

Gift
Jan 19 1924

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TAX FACTS

Published in
the interest of

SOUND ECONOMICS

and

AMERICAN IDEALS

VOL. II

LOS ANGELES, CAL., JANUARY, 1924



Thrift Week and Home-Owning

Are Americans to become a nation of tenants? Percentage of people living in their own homes less in 1920 than in 1900. Number of mortgaged homes increasing in United States, and in California. President Coolidge says: "No greater contribution could be made to assure the stability of the nation, and the advancement of its ideals, than to make it a nation of home-owning families."

When the Pilgrims landed on the bleak shores of Massachusetts the housing problem was extreme. Home-owning prospects were at low ebb. No lumber yards were within reach. There were no brickkilns, stone quarries, or cement works, no mills or machinery, nothing but nature in the raw.

A rich man with servants or slaves might have established a home for himself. But in that company there were no rich, no servants, no slaves. Yet within an incredibly short time they all had homes.

How did they do it? How could that whole company with so little to aid them have homes, while we with so much have only 45.6 per cent living in homes, 28.2 of which are free from incumbrances.

The United States League of Local Building and Loan Associations seized upon Thrift Week as a means of arousing people to the importance of home-building. President Coolidge and Secretaries Hughes, Mellon and Hoover have lent their aid to the movement, and people of all shades of opinion look upon the movement as one of the questions calling for serious and disinterested thought.

Why should there have been a decrease in home owning when there has been such a stupendous increase in wealth? How does it come that in the richest nation in the world the citizens should find it increasingly difficult to acquire homes?

This situation cannot be due to any lack

of desire on the part of the great mass of the people. Home-owning is a natural instinct. The normal family seeks a home, and clings to it when found, as the beast its shelter. And there is nothing mysterious or difficult about building houses. The race has had much experience. Then wherein lies the difficulty.

When the Pilgrims landed on the inhospitable shores of Massachusetts they found nothing made by the hand of man. They brought with them labor, in the form of determined men and women, and capital, in the shape of a few simple tools. Before them lay building sites, and in the earth and forest were the raw materials.

But we still have labor, capital and building sites. Labor is more skillful, capital has assumed a thousand new forms, and the building sites are practically limitless. Yet less than half the people have homes; and less than half of that half are free from mortgages.

So grave is the situation that public spirited men and women have devised various schemes to promote home-owning. Building and Loan Associations have over six million members, and have loaned more than three billion dollars for building. The new charter that is to be submitted to the people of Los Angeles in May permits the issuance of bonds at not over five and one-half per cent to provide a building fund to furnish homes for small salaried men and wage earners, which may be paid for in small installments at a low rate of interest.

But while these agencies are striving to aid the home-seeker, other forces are working against him. Money at low interest, with small monthly payments, would undoubtedly stimulate building, but the increased demand for building sites would so increase the price that it would soon become a decided hindrance to home-building.

It is a striking fact that notwithstanding the earnest and painstaking effort of well-meaning persons to promote home-owning with cheaper money, cheaper materials, cheaper labor, nothing whatever is being done to secure cheaper building-sites. Yet the site of the home is one of the principal items of the cost, and is daily becoming greater.

The rise in the price of home-sites has already become so serious that it has neutralized the beneficial effects of the good agencies. Speculators, seeing that home-sites go up in value as the community grows, buy land they have no intention of using, and, by withholding it from use, force the price still higher. Efficient labor, cheap building materials, easy credit, anything and everything that causes more building sends up the price of building-sites, and adds to the profits of the speculator. Each home built tends to make it harder for the next home-builder. Whereas, with labor products the cost tends to become less as the quantity increases.

Clearly, home-owning cannot be restored to the high percentage of colonial days unless we can again restore cheap building-sites. Speculation in home-sites must be checked, or we shall become a nation of tenants.

Since private ownership is the very essence of the spirit of home-building, nothing should be done to interfere with the present private titles to land. But it is possible by a gradual change in our tax system to check the speculative rise in the price of home-sites. By shifting taxes from houses to lots, taxing a vacant lot the same as an improved lot of like situation, house-building will be stimulated, and speculation in vacant lots will be discouraged.

And is not this good morals and sound economics? The value of a vacant lot is made by the community as a whole. The community in making that value has incurred certain expenses, such as the cost of police, schools and the general public utilities. Why, then, should not the community tax the vacant land to pay for the service that has created its value?

There are reported to be between sixty and seventy thousand licensed real estate

dealers in California; and several hundred thousand dealers not licensed. The percentage of home-owning in the State is decreasing, while the percentage of mortgaged homes is increasing.

We can by our tax laws promote home-owning, or continue our orgie of land speculation. We cannot do both.

Which is it to be, the home-owner, or the land speculator?

