TAX FACTS

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THE BLIGHT OF SPECULATIVE RENTS

Who raised the rent on the Los Angeles City Club? A lease made in 1909 for quarters in the top of the Chapman Building at a monthly rental of $1,250, can be renewed only on payment of $3,916.60 per month. What is the cause of this three-fold increase in thirteen years? It is the same building and the same location. Are the profiteers still afoot, or is the landlord anxious to get rid of the Club?

It is neither one nor the other. The owner of the building is not desirous of getting rid of the City Club, nor has he boosted the rent on the Club. But other men, eager to do business with, or render service to, the Los Angeles public are seeking quarters, and in their competition with each other they have bid the price, or rent, up to the present figure. It is not the City Club alone that has been victimized by abnormal rentals, but every business, trade, and profession in the city.

During the life of this short lease the population of Los Angeles has doubled. It is still increasing at a very high rate, and there is a scramble to find space.

This does not mean that there is not enough land within the city limits, for Los Angeles is the largest city, geographically speaking, in the United States; but the center of the city, where the business is done is short of buildings. While there are a few creditable structures in this central district, the great mass of improvements are old and outgrown, and unfit for modern service. Many are two-story structures. Some in the very heart of the city are only delapidated one-story structures rubbing elbows with modern ten and thirteen-story buildings.

It is because of this large unimproved area—for these old shacks in a sky-scraper district are 90 per cent. short of the requirements—that the men and women who carry on the activities of Los Angeles are compelled to bid against each other for what space is available.

Why, it may be asked, has not the law of competition prompted capital to erect buildings to supply this need. Because an antiquated tax system makes it more profitable to put money into land than into buildings.

The Chapman Building, the thirteen-story building in which the City Club is housed, is assessed at $443,350. The land immediately south, and of the same size and desirability, has for years been cumbered with little old buildings that are assessed at $20,890. That is to say, the owners of the northeast corner of Broadway and Eighth Street who erected a modern building, are fined every year by the city of Los Angeles, $16,359; while the owners of the southwest corner, who have for years held on to buildings entirely unsuited to the place, are let off by the city with a payment of only $770.

The corner with the old buildings was assessed in 1919 at $315,300. In 1922 the same lots were assessed at $428,940. As the assessed value is only fifty per cent. of the real value, this represents an increase of $227,280, or 36 per cent. in three years. Why should a man assume the risk of erecting a million dollar building, when his old rookeries will pay the taxes on his 90 per cent. vacant lot, and the land increases in value 12 per cent. a year? He can put the million dollars in other vacant land, and let his industrious neighbors enrich him.

It is quite clear why the land speculators cling to this tax policy. But why do the tenants support it? How do the members of the City Club profit—except those holding vacant land for a rise.

ALL MEN ARE LIARS

One of the professors of economics says that our tax methods invite deception and duplicity. So do lots of other things, including poker and politics. Come to think about it, there is a heap of fraud in the world and not all of it is committed by the astute gents who are trying to dodge their taxes. But it is admittedly unfortunate that existing tax systems in this country should all combine to make evasion desirable and possible. The nation would be glad to give three hearty cheers for the brainy philosopher who can evolve a plan of taxation that will be both just and popular. He would be able to command the front page—at least for a day. Our professors of economics can punch all kinds of holes in our governmental program, but when it comes to building something better they fall asleep in the chair. Why doesn't this theorist invent a formula for assessment and taxation that will promote truth and respect? It is simple to condemn, but how hard to create!—*Los Angeles Times, Dec. 3, 1922.*

That wish has long since been anticipated. For forty years there has been before the world a tax system that is both just and scientific, and one that tends to "promote truth and respect." The inventor did command the front page at various times during his very active life, in this and foreign countries. But there was a grave objection to his tax system, it would work.

Under the present systems, which the **Times** says "combine to make evasion desirable and possible," the evaders profit by the evasion; and any proposal that eliminates the evasion by cutting off the profits finds little favor with the evaders. What the editor of the **Times** seeks is a system of taxation that will "promote truth and respect," but will not interfere with the beneficiaries of the present systems that "combine to make evasion desirable and possible."

Is it not possible to effect a compromise between those who advocate the just and scientific system, and those who profit by the present oppressive methods of taxation? By means of a gradual change from the old to the new the shock can be avoided, and business can adjust itself to conditions without undue hardship to any one..

A just system of taxation would be one in which the citizen who receives service from government that he can rent or sell to another, should pay the government what that service is worth. Since this advantage comes only to owners of land, and to holders of similar legal monopolies, a scientific system of taxation will be one that levies upon the rental value of these holdings.

