

# TAX FACTS

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## LLOYD GEORGE ON TAXATION

**"A shopkeeper extends his premises. A great workshop is erected. The tax assessor comes down and says: 'Information has been laid against you, sir, that you have extended your works; that you are providing more employment for hundreds of workmen. Are you guilty or not guilty?' The owner has to admit that it is so—he cannot deny it. Then the assessor says: 'I fine you fifty or one hundred pounds sterling as long as you live, and don't you do it again'."**

This is a summing up of the English tax system by the British Prime Minister in a speech at Middlesborough, Nov. 8, 1913. And he cites example after example in all fields of industry to show that the man who neglects his property and does not extend his business is taxed lightly, while the progressive and industrious man who employs more labor and produces more wealth is fined by the tax laws.

Americans might smile indulgently at this antiquated and absurd system, were it not for the fact that we follow the same practice. A striking instance in point is that of the Pacific Mutual Life Building at the corner of Sixth and Olive Streets, Los Angeles, the finest building in the city, and one of the finest in the country.

This rare architectural gem displaced a nest of old buildings long overgrown and past their usefulness. The location is within the central district, and is lavishly served by the city and community. Pavements, sidewalks, sewers, water, gas, light, power, telephones, all that goes to make possible modern business have been placed at the command of the owners of that corner.

The Pacific Mutual Life bought out the men who were neglecting their duty as citizens in making so little use of their opportunities, and erected a modern, up-to-date structure. Nor did the new owners content themselves with putting up a mere utility building to house as many people as possible. They spent vast sums of money, and employed an army of men to beautify and enrich it, as if it were a monument to the spirit of the city—as, in a sense, it is. It is

a monument to the spirit of the city, conceived by a master architect and erected by builders who were backed without stint by the owners.

But the city records will be searched in vain for any recognition by the mayor or city council. These officials are proud of the new building; the press has said flattering things; and the citizen likes to show it to visitors. But none has lifted a hand to stay the penalty spoken of by the British Prime Minister.

Through it all there was one man who has remained unmoved by this achievement. That man was the assessor. The assessor—like the sheriff who takes the life that the law declares forfeited—acting under community-made law, has laid the heavy hand of tribute on the citizens guilty of improving this property.

The improvements on the land in question were assessed in 1915 at \$21,805. When these worn-out buildings had been removed, and the new structure erected in their place, the assessment was raised to \$1,501,050. That is to say, when the assessor found the owners were guilty of improving their property, and employing hundreds of men, he raised the tax from \$804, to \$53,388.

The owners of the remaining old buildings in the neighborhood, employing no labor, endangering the city from fire, and wasting the opportunities offered by the community, are paying the old tax. If they should duplicate the Pacific Mutual Life Building they would be fined the new amount. Why?

Why should the city fine a man for doing the very thing we want done? Why penalize progress?

## DEMOCRACY IN ACTION

Voters of Los Angeles have a rare opportunity to serve the cause of popular government at the coming election. Dissatisfaction over the present system of electing a council from the city at large has led to the placing of three measures on the ballot. No. 1A divides the city into five districts of three members each, and allows the voter first and second choice. This makes the primary unnecessary, and secures a considerable degree of proportional representation, with effective local representation. Incidentally the law will save the citizens \$80,000 and a lot of trouble by abolishing the primary. Vote "Yes."

No. 2A is a return to the old ward system. The measure proposes 12 wards, with one member from each, and three members at large. No. 3A proposes 15 wards with one member each. Both 2A and 3A retain the primary, and each of them adds an assessor and a collector for the city in addition to the county assessor and collector who now serve the city. Vote "No" on 2A and 3A.

State voter should give attention to No. 10 on the ballot, taxation of publicly owned utilities. This measure is backed by the land speculators, the private owners of public utilities, and the Better America reactionaries. Its purpose is to discredit public ownership of public utilities, and lighten the taxes on speculative land holdings. Vote "No" on No. 10.

No. 11 provides for the regulation of the publicly owned public utilities. This is another measure backed by the Better America Federation reactionaries to take local public utilities out of the hands of the people who use them and pay for them, and place them under the control of the State Railroad Commission. The one good thing in the measure is the requirement of uniform accounting for all public utilities. But giving up local control of local matters is too high a price to pay. Vote "No."

No. 19 is the much maligned water and power act. This measure provides for the development of the water power of the State by the people for the people. It enables local communities to develop their resources with the aid of the State credit. It entails no burden on the State at large, as all local improvements will be paid for by local rates. But it will give the communities capital at five per cent, instead of the six and seven per cent paid by private companies. Vote "Yes."

No. 27 deals with the Initiative itself. It is the second attempt by the reactionaries to cripple the Initiative. It is the pet meas-

ure of the Better America Federation, which in its literature declares opposition to the initiative principle, and seeks a return to the old system of unrestricted representative government. Vote "No."

