

TAX FACTS

Published in
the interest of

SOUND ECONOMICS
and

AMERICAN IDEALS

VOL. II.

LOS ANGELES, CAL., MARCH, 1924.

No. 11

What to do with Los Angeles

A city that grows from a population of 11,183 in 1880, to 102,479 in 1900, and 860,000 in 1924, with a fair prospect of unlimited expansion in the future, calls for the thoughtful consideration of its citizens. Shall it be permitted to run wild in an orgie of speculation, overdeveloped in some things and sadly lacking in others; or shall it be given intelligent direction toward a symmetrical whole? Shall the city's phenomenal growth spend itself in piling up more colossal fortunes for a few daring speculators, with the great mass of the people struggling to meet excessive rents; or shall the natural advantages of location and climate be enjoyed by all?

That the question is deserving of serious and immediate attention, is evident from the increasing caution of men of affairs. Though protesting that there is no immediate danger, and, if due care be exercised, no ultimate likelihood of a collapse, still the men who lend money feel it the part of wisdom not to let the situation get out of hand.

A more popular turn of the discussion has been given by the Los Angeles Record. In a recent issue that paper announced for the city a platform that consisted largely of doing the best that is now being done, but of doing it more earnestly and enthusiastically. Incidentally it announced the need of a "revolving industrial foundation of at least \$100,000,000" for the purpose of fostering key industries necessary to a fully rounded growth. The editor assured his readers that if this were done there need be no fear of the future.

Interviews with men of affairs were disappointing. The presidents of the Chamber of Commerce, the Labor Council, the Real Estate Board, the Community Development Association, and the leading merchants and business men, echoed the wish of the Record, but appeared to offer nothing constructive as a means of attaining that wish.

There was one conspicuous exception, however, that of David Woodhead, presi-

dent of the Municipal League, and head of one of the leading lumber companies of the city. Says Mr. Woodhead:

I have no quarrel with a "balanced prosperity" advertising fund and the "revolving fund." They are wise measures and deserve support, but if we do not at the same time set out to discourage this speculative rise in real estate prices, neither of them will avail in stopping, although they may postpone, the inevitable relapse. The speculators will come out with bigger ads, and will be again encouraged to anticipate the growth by increasing their prices until the structure will tumble. Credit will be shaken and fortunes will be lost, until values get down to a point where working men can afford to buy lots, where merchants' rents are again brought to a point where they can make a margin of profit plus the rent, where industries can expand on new land at a reasonable price, and where the savings of the people are turned again to industry, instead of land speculation.

In enumerating the several things necessary for the promotion of business, such as cheap power through public ownership, continued harbor development, flood control, city planning, etc., he closes with a return to the necessity of curbing speculation in building sites, whether for homes or for factories. "Discourage as far as possible," he says, "by public opinion, the buying of lots for speculation." And he adds by way of emphasis:

For the further encouragement of home ownership and industrial expansion, exempt homes from taxation as is done in New York, and do away

with the taxation of machinery and personal property, and reduce the taxation of buildings ten per cent every three years until they carry only half the taxation they now pay. Pittsburgh adopted this practical plan in 1914, and the Chief Assessor in November of last year, in an address in Chicago, claimed it a big success. He said that over 70,000 home owners had received a reduction in taxes, that there was a greater percentage of new building in Pittsburgh than in any other large eastern city; that commercial and industrial interests were greatly benefitted; that it stopped the tendency of industries to locate many miles away from the city to avoid taxation; that businessmen and all of the newspapers were now in favor of the plan and would not change to the old system.

It is much to be regretted that more business men and men of affairs do not follow the example of Mr. Woodhead and study the effect of taxation on the development of society. Consider a recent example.

The Biltmore, one of the finest hotels in the country, has just been completed. The building cost nearly \$5,500,000, which means the employment of an enormous amount of labor and material, to say nothing of the lavish furnishings of the hotel. This improvement was hailed as a great benefit to the city. The press urged local capitalists to co-operate with outside capital in meeting the outlay. Everybody recognizes the hotel as a great asset to the city.

And yet how were these enterprising capitalists treated by California's tax laws? The land on which the Biltmore stands was partly vacant and partly occupied by old buildings that were assessed in 1922 at \$15,910, the assessment being on the basis of fifty per cent of the real value. In 1923, when the building was half done, it was assessed at \$1,390,400. In 1924, the completed building was assessed at \$2,689,580.

