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# TAX FACTS

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## THE REWARD OF INDUSTRY

**It is a curious perversion of logic that has led the state to tax a man more for using his land than for allowing it to stand idle. In other words, in a society where gambling is considered immoral, and labor is extolled as one of the highest virtues, our tax laws place a premium upon land speculation, and a fine upon industry.**

A striking illustration of this folly may be found on Broadway, Los Angeles, though similar examples abound upon every street in every city. On the west side of Broadway, between Fifth and Sixth streets, in the very heart of the city, is an old one-story building used for merchandising. The building is assessed at \$2,470; the lot on which it stands, at \$93,750. A twenty-four hundred dollar building on a ninety-three thousand dollar lot! The difference between that property and a vacant lot is a cheap building that rents for enough to pay the taxes on the lot, while the owner holds it for a rise.

But suppose the owner should become ashamed of his conduct in thus enriching himself at the expense of his neighbors, and should erect a building in keeping with the surroundings. How would the city government treat him? It would probably treat him as it did the man who erected the fine new building at the southwest corner of Broadway and Seventh Street.

This site had been occupied for many years by a three-story building, valued by the assessor in 1919, at \$15,480. The old structure has been replaced by a modern building that is a credit to the city. Yet for rendering this service to the community the assessment has been raised from \$15,480 to \$529,160. That is to say, had the old building been allowed to remain the tax this year would have been \$558.82; whereas, on the new building the tax is \$19,102.67.

It may be urged that the income from the new building is greater. True, but the new structure is entirely a private enter-

prise, in which the city took no part. The same police, fire, and other public services were rendered before as now. Nay, more, for the old building was a firetrap, while the new one is fireproof.

By raising the tax to \$19,102.67 the city compelled the owner to add that much more to the rent of his building, at a time when business is already strangled by speculative rents.

Is it possible that the owner of a twenty-four hundred dollar shack on the ninety-three thousand dollar lot has marked this practice of the city, and has determined to go on profiting by the industry of his neighbors? But what about the neighbors? How long will it take the business man, struggling to keep his head above water, to see the connection between high rents, and this practice of fining people for putting up new buildings?

### A DEMONSTRATION

During the five years, 1916 to 1920, The Bronx, one of the five political divisions of New York City, built an average of 360 residences and apartments, and 379 business buildings. In 1921, the first year of the exemption of residences and apartments from taxation for ten years, the number of new dwelling places increased to 2792, and the number of business places to 737.

Thus the building records show that whereas new business buildings that were taxed were a little short of doubling the dwellings that were untaxed increased almost eight times.

## A PLEA FOR THE INITIATIVE

While students of taxation systems and all who desire the largest freedom for the practical exercise of democracy have special reasons for opposing the latest attack upon the Initiative in California, every believer in any kind or degree of democracy is interested in defeating the vicious proposal that the percentage of signatures required for initiative petitions relating to taxation be raised from 8 per cent—the present number—to 15 per cent.

The right of the people to initiate legislation is fundamental to popular government. Our crowded cities are divided into districts, the population of which find it more and more difficult to know the candidates for office. The daily press is to a large extent allied with special interests, and often fails or neglects to inform the voters as to the qualifications of candidates, if it does not deliberately misrepresent their attitude. The Initiative, Referendum, and Recall are indispensable if the people are to make their will effective.

All that the friends of democracy are trying to do in the matter of the Initiative is to keep the law as it is; but even under existing conditions growth of population is fast making the 8 per cent. requirement very burdensome. When the Initiative was adopted eleven years ago, 8 per cent. meant but a few thousand names. The enfranchisement of women doubled the electorate, and increasing population has nearly doubled it again. Many names are thrown out on technical grounds, so that on the 8 per cent. basis nearly 100,000 signatures are required. If the requirement is increased to 15 per cent., the task of placing a measure on the ballot will become so expensive that only powerful special interests can compass it.

The submission of concrete legislative measures is highly educational as well as democratic; and it affords to the official who wishes to know public sentiment an excellent guide for practical action. The perpetual clamor of the reactionary press about the expense and trouble to the voter, and the alleged absurdity of submitting numerous questions directly to the voter is prompted by dislike for democracy, not by any sincere misgivings about these incidents.

