

TAX FACTS

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WHAT IS THE CONSTITUTION AMONG FRIENDS

The holding of large tracts of land, uncultivated and unimproved, by individuals and corporations, is against the public interest, and should be discouraged by all means not inconsistent with the rights of private property. California Constitution, Art. 17, Sec. 2.

Why was that provision put in the Constitution? There is nothing about idle capital, or idle labor. Yet the men who drew up the fundamental law of the State in 1879, inserted that section regarding land; and for forty-three years it has stood as a challenge to indifferent and impotent law-makers.

Persons acquainted with the history of California know why land was signaled out for special consideration. The State has been cursed by enormous tracts of idle land given to the railroads by the Government, by vast estates having their origin in Spanish grants, and by stupendous combinations of daring speculators, all held for the increase in value that the owners know will come from the industry of their neighbors.

President Harding evidently had this in mind when, in an address, Nov. 18, 1917, he said: "Vast quantities of good farming land near the best markets in the world are not cultivated. In New England there are 30,000,000 acres of unused lands which might be growing crops. There are 35,000,000 acres in the Middle West that ought to be farmed but which are lying idle. In the Pacific Coast States there are 180,000,000 acres of unusued but usable land. In all, 500,000,000 acres or thereabouts are lying idle."

The Constitution-makers of 1879 knew that idle capital wasted away, and unemployed men starved. It was only land that, employing no labor and producing no wealth, enriched its owner when idle. Was not that the reason why the vacant land provision was put in the State Constitution?

But many legislatures have convened and adjourned since 1879, and given no heed to

this provision of the charter they had sworn to uphold. Possibly the members of the legislature did not know how to discourage "the holding of large tracts of land, uncultivated and unimproved, by individuals and corporations." Yet the power of taxation lay within reach all that time. And they had before them the example of Congress, which in 1866 drove wildcat State bank notes out of circulation by a tax of ten per cent. The same instrument will force vacant land into use.

Neither wages nor interest are increased by government. Capital and labor must be employed in order to enjoy increase. But government does add to the value of land; and because the value given the land by government is greater than the tax taken from the owner by government, he can hold the land idle at a profit.

The remedy lies in increasing the tax taken from owners of vacant land till it equals the value conferred upon the land by government. Then there will be no profit in idle land, and the uncultivated large estates will drift into the hands of working farmers. It is simply a matter of taxation. Tax idle land more and improved land less, and man's self interest will do the rest.

Farming is beset by blights, pests and droughts, but none of these equal the depredations of the tax collector. Science has discovered remedies for the pests and blights, and the drought does not come every season; but the tax collector never misses a year. Science has discovered a remedy for the tax blight, too, but the politician will not apply it till the farmer insists.

BANKRUPT ELECTRIC RAILWAYS

One might wonder why the California Real Estate Association should go to the expense of sending a man up and down the State discoursing on the theme of the "Bankrupt Electric Railways of California." The reason is made plain, however, by the speaker's bold declaration that these railways must be set on their feet in order to save real estate investments. Lots and acres, he says, are selling today for no more than they were when platted ten years ago.

These "developments" were made, it appears from the speaker's statement, with the promise that street car service would be extended to the land; but owing to the bankrupt condition of the roads this cannot be done. Realtors, therefore, are suffering hardships that can be removed only by first relieving the plight of the electric roads. Commercially speaking, the roads cannot be extended into these subdivisions because there are not enough people to support the road; and the people will not move in because there is no car service.

The facts may be as stated, but has the right conclusion been drawn? What about our long neglected friend, the law of supply and demand? May it not be that the vacant lot industry is slightly over done. Growing cities and towns of the State are encircled by new "additions," while thousands of weed-covered lots lie nearer to the heart of the city. Street pavements, sewers, water, gas, and light are extended two miles, when, if the vacant lots already on the market were used, one mile of improvements would do. Two miles of street car track have been laid where one mile would have served, and the car mileage is twice what it should be. Business experience points to the filling up of the vacant lots already within the car area.

Complaint is made that the automobiles have taken so much of the traffic that the cars now carry no more passengers than they did ten years ago. It should be apparent, however, even to a realtor, that there would be more passengers for the cars with a population of two thousand to the mile, than with a population of one thousand.

How to get the people on the lots is the real question. It can be done simply by applying the same principle of taxation for the upkeep of all government service that is now applied to street improvements: exempt buildings from all taxes, and tax the lots according to their site value, which is the value created by the community.