MARRIAGE AND DIVORCE

Persons who still cling to the notion that there is some relation between social progress and marital integrity are distressed over the fact that in the twenty-one States from which returns are made the Census Bureau shows an increase in divorces of 35 per cent in 1922 over 1916, and a decrease of 7 per cent in marriages. One divorce to every nine marriages is the present ratio, and Japan is our only rival for this distinction.

Various suggestions are offered to promote wedlock, from bounties to newly-weds to head-taxes on bachelors; but the *Milwaukee Journal* suggests that we build cottages to be leased to the young couple at such a figure that after paying rent there will be something left for a few comforts of life.

It would be straining the fact to say that economics is at the bottom of it all, but it must be admitted that in the early days of the Republic when men and women married early, and children were welcome, the getting of a home was a simple matter, and the support of a family within the means of all.

Cottages, says the *Milwaukee Journal*, for the newly-weds at a price that will leave them something to live on. Not a bad suggestion. But why cannot the young man today buy or build his home as his grandfather did? True, he must pay builders higher wages, but his own wages have risen correspondingly.

There is one difference, however. Whenever the young man looks for a place to build he finds the site in the hands of a speculator, who charges him as much as the house will cost. The young man can build a little home for himself as well as his grandfather did, but he must first build a home for the speculator in order to get permission to build one for himself. Not every young man can do that. And so he remains single; and he compels a young woman to remain single. Or, if they are

more venturesome, and undertake the task of building two houses for the sake of getting one, they too often find it beyond their strength. Poverty forever dogging their steps. Too many comforts beyond their reach. The bloom of cheek and buoyancy of spirit are gone, and recourse is had to the divorce court.

THE EFFECT OF PROHIBITION

Shortly after the adoption of prohibition merchants noted an increase in trade. Wages that formerly went for liquor were spent for food, clothing, and shelter.

But the increase in trade was soon followed by an increase in rent, and now real estate dealers are saying prohibition is increasing the price of land. One of the largest realtors of New York City says:

"Prohibition has a splendid effect. Its greatest benefits are still to be felt. Trades people have taken over all old saloon space thrown on the market, at even higher rentals in many cases. The tenement dweller has become a better tenant. He pays his rent more promptly, and suffers depression much less than in former times."

Virtue is its own reward! But why should the realtor profit by the sobriety of the wage earner? The former drinker leaves off liquor, and becomes a better citizen. Because he is a better citizen land values increase, and the realtor charges the citizen more rent. In other words, the reformed man has the virtue, and the realtor gets the profit.

RACING WITH PROSPERITY

The sales of documentary stamps by the Internal Revenue Bureau in Los Angeles show that from January 1 to November 1 the sales of real estate in Southern California amounted to \$1,112,230,000, which is \$421,267,000, or 60.9 per cent, more than for the corresponding months of 1922. These stupendous figures prompt Collector Goodcell to state that "the profit from the sale of property constitutes one of the chief sources of income to our taxpayers, especially in Southern California." As the great mass of these sales are of land, the income derived from such a source reminds one of the curious experience of Dr. Johnson and Boswell on their trip to the Hebrides. They discovered one island where the people were so poor that they supported themselves by taking in each other's washing.

GETTING AT THE FACTS

The Harvard Bureau of Business Research has rendered a report on the profits of wholesale grocery business for 1922. The report is based on returns from 442 firms, with aggregate sales of \$556,021,000. The gross profit on this business was 11.6 per cent, the total expense of conducting the business was 11.1 per cent, leaving a net profit of one-half of one per cent. The report on retail grocers includes 443 firms, whose gross profits were 19.3 of net sales, expenses 18 per cent, and net profit 1.3 per cent of sales.

The Harvard Bureau of Business Research could render invaluable service by separating the 18 per cent expense item into its constituent parts, wages, interest, rent and taxes.

ABRIDGEMENT OF "PROGRESS AND POVERTY"

Persons who take an intelligent interest in public affairs, and particularly those who would know the cause of the present tax muddle, will be interested in knowing that Harcourt, Brace & Co., New York publishers, will bring out in February "Henry George's Progress and Poverty; an Abridgment of the Economic Principles." Authorized by Anna George de Mille. Cloth bound; price \$1. This is a condensation of the 568 pages of Progress and Poverty to the compass of about 200 pages, in order that persons who lack time or inclination to read the complete work may get the gist or core of it in briefer space. The fact that the abridgment was made by Henry George's daughter, Anna George de Mille, and by Louis F. Post, his most intimate friend and disciple, is assurance that the work has been faithfully done. The book may be had of any bookseller, or from TAX FACTS as soon as it reaches the Coast.

NOTES

When there is no revision, the taxpayers perish.—*Orange Leader*.

The untaxing of industry is a step in the right direction.—*John R. Commons*.

It's time for a party to split when it gets the habit of straddling.—*El Paso Herald*.

The greatest power known to peaceful society, either for good or ill, is taxation.—*John Z. White*.

Thus far we have failed to discover the parts of the world that the meek have inherited.—*Boston Shoe and Leather Reporter*.