If taxes be levied upon land irrespective of improvements, the ease of assessment and collection will tend to "promote truth and respect." It is easy to deceive as to the value of buildings and their contents, and it is not difficult to hide securities; but the land lies out of doors, and if it be the only thing taxed, it will be comparatively easy for neighbors to see that the land in their neighborhood is fairly assessed.

Taxing land values will promote truth and respect because evasion is certain to be discovered.

CITY LAND VALUES

Dr. G. B. L. Arner, member of the Institute for Research in Land Economics has discovered, through investigations in New York City, that holding land idle for speculative purposes is not always a profitable business. It appears from the instances chosen that if the holders of idle lots in 1880 had put the money they paid for the land at 4 per cent they would be richer today.

It is now in order for Dr. Arner to show how much the community lost during these 41 years. Land speculation resembles slave holding in this respect, that while the beneficiary reaps in the long run a small reward, the victims always lose. Owners of slave labor in the South never prospered as did the employers of free labor in the North; but while the master was seldom rich, the slave was always poor. And while land speculators as a whole average small profits, the public loses not only what the speculator wins, but also what he wastes.

The Institute for Research in Land Economics contains some able men whose minds have been trained to inquire patiently into the minutia of values. Let these men now investigate the community losses in New York City through idle land and poorly improved land. The degree of improvement also would be a profitable subject of investigation. While the New York City Tax Department announces that nearly 97% of the parcels of land on Manhattan Island have buildings, this includes all the shacks and rookeries that are not improvements at all, but are a detriment to the best interests of the community. On Broadway, Fifth Avenue, in the very heart of the city are buildings assessed at $1,000 and $2,000 on lots assessed at $100,000 to $300,000.

The owners of these shacks and rookeries may or may not be making a profit from their holdings. But the public at large is losing what might be produced if the land were adequately improved. Will Dr. Arner and the members of the Institute for Research in Land Economics, turn their attention to this inviting field?

HOOVER ON DOUBLE TAXATION

Secretary Hoover is protesting against the double taxation that Americans residing abroad in the interest of trade have to bear. These agents pay income taxes in the countries in which they reside, and again in this country, while foreign agents in this country are taxed but once. The point is well taken, but does it not carry the protest farther?

Production itself labors under the burden of double taxation. The merchant or manufacturer who buys or rents land pays for all the advantages of that site, including police and fire protection, highways, sewers, and all the economic services that civilized communities place at the command of the citizen. Yet, having paid for these in the rental or selling price of the site he occupies he is again called upon to pay in taxes on personal property and improvements for the same services.

Mr. Hoover's complaint is just, and the relief he asks should be granted; but his plea for single taxation of American traders abroad should be extended to include producers at home. If the Secretary is to satisfy the fond expectations of his friends in extending American trade he will have to take a bold stand against double taxation of industry.

A BUSINESS MAN ON TAXATION

The taxation of industry in any form, as economists have long pointed out, discourages industry. It cripples business. It destroys initiative. It increases prices, and by increasing prices, reduces the purchasing power of the people, shortens sales and checks production. The tendency of a tax on industry is always like that of Mohammed Ali's tax on date trees, which caused the Egyptian fellahs to cut down their trees; like that of the chimney tax in Ireland, which caused the cottages in Ireland to be constructed without chimneys—the smoke being allowed to leak through the cracks in the walls and roof; or like that of the window tax in France, which caused the houses in France to be built without windows.

No matter how or when or where a tax on industry is levied, the effect is always to injure industry. Tax sales and you cut down the number of sales; tax imports and you shut out imports; tax manufacturers and you check manufacturing; tax improvements and you lessen improvements; tax commerce and you prevent exchange; tax business and you drive it away. It follows, therefore, that since the putting on of new taxes on industry has the effect of further crippling industry, the taking off of taxes on industry would inevitably have the effect of promoting and stimulating industry.—*Otto Cullman, president Cullman Wheel Co., Chicago, in* THE BULLETIN *of the Committee of Manufacturers and Merchants on Federal Taxation.*

ELECTION RETURNS

The official vote on the Singletax measure in California was yes, 124,403; no 515,590. The measure received 19.4% of the vote cast. The vote on the measure raising the percentage of names to put tax questions on the ballot from 8% to 15%, was yes, 298,347; no, 421,945. The favorable vote was 40% of the vote cast.

For purposes of comparison the official vote on Singletax measures is given for the last six elections.