This may not be the remedy the California Real Estate Association is seeking. It may not enable its members to unload present holdings at the hoped-for profit, but it will fill up the vacant lots in the central parts of the town and furnish a paying traffic that will relieve the bankrupt electric railways, and enable them to give the people better service at lower fares.

PROMOTING HOME OWNING

The need of more homes is so great that even the realtors have taken up the question. "In 1910," says Irving B. Hiett, president of the National Association of Real Estate Boards, "returns showed that about fifty per cent. of our population were home owners. In 1920 the figures had dropped to about forty-two per cent." Fifteen per cent. of the families of the United States, the speaker says, are without independent housing facilities.

Relief, Mr. Hiett declares, is a question of financing. National Banks, Savings Banks, Life Insurance Companies should be empowered to lend on mortgages; and Federal Savings accounts should be deposited in banks that will use them for home building. And above all, he says, the sixteen billion dollars invested in tax-exempt certificates must be taxed back into active industry.

Mr. Hiett's proposals for the extension of greater credits to home builders are excellent in their way, but it may be doubted if taken alone they will accomplish the desired end. Money has gone into tax-exempt certificates it is true, but the best way of inducing it to go into homes is to untax buildings.

Untaxing buildings will have a double effect. For, just as the tax is removed from the buildings it will have to be added to the value of the land, and that added burden on idle lands in great estates will force it into the market at reduced prices. Tax-exempt buildings and lower priced land will soon furnish homes for the fifteen per cent. of the families who now lack independent housing facilities, and the stimulus to business, as well as the lower costs, will lead to a larger number of home owners.

It is not money in tax-exempt securities that holds back building, it is the money that goes into land for speculative purposes. Securities for the most part represent industry. They represent labor employed, wealth produced, the country developed.

Speculative land holdings represent no industry, no labor performed, no wealth produced, and no development of the country. The remedy for the condition complained of by Mr. Hiatt is not to tax the money and credits now in industry in the shape of securities, but to untax industry itself, farming, manufacturing, and above all, homes.

HOME BUILDING IN NEW YORK

Under a recently enacted law new dwellings and apartments in New York City, begun before April 1, 1923, and completed within two years, will be exempt from taxes until 1932. One of the effects of the new law is shown by the building survey made by the Building Trades Employers' Association. On June 30, there were 6,366 frame one-family houses under way, 1,708 two-family frame houses and 998 apartment houses, the latter to accommodate 22,791 families. The total residential construction, including brick dwellings, under way, will house 38,363 families when completed.

It may be said that other factors contributed to this result, such as cheap money, lower prices for building material, etc. But these were the same in Boston and Philadelphia as in New York, and it was only in the latter city that new dwellings were exempt from taxes.

WHAT TO DO WITH LABOR

Bryan is wrong. Evolution does work. Out of the cosmos has evolved an economic writer who doubts that strikes can be settled by bullets, percentages, statistics, or wage funds. Geo. Wheeler Hinman, financial expert, says:

"Business men face what is for them a new issue. In this statement there is no attempt to discuss rights and wrongs. The new teaching aims to Russianize America, and business men have got to meet the issue. The continuation of the attempt is doing enormous damage today. If there are still business men who do not realize this it is time for them to wake up. Otherwise what is now a mere skirmish may develop into something worse."

A slight effort might enable Mr. Hinman to evolve his doubt into a real remedy, if he would study *The Effects of Taxation*, and tell business men what to do when they "wake up." He will learn that the effects of taxation are much worse than the mere amount or burden of taxes. Workmen find that their wages buy little because prices are inflated by tariffs and other taxes. For a similar reason employers cannot pay more

wages, because "overhead" is great and margins are small. The remedy is tax-exemption for buildings, tools, supplies, etc. We cannot have normalcy with abnormally inflated prices, the inflation going mostly to non-producing profiteers. Any deficit in revenue may be made up from ground rent, which has doubled since the war.

We bespeak for Mr. Hinman immunity from the usual fate of innovators. No doubt the first human who carried a load on two wheels was stoned, for the reason that father always carried things on his back (and in some tribes dear mother also), and what was good enough for them, etc.

Bryan must admit that much toleration for iconoclasts has evolved.

C. F. HUNT.

NOTES

—The Bulletin (published by the Committee of Manufacturers and Merchants on Federal Taxation, 1346 Altgeld St., Chicago.) fairly bristles with points that no business man or thoughtful citizen should miss.

