, although large, is not likely to be a determining factor, numbering as it does only between 12 and 15 per cent of the entire voting population.

We cannot minimize in any degree the power of these several elements and the importance of those to whom they can make appeal. Nevertheless, our present feeling is that the chances are strongly in favour of our success, and some of the reasons are these :—

The whole body of Labour stands, with perhaps scarcely an exception, for the amendment. The entire Liberal sentiment of the State, much developed by recent campaigns, is for it.

A most important feature of the campaign is that it aims at the abolition of the sales tax. This tax is offensive to practically all electors in the State, even though they fail to recognize, many of them, that a tax on improvements and tangible personal property is of the same general nature.

Our opponents complain of us very bitterly because we have united a repeal of sales tax with the abolition of taxes on improvements and tangible personal property. They claim to see no association between the two and think the two propositions should have been submitted with entire separation.

This is not our view ; we feel that there is no proper division to be made as between two taxes of different names, each one of which attacks the freedom of industry. We believe the man who is opposed to the sales tax can readily be educated to the point of antagonism to the other taxes of which I have spoken.

We have conducted the campaign so far materially handicapped by lack of funds. For every dollar we can use to inform the public as to the realities of the situation, our opponents can employ 10 or 20 dollars to deceive them. Nevertheless, we believe the power of truth to be mighty enough to enable us, with our small means, to overcome the error represented by our opponents.

It is difficult to exaggerate the importance attending upon success in this contest. Its important local character I have indicated in the beginning of this article. But California is a name to conjure with. It is known throughout the world. The romance of its history appeals to the people of every land. A great step taken in California will be cited and relied upon in every country. The man who does not know the name of a single other State of the United States knows that of California, and what California does, possesses significance to him exceeding, perhaps, that of the actions of any other State or country on the globe. If, therefore, we can win in California, almost the centre of the citadel of privilege will be taken and further conquest by our ideas will be correspondingly hastened. This does not seem to us in any wise an exaggerated statement of the situation.

If we succeed, what will be the effect ? Immediately the sales tax will be abolished, together with tax on the improvement values of homesteads to the extent of \$1,000. Following this, 20 per cent of all taxation on the

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remaining improvements and tangible personal property will be abolished. The remaining taxation on industry will go in the proportion of 20 per cent for the remaining four years, at the end of which time industry will be freed from its principal burdens.

Taxation will be transferred to land values. The burden upon these will be multiplied by approximately 2.6 or 2.7. Inasmuch as assessed values are presumably about 40 per cent of real values, the net result will be a tax of a little over 3 per cent of the present real value of land and nothing on the other usual subjects of taxation.

This rate of taxation may at first glance appear to be inconsiderable, but the social effects are likely to be tremendous. No land-holder, if his land has actual use value, will hold such land unemployed longer than he can help. Men will be put to work, either by the present landowners or by those who want the land for beneficial employment. While the tendency will be to abolish all speculative values, yet the real *use* value of land will be maintained because of the increasing demand therefor.

Our problem of unemployment will go out of existence, and with this will come a reduction in the tax rate. A further reduction will come from the fact that the State will no longer expend one and one-half millions to collect a sales tax of around seventy million dollars. In addition, great numbers of persons are employed in assessing houses and personal property for whom there will be no further use. These factors explain why the officialdom of the State is against us, and its influence can hardly be exaggerated.

Whether we succeed or fail, for the moment, there will be many lessons to be learned from our experience. These lessons will largely relate to tax-rates and management and the mistakes we commit can be corrected on a subsequent occasion.

There are certain general observations I want to make for such value as they may have to other people entering upon like contests. I cannot too much emphasize the importance of easy access to the public for submitting such propositions as we may desire to advance. If we do not possess this liberty of action in California the presentation of our measures to the people would be practically impossible. Such impossibility exists in much more than half the States of the Union. In these, one house or the other of the Legislature is absolutely controlled by privilege, and stands as an immovable rock against the advancement of new ideas of what may be termed a radical nature. I take it that the conditions which prevail in the various States of the Union, blocking advancement, must exist in other jurisdictions possessing what is called "representative government." With us the representative does not stand for the great interests of the people, but is very likely to be controlled by the influential few who are always at his elbow, while the opinions of the majority are uncrystallized.

If I were to undertake to give a word of earnest advice to those seeking legislative progress, I would say that they must keep the avenue of direct appeal of the people always open, whether the people in a particular instance follow their advice or not. If they are right in the long run, such appeal being open, they are bound to succeed.

If I might venture a further word, it would be that they draw their

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measures so as to secure the widest possible appeal to the electorate, and that they do not ask the people to do more than the people are likely to accept at any given time.

If they meet with failures, and often repeated failures, the way being open for them, let them not be discouraged but carefully examine the reasons for such failure, and how they may possibly be able to turn failure into success.

In any jurisdiction of which I have knowledge this careful study is not ordinarily made, and we have therefore registered defeat after defeat, delaying more and more the progress of freedom, when, with a little study, many of these defeats could have been avoided and at least some measure of success assured.

It also seems to me that we must not expect too rapid success. We shall not have it. It was only through repeated falls in our infancy that we learned to stand and walk erect. Our manhood or womanhood was only attained through gradual growth. Why should we expect the laws of nature in this regard to be set aside for the benefit of any set of reformers, however worthy they may be ?

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