Year	Measure	Vote Yes	Vote No	Per Cent in favor
1912	Home Rule	169,321	243,959	40.9
1914	Home Rule	267,618	375,634	41.6
1916	Singletax	260,332	576,533	31.1
1918	Singletax	118,088	360,334	24.6
1920	Singletax	196,694	563,503	25.8
1922	Singletax	124,403	515,590	19.4

FRESNO CONFERENCE POSTPONED

TAX FACTS for November contained the following notice:

> We, the undersigned Singletaxers, acting as individuals, hereby call a conference of California Singletaxers to meet in Fresno, January 19, 20, 21, 1923.
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> The purpose of this conference is to consider issues involving the Singletax, and to determine upon a program for the future.
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> This invitation shall go to all known California Singletaxers, and shall be published (the editors willing) in the Single Tax Review, the Single Tax Bulletin, the Henry George Standard, and Tax Facts.

The call was signed by 95 California Singletaxers, residing at various points throughout the State. Since the call was sent out, and without waiting for the conference, the eastern leaders of the Great Adventure group have announced in the Henry George Standard the 1924 campaign for California.

Inquiry by mail of the 95 signers of the call indicate an almost unanimous desire for a postponement of the conference. In compliance with this wish the call for the Fresno Conference is hereby withdrawn.

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WHY THE TAX CONFUSION?

Taxation is the problem of the day. Not a law-making body in this or in any other country, from the smallest village board to the National Congress, but finds it hard to balance its budget, and is looking for "new sources of revenue." And co-incident with this universal struggle to balance budgets is a common failure to see the truth in taxation.

To this failure to distinguish between the right and the wrong way of levying taxes is directly attributable most of the world's economic troubles, and a large part of the political strife.

The mistake of the statesmen has been failure to distinguish between different kinds of property. A blacksmith who should subject to the same treatment a hickory rod and an iron rod would have poor results in the smithy. Yet this is the very thing that the law-makers have done in regard to property.

Assuming that each man should be taxed according to his wealth, and taking for granted that anything that can be bought and sold is wealth, taxes have been laid upon citizens according to the selling value of their possessions. Yet a little reflection will show that there is just as much difference in the reaction of different kinds of so-called wealth to a tax, as there is in the reaction of hickory and iron to fire.

Taxes on goods that are unlimited as to supply, shoes, for instance, are laid upon each unit made, and are added to the price. If the consumer does not pay it, shoemaking becomes less profitable, the weaker shops close, and the scarcity of shoes sends up the price. It is automatic and inevitable.

However, taxes on things that are limited as to supply—building sites, for instance—cannot change the quantity; and falling as they do upon used and unused sites, they tend to force the owners of vacant lots to seek buyers. And it is a well known principle in trade that increased offerings lower prices.

Here we have two kinds of property that react in opposite directions, yet are treated alike by the law-makers. One kind, labor products—shoes—does not increase in value with time, or the growth in population. The other kind, monopoly values—lots—does increase in value with time and the growth of population. To treat alike the owners of these two classes of property is to do one an injustice, and set awry the natural laws governing the production and distribution of wealth.

Producers, farmers, manufacturers, workmen—the people who create wealth—are everywhere burdened with taxes. The owners of legal privilege, however, lands and franchises—whose values are ever growing with the growth of the community—are undertaxed, and thus find a profit in withholding them from use.

Industrial peace and commercial prosperity will come only when law-makers recognize this fundamental difference in the nature of property. Statesmen may deny or ignore it, and try all manner of cunning devices to get around it, but it will avail them as little as it would the blacksmith were he to paint the hickory rod black, and then attempt to weld it to the iron rod.

The laws of nature are absolute. There is no discount for ignorance, and no mercy for rebels. The smith has learned the difference between hickory and iron by experience. What of statesmen?

LIKE CAUSE; LIKE EFFECT

The universality of economic law is attested by the experience of American and New Zealand cities. New York City, by exempting new dwellings and apartments from taxes for ten years, and Pittsburgh, by reducing the tax forty per cent on all improvements, have experienced a building boom greater than any of their neighbors.

New Zealand, where exempting improvements from local taxes is optional with cities, has one-half of its population living under the new order, and with the same result that attends New York and Pittsburgh. Town clerks, in answer to a questionnaire, report no desire on the part of the citizens to return to the old order. No trouble is found in taxing the land without the improvements. To the question, "Has the increased proportion of rates (local taxes) falling upon the value of land, whether used or not, encouraged owners to improve vacant or under-used land, or to sell it to others, who have since put it to better use," they all answer, "Yes."