—The Los Angeles Single Tax League has bought 500 copies of *Progress and Poverty*, as a partial inducement to the publishers, Doubleday and Page, to get out a new edition. The League offers these books at publisher's price, 75c, paper (80c by mail); or *Progress and Poverty and Tax Facts* for \$1.00.

—The Ticket Agent, issued at Chicago by the American Association of Railroad Ticket Agents, has given railroad managers something to think of beside raising rates and reducing wages. It raises the question as to why 48,000 American farmers emigrated to Western Canada last year, and intimates that the answer may be found by a study of the way in which the two countries tax vacant and improved lands.

—The Square Deal, the official organ of the tax reform leagues of Canada, is going to be of interest to tax reformers in this country during the Toronto campaign. Next January the people of that city are to vote on a law to reduce the tax on incomes, business, and improvements 10 per cent a year until they are entirely exempt. This is apparently the best law yet drawn to untax industry, and there is every prospect that it will be adopted. No better investment could be made by American Singletaxers than to aid their Canadian brethren.

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HAMSTRINGING THE INITIATIVE

There should be no misunderstanding of the purpose and motive of the People's Anti-Single Tax League. The aim is to cripple, and ultimately to destroy, the initiative; and the motive behind it is to protect land speculators in their immunity from a fair share of the citizen's tax burdens.

There is a concerted movement on the part of ultra conservatives and reactionaries throughout the country to limit the people's control over government. This movement offers shelter to various financial interests that profit from legal privileges. By magnifying the supposed danger the men engaged in these movements can secure from comparatively innocent reactionaries money with which to finance their campaigns. This is not intended as a reflection on the character of these men. It is their right; and it is a part of the great game of financial politics. The only excuse for referring at all to the matter is that the victims who foot the bills may understand one of the moves of the Ancient Order of United Land Speculators.

The first platform of the People's Anti-Single Tax League declared that any initiative measure, when beaten by a vote of 4 to 3 should not come up again for eight years. If beaten by a vote of 3 to 2 it could not come up for 20 years. If beaten by 2 to 1 it never could come up again. But the members of the A. O. of U. L. S., lacked the courage of their convictions. Instead of working up to their platform, they yielded to descretion, and put up an amendment providing that any measure relating to taxation should not go on the ballot without the signatures of 25 per cent of the voters at the preceding election. The constitution calls for 8 per cent. Overwhelmingly beaten at the polls in 1920, they are again before the people with a proposal to raise the number of signatures to 15 per cent.

Why did this organization signal out taxation, among the thousands of subjects that may be put on the ballot? And why did

they adopt for themselves the name of "People's Anti-Single Tax League," when they might have called themselves the Ancient Order of United Land Speculators, or any one of a hundred other titles that would be far more accurate than the one they have?

They centered their efforts on taxation because it is through the taxing power of the government that their vacant lot industry will be converted into an improved lot industry. And they chose the name "Anti-Single Tax" because, owing to the foolish utterances of certain ultra radicals who attached themselves to the movement, a prejudice has been aroused in the public mind.

This is mere subterfuge. The members of the "People's Anti-Single Tax League" know perfectly well that the absurd amendment that proposes to take at one full swoop the entire rental value of land, has no chance whatever of winning popular approval at the polls. But they also know that a law that would gradually shift taxes from improvements to vacant lots, similar to that of Pittsburgh, Pa., or the pending Toronto measure, can be passed when the people realize its true nature.

Preserve the initiative. No telling how soon you may wish to use it. The Ancient Order of United Land Speculators is not without an ulterior purpose in asking you to surrender your right to change tax laws.

A CORRECTION

Owing to the fact that Ernest P. Clarke, president of the State Board of Education, and Eli P. Clark, president of the People's Anti-Single Tax League, have the same initials, TAX FACTS was led into confusing the two men, and assigning them wrong roles. We wish to make amends by assuring our readers that Mr. Eli P. Clark is not president of the State Board of Education, and to assure Mr. Ernest P. Clarke that we rejoice exceedingly to know that the remarkable notions on taxation put out by Eli P. Clark were not those of the head of the California School system.

As a further mark of differentiation, so that there may remain not a shadow of doubt as to the identity of the two men in the readers' minds, it may be said that Eli P. Clark is not only president of the People's Anti-Single Tax League, but vice-president of the Better American Federation; whereas Ernest P. Clarke, besides being president of the State Board of Education, is vice-president of the League to Protect the Initiative, and also editor and owner of the Riverside Press.