No. 30 deals with franchises. This is one of the most vicious measures ever submitted to the people. It transfers all control of street, interurban and suburban railways, and motor vehicle transportation from local authorities to the State Railroad Commission. It is a land speculation scheme pure and simple, and the real estate boards are unanimously supporting it. The reason? The State Commission can extend lines to their outlying lands at the expense of the municipalities. The measure also empowers the Commission to grant perpetual franchises in place of the limited franchise now held from the municipalities. Vote "No."

## A FRIEND OF THE FARMER

"The fairest and most desirable of taxes," says E. E. Miller, editor of Southern Agriculturist, Nashville, Tenn., "is a tax on the site value of land. (The site value of land, let me explain, is the value of the bare land as determined by its nature and location. It is the value of an absolutely unimproved lot in a city, of a tract of land in its natural condition in a farming district. 'Land value' is the term the economists use for this site value, but we are so in the habit of thinking of 'land' as synonymous with 'real estate,' that the term is confused by many and has led to much misapprehension of what is really meant by a 'tax on land value.'") This tax is fair and desirable because the site value of land is produced not by the owner of the land, but by the community. All other value is, to greater or less degree the result of individual labor or activity; 'land values' come from the increase of population and the growth of the community. They are created by the community and so belong to it. What we call 'personal property' as well as the improvements put on land—buildings, fences, soil improvements, etc. are the result of the labor of some man or group of men and justly belong to those men."

It is the land speculator, not the working farmer, who fears the tax on land values. Witness the Danish farmers.

Persons who would understand Federal taxation and its relation to the individual citizen should ask their Congressman or Senator for copy of H. R. Bill 6773, introduced in the House of Representatives by Hon. Oscar E. Keller of Minnesota.

## THE ART OF TEACHING

To the Editor:

I rejoice to see that you are holding fast to counsels of moderation and sanity in your publication. The mass of people are sane and sensible, and will listen to the pleadings of common sense. The trouble with the zealots and fanatics is that a cult is put forward for acceptance—a cult whose interpretation rests necessarily with those advancing it.

A sense of resentment is excited in just minds by an assumption of authority in a situation where all should stand as equals. The distinction is perhaps subtle but its effects are very real. I conceive that the best way to interest a man is to ask for his judgment in a certain matter, as if it had value and would have weight with you. That makes him a partner in your enterprise, and makes free discussion possible. Every normal mind, it seems to me, finds an intense enjoyment in the discovery and unfolding of a new truth—only it wants the discovery to be its own act and not that of another. The art is to bring about the situation in which this becomes possible.

Robert D. Andrews.

Brookline, Mass.

## HOW IS THIS, BUSINESS MAN?

In large flaming letters an advertisement sent out by a well known land-selling concern operating in Muscle Shoals, Alabama, says:

"Buy lots in Muscle Shoals—'The Chicago of the South'—now. Your lots will be right in the path of the city's development. No matter who develops Muscle Shoals—Government or private enterprise—vast new industries are assured. These industries will mean a great inflow of population to Muscle Shoals, and land prices will advance rapidly.

"Remember the basis of all land value is industry. Industry means population. Population means land values. The greater the population, the greater the land values."

Why not then tax land values instead of industry? Why endanger the very life of industry by aiding still more to the intolerable tax burden it already carries?

According to the census report the value of landed property and the value of industrial property in the United States are equal—about \$140,000,000,000 each. Yet industry now pays over 7% of our entire federal revenue burden, while land pays (indirectly only) less than 1/3 of this burden. Furthermore, between fifty billion and sixty billion dollars worth of vacant land and idle natural resources, pay not one cent of federal tax, either direct or indirect!

Yet "the basis of all land value" we are told, "is industry."

Industry makes the land values—and pays over seven-eighths of our federal taxes!

How long will business men stand for it?

*The Bulletin (Chicago) for October.*

## NOTES

Louis F. Post, founder and editor of *The Public*, former Assistant Secretary of Labor, and one of the ablest of living economists, will lecture under the auspices of the Manhattan Single Tax Club of New York. Ad-

dress James R. Brown, 32 Union Square, New York City, for dates.

Issues may come and issues may go, but the tax question will go on till it has been brought into conformity with natural law. This law is set forth with all the majesty and simplicity of the law of gravity in "Progress and Poverty," by Henry George. Price, bound in reinforced paper, 75 cents (by mail 80 cents); or "Progress and Poverty" and *Tax Facts*, \$1.00.

A wise tax system will promote home-owning, stimulate business, increase production, raise wages and stop land speculation. Where does your chief interest lie? Are you a producer, or a speculator? If you are a producer and wish to become a home-owner, you will do well to look into the proposal to exempt labor products and improvements from taxation. If you are a speculator, living on the industry of the community, you will best serve your ends by sticking to the present system of taxation.