Congress is not easily discouraged. It keeps on passing laws in an effort to find some that will work.—*Steubenville (Ohio) Herald-Star*.

Scientists now say the next war will be fought with electricity. Which bears out the popular belief that it will be the most shocking of all.—*Memphis Press*.

No tax should be levied in form or amount so as to discourage individual initiative in the operation of existing production, or the establishment of new enterprise.—*National Industrial Council*.

"Secretary Mellon may be right in taking taxes off the rich so they'll take their money out of tax-exempt bonds and put it into industry," says Uncle Cy, "but what I want to know is, won't somebody else have to take their money out of industry and put it into the bonds?"

Prof. Louis Wallis, in one day's drive in an automobile in North Dakota, passed 75 abandoned farms, where machinery was rusting and buildings going to ruin. These farms had been abandoned by farm tenants, or by farmers who had mortgaged their farms at so high an interest rate that they couldn't make farming pay.

You know what happened to our potato crop last year. The railroad took it all, plus \$236.00 in cash. And 1923 served us likewise on prunes. The railroad got over \$12,000 on 21 car-loads of prunes, which left us minus \$2,500.00 of paying for boxes, picking, and packing. It costs more now to send a car of prunes to Omaha than it did in 1917 to New York.—*G. M. Paulson, Wilder, Idaho*.

Louis F. Post says that reform papers, like grand opera, must be supported by those who believe in their mission. Here is an opportunity to back TAX FACTS. A word to the wise is sufficient.

TAX FACTS

Published Monthly
at 420 American Bank Building,
Los Angeles, Cal.,

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Subscription per year 50 cents

Vol. II Los Angeles, Cal., January, 1924. No. 9

WHY POVERTY

Why be poor? Why live in the richest age and in the wealthiest country in the world, and lack for the luxuries of the flesh? Thousands of millionaires of today have made their fortunes within a few years. If one will but read the advertisements of the real estate dealers, the oil promoters, and the various other Napoleonic financiers, it would seem to be a reflection upon one's intelligence not to be rich.

A recent full page advertisement in the Los Angeles papers sets forth opportunities for easy, speedy, and certain wealth that leave no excuse for poverty.

The upper half of this page shows a profit-making machine at work. It consists of a group of factories so closely placed that the cog-wheels on the roof suggest a single unit. From the center of the group rises a huge hopper into which coins from all over the United States are pouring. From one side a spout extends over a specially marked section of land, upon which a steady stream of money is falling.

The obvious meaning of the picture is that the factories, by sending their products over the country are drawing to Los Angeles, and to this particular portion of Los Angeles, a stream of golden wealth. And the inference to be drawn, is that persons who hold title to land in that section will be enriched without any effort on their part.

But this meaning of the picture is not left to inference. The text of the advertisement removes any doubt on that score. "The great profit machine pictured above," reads the advertisement, "is already starting work for the lot owners in Easymoney Terrace." Easymoney Terrace is not the name, but it will serve to carry the idea.

The advertisement continues: "Four of these plants are now actually operating, six more now under construction will soon gear in with the first four, and additional factories are breaking ground every week.

Note the result: "Forty factories mean 6,000 well-paid jobs. Six thousand jobs mean a population of 25,000," and Easymoney Terrace, within five minutes walk of the factories, is the logical place for them to live. Indeed, units 1, 2 and 3 are already completely sold. And finally, "Many lucky buyers in these units are already reselling for profits of 100 per cent on the gross cost of their lots."

How, in the light of all this, can a poor man prove his sanity, with such opportunities flaunted in his face? Phone the company and an auto will call at your house and take you without charge to Easymoney Terrace.

True, there may be carping critics who will question the morals of this venture in finance. The manufacturers, owners and men, are putting in capital and labor. They are using every endeavor to make better and cheaper goods, they are combing the country and the world for markets, they are, in short, striving their utmost to render service for the money they receive.

But the men who buy lots in Easymoney Terrace and sell them within a few weeks or months at a profit of 100 per cent, what service do they render for those profits?

The advertisement in question quotes in heavy black type these words from a successful promoter who has located "forty great industries" in an industrial tract since last July: "City land values are based on two equally important factors—population and wealth—buy your lots with this in mind."

Who will question the truth of that statement? But note that this rule applies only to land values. No amount of wealth or population adds to labor or capital values. The house, the auto, the sewing machine once built begin to decline in value as they age, in spite of any increase in the population and wealth of the community. But the lots in Easymoney Terrace, and in the various other tracts do increase in value with the growth of wealth and population.

This increase is not even or constant. Sometimes it is in one place, and then in another. Some may even decrease temporarily. But the tendency is always to rise. Small investors taken as a whole do not make interest on their money, but the gambling chance of big profits lures them on, so that more than half of the land of the city lies vacant and idle, while labor and capital support the community on the land in use.