That is to say, the taxes on the old improvements amounted to \$587. When two and a half million dollars had been spent, the tax was \$51,910. This year the completed building is taxed \$99,245. The personal property tax has not been levied, but it may be \$25,000 or \$30,000.

By what mad-house system of logic is such a tax law made? Here are men who have risked their capital to do what everybody in the city wanted them to do, and the city fines them more than a hundred thousand dollars a year for doing it. Had the owner of the land used it for a parking station, he would have had no tax to pay for improvements. Had he allowed the old buildings to stand, the tax would have been \$587. The land was assessed on a 50 per cent basis at \$653,250 in 1922, and at

\$880,730 in 1923, indicating an increase in value of \$454,960.

The Biltmore hotel and its furnishings will rapidly decrease in value, but the land on which it stands will grow in value as long as the population about it increases. Many such improvements are built upon leased ground. In such cases the builder's investment will decrease with time, while the landowner's will increase. Is not Mr. Woodhead right in wishing gradually to shift taxes from personal property and improvements, which are created by the individual, to land, whose value is made by the community? It is something for capitalists, as well as laborers, to think about.

AN ENGLISH VIEW

The dockers' strike last month for a living wage, happily ended in favor of the men, is no sooner over than the miners, the shipbuilders, tramway workers, the bricklayers and the housebuilders speak out. "The tower leans from its foundations, and every new story but hastens the final catastrophe." Who is responsible? Those who, wherever they are placed, stubbornly ignore the root cause of the unequal distribution of wealth and power; those who will not turn a hand to remove the restrictions that make labor a "drug in the market," and who childishly think to cover up the naked truth by patchwork schemes that deceive no one, not even themselves.—*Land and Liberty, London.*

TO PROMOTE WORLD PEACE

I lay stress upon economic fairness because economic unfairness is the primary cause of the present European situation. Nothing that the United States can do would save the world from such situations if it falls short of loyalty to natural economic law. For economic law is as natural as the law of gravitation; the disastrous consequences of its violation are as inevitable. And loyalty to natural economic law demands fair co-operation throughout social life—from villages to nations, from nations to the national sisterhood.—*Louis F. Post at the Economic Club of Providence, Rhode Island.*

CALIFORNIA GOATS

The real milk goats of the tax pasture are the California farmers, and they have been the milk goats ever since the State was organized as a State. This does not necessarily mean that the farmers have paid the larger share of the total annual tax bill, but that they have paid a larger relative share than any other group, and that is as true today as it was in the fifties. It has been true of every period in the State history since the American occupation.

The farmer has been the chief milk goat, by those who herded with him in the production of the tax income were the small property owner in cities, the merchant and business man whose property consisted of realty or goods upon the shelf, and such wealthy persons as were too honest to conceal their portable wealth.—*C. E. Kuntze.*

CROSS-EYED REFORMERS

A remarkable case of political strabismus is brought to light by David Woodhead, president of the Municipal League, in a letter to the Examiner. The "Tax Reduction Alliance," of Los Angeles, professes to be a "people's" movement to reduce taxes. The manner in which this is to be accomplished is to support the move to issue \$34,640,000 worth of public school bonds asked for by the School Board, and to oppose the bonds to be issued for the extensions to the city's power and light system.

As the power and light bonds are paid, principle and interest, entirely by the earnings of the city plant, and not out of taxes, while the school bonds are paid by the taxpayers, the innocent voter wonders how a tax reduction alliance could have made the mistake of supporting the bonds that must be paid out of taxes, and opposing the bonds not paid out of taxes.

Mr. Woodhead makes the reason plain by showing that the "Tax Reduction Alliance" is not what it professes to be. Instead of being a bona fide organization of the people in opposition to high taxes, it is a sham association gotten up by the private power and light companies to block the extension of the city's power and light, for wherever the city service extends there is a pronounced reduction in rates.

How many men and women are going to be fooled by such a transparent fraud?

BREAKING UP SWEDISH ESTATES

Some of the most famous of the historic estates of Sweden, as well as large industrial forest lands, have been invaded as a result of the movement to provide more small farms and homesteads. It has been announced that Lindholmen, the country estate celebrated for