Land and Liberty (11 Tothill Street, London, S. W., \$1.00 a year) should be in the hands of all students of taxation. Now that Lloyd George is going before the English electorate on an issue that is certain to include the fundamentals of taxation it will be doubly interesting to those who would understand British politics. "It is all very well," the Prime Minister said in reference to the housing question, "to produce bills for the housing of the working classes. They never will be effective until we tackle the taxation of land values."

Governor General Wood is announced by the *Manila Daily Bulletin* as seeking land and tax reforms in the Philippines. The Governor says that large tracts of land under single ownership, either corporate or individual, are detrimental to the welfare of the islands in that usually only a portion of such tracts is placed under cultivation, and declares that he will exert every effort to see that they are parcelled into small holdings, each owned by a separate farmer who can and will put the land to use. The Governor General is also calling upon the legislature for an equitable adjustment of the tax laws to encourage the small tillers of the soil. Certain persons in California may thank their stars that General Wood is not Governor of this State. He might take seriously that provision in the constitution that declares, "the holding of large tracts of land, uncultivated and unimproved, by individuals and corporations, is against the public interest."

# TAX FACTS

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## DENMARK SHOWS THE WAY

Land speculators who are trying to frighten people into thinking a tax on land values, and the exemption of improvements, will be a hardship on land users, farmers, and home owners should see to it that news from Denmark is carefully censored.

The Danish government enacted a law in August that specifically taxes land values. And it is interesting to note that N. Neergaard, Premier and Finance Minister, who piloted the bill through Parliament is not a Singletaxer, nor even a member of the Radical party, but a Liberal of the old school. What may seem still more remarkable to our land speculators and reactionaries is the fact that Denmark is mainly an agricultural country, and that the main support for the bill came from the peasant proprietors or small working land-holders.

This organization of small land-holders, now numbering 120,000, began its campaign in 1902, with this declaration:

As small farms and independent husbandry have proved the most advantageous form of agriculture, in the interests both of the community and the individual, and may therefore be expected to become the most general (and in the future possibly the only) system of Danish agriculture, our occupation and progress cannot be virtually supported by any help from the State or from other classes in the community. We can only prosper if the law fully recognizes that the small holders and all other classes in the community have equal rights.

... The small holders, therefore, do not ask for any favors in the way of taxation. . . . We do demand the earliest possible removal of all tariffs and taxes levied upon articles of consumption, such as food, clothes, furniture, buildings, stock, tools, machines, raw materials and the products of industry, as all these burdens (often increased by fiscal protection) are pressing with an unjust weight upon labor and the small home.

In place of these taxes we demand, for the provision of revenue for public needs, the taxation of land value, which is due to no person's individual labor, but arises from the growth and development of the community, reaches enormous figures, especially in the large towns, and is appropriated as an unearned gain by private speculators who have no title to it,

instead of being paid into the public treasuries of the State and municipal authorities. The taxation of land value would not burden labor but, on the contrary, cheapen land and make it easier for every man to obtain his own home.

These resolutions were the basis and inspiration of the twenty-year campaign that has resulted in the new law taxing land values. The law does not go far, but it goes in the right direction. It provides for the valuation of land and improvements separately; for the levying of a tax of 0.15 per cent on the selling value of land apart from improvements, and a tax of 0.11 per cent on such part of the improvements as exceeds 10,000 crowns. The point of the matter is that Danish statesmen recognize the contention of the working landowners that a shifting of taxes from production to land values means a lightening of burdens borne by producers, and the promotion of home-building and farm-owning.

This action of the Danish working landowners makes plain why the California land speculators are so opposed to the shifting of taxes from small homes and farms to vacant lots and great estates. It might interfere somewhat with their occupation of getting something for nothing.

## GOOD AND BAD TAXES

Should taxes be laid upon the citizen according to his ability to pay; or should they be laid upon him according to the benefits he receives from the community? Most American communities use both methods. When a street is to be paved, a sidewalk laid, and sewers and water mains put in, the cost is apportioned according to the street frontage, on the theory that the improvement benefits only the land. No tax is laid on buildings or personal property because they are not enhanced in value, a six-room house or a piano being worth no more after a street is paved than before.

When, however, the community builds a school, it taxes the citizen according to his ability to pay. That is, the tax is laid on all property, the lot, the house, and the things in the house. The larger the house, and the more valuable the things the higher the tax. Though the school adds nothing to the value of the house, or the things in the house, the citizen is taxed to pay for a public improvement that increases the value of the land.

The same is true of police and fire protection, and other community services. They also add to the value of the lots, but do not add to the value of the houses, or to the things in the houses. Is it wise to keep both systems of taxation?