Let us have more democracy, not less. Let every man and woman who thinks vote "No" on this latest attack on popular gov-

ernment. Remember that the organization that is circulating petitions for this change is affiliated with the pernicious, dangerous, un-American "Better America Federation," so-called, which would if it could, destroy every vestige of democracy in our laws and constitutions.

John J. Hamilton.

## WHAT IS THE MATTER WITH BUSINESS?

Successful business depends upon the ability of those engaged in it to sell at a price that covers all costs. If costs mount too high, or the price falls too low, business stagnates.

Business men apologize for the high prices that have stopped buying by saying materials and wages, if increased all around very essential items, rent and taxes. Materials and wages, if increased all around would not affect business, because while all paid more, all would get more.

But, whereas the shoe manufacturer can pay high prices for leather, because the tanners' high wages enable them to pay higher prices for shoes, he comes to grief when he pays a higher rent for the land used, because the land owner as a land owner does not employ labor, and therefore there is no one to buy the shoes.

Every idle lot held for speculation creates an artificial scarcity, and raises the rent of land in use. This adds to the cost of doing business, without increasing the demand for goods.

The social service in a growing community adds to the price of land, but does not add to the price of goods. Hence, when the maker of goods, who has paid a higher price because of the growing community, is taxed on his goods to pay the expenses of government of the community he is paying twice for the same thing.

No legitimate business can long stand this double burden. Business will receive no permanent relief until rents are reduced and taxes are taken from industry.

Fortunately the means of relief are as simple as they are effective: gradually exempt personal property and improvements from taxation. Pittsburgh, Pa., is showing the way. Since 1913 that city has reduced the taxes on improvements ten per cent every three years. Improvements are now assessed at 60 per cent and lands at 100 per cent. There has been no disturbance in finances; on the contrary, there has been a boom in building.

What do you think of it, business men?

## FIRE PROTECTION FOR LAND

Mr. E. P. Clark, president of the California State Board of Education, appears to entertain some unique views on the subject of taxation. In a document circulated by the People's Anti-Single Tax League, of which Mr. Clark is also president, he objects to the exemption of buildings and personal effects from taxation—and the taxing of land values instead—on the ground that buildings and personal effects need fire and police protection, while land does not need fire and police protection.

This would be a valid conclusion if the facts were true. But are the facts as Mr. Clark states them? Is it true that land needs no fire and police protection? What would the land in a new subdivision be worth if it were known that the police and fire departments would not send their men into it? Or to put the question in another way, how could buildings and personal effects have any fire and police protection without being on land, where there are policemen and firemen?

To put the question still more broadly, is it possible for the owners of buildings and personal effects to enjoy the benefits of government without coming within the jurisdiction of that government? And if the citizen does bring his buildings and personal effects under the jurisdiction of a government, will not the owner of the land where he places them charge him in rent or selling price all that the government service is worth?

Mr. Clark is right in saying that personal effects need fire and police protection. He is also right in saying that the owner of personal effects should pay for that protection. But there is an inescapable condition attaching to the ownership of personal effects: the owner must occupy land. He must therefore pay in rent or purchase price what the protection is worth.

Would Mr. Clark have the government that furnishes the protection get its revenue from the owner of the personal effects, who has already paid all that the protection is worth to the land owner; or would he have the government get its revenue from the land owner who collected the value of the police and fire protection from the owner of the personal effects? In other words, should the owner of personal effects pay twice for his fire and police protection, or once.

## THE LAND SPECULATOR

It appears to be the fashion in some quarters to call the land speculator hard names, and to say he is an enemy of society, to be run out of the community. That is hardly fair. The land speculator is just like other men, no better, and no worse. He obeys the great economic law that we all obey, which is to gratify our desires by the least exertion.

The land speculator seeks wealth. He sees that land in growing communities, when lightly taxed, increases in value faster than would the interest on a like amount of money. He thinks it easier and safer to get this increase than to bother with building houses, or engaging in business. In short, he becomes a land speculator because he thinks that the easiest way to satisfy his desires.

If, however, the community were to lay a tax on his land equal to the value of the service the community renders to the holder of the land, there would be no gain in holding it idle. The only profit then would be in putting it to use. Thus the land speculator would find that to satisfy his desire for wealth with least exertion he would have to employ labor and produce goods needed by his fellows.

Land speculators are not bad men. They are merely taking advantage of the system we maintain. Change the tax system, and the land speculator will change his ways. He will cease to be a parasite, and become a producer.

## DO YOU KNOW HOW TO VOTE?

The greatest work on political economy is *Progress and Poverty* by Henry George. It is more fundamental than the most technical books, yet written in the language of the common people. Over two million copies have been issued, and it has been translated into all the principal languages of the world, including Chinese and Japanese. No citizen should presume to cast a ballot without reading this book.

We are offering *Progress and Poverty*, paper bound, printed from plates of the Henry George Memorial edition, at 75 cents, post paid 80 cents, or with *Tax Facts* for one year, \$1.00.

We have also a few copies of *Social Problems*, by Henry George, paper bound, at 25 cents, 30 cents post paid; with *Tax Facts*, 75 cents; or both books and *Tax Facts*, \$1.25.

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## PRINCIPLE AND METHOD

When it was first proposed to tax land values, which are created by the community, and untax improvement values, which are made by the individual, it was thought that the proposal had only to be made to be adopted. Doubtless that would have been the result had not the idea been taken up by doctrinaires, visionaries and impossibilists, who immediately proceeded to reduce the simplest of proposals to a strange and repellant jargon, upon which no two could agree, and over which they have kept up an interminable discussion.

Instead of presenting to the voter a direct and to-the-point proposal to shift by easy stages so much of present taxes as fall upon improvement values, to land values, they have offered all manner of complicated schemes, and couched them in language that frightened persons unacquainted with their terminology. Private property in land was declared to be immoral, and land owners were denounced as robbers. Instead of a gradual introduction of the new system, so that long established customs and institutions could adjust themselves to the new order, it must be done at once.

The first tax measure put on the ballot after California had secured the Initiative was a home rule amendment to the constitution; that is, it permitted "any county, city and county, city, town, district or township," to exempt improvements and personal property from taxation. The voters apparently took kindly to it. The vote in 1912 was 169,321 for, and 243,959 against. In 1914 another home rule measure had 267,618 for and 375,634 against.

Then began a series of direct measures that were too swift and drastic in their action. They aroused opposition, while failing to make friends. In 1916 the vote was 260,332 for, and 576,533 against; in 1918, 118,088 for, and 260,334 against; and in 1920 196,694 for, and 563,503 against. That is, the percentage of the favorable vote to the

total was 41 in 1912; 41½ in 1914; 31 in 1916; 31 in 1918; and 26 in 1920.

This year a few doctrinaires on the Atlantic seaboard have undertaken to finance a movement in California to put on the ballot the most impolitic measure of all. It may appeal to the Reds, the Bolsheviks, and the doctrinaires, but it will be opposed by the overwhelming mass of the people. The present tax system is not to be changed by the ultra radicals. It will be changed by the plain everyday Americans, the people who own homes and farms, and who carry on the business of the country. The less tax measures are associated with the principles made unpopular by the Bolsheviks, and the more closely they are aligned to American habits of thought, the more quickly will the State and Nation set up a sound tax system.

## MISERY HAS COMPANY

If company in misery will ease the feelings of the American taxpayer, his heart should go out to fellow sufferers in England. The British government, in co-operation with local boards, attempted to meet the post war housing shortage by buying land and building cottages that were to be rented at less than cost. Fabulous prices were paid for vacant land on the outskirts of cities and towns. Houses were built at highest cost, and let at a rental that nets an annual deficit of \$50,000,000.

The total number of houses put up was insignificant when compared with the need, but it was sufficient to demoralize the private building trades, and the land speculators cleaned up tidy sums at the expense of the tax payers. The plan has been abandoned as unworkable, and the municipalities now find themselves with a lot of vacant land, for which they paid war profiteer prices.

Had the British government exempted new dwellings from taxation, after the manner of New York City—where a gain of 402 per cent was made the first year—a similar result might have followed. Cottages would have been built cheaper by the regular agencies, and hence could have been let at lower rents, and the cities and towns would not have been victimized by land speculators.

The total receipts from taxes—national, state and local—in the United States in 1913, is estimated at \$2,232,000,000. The estimate by the Bureau of Census places the sum for 1921 at \$7,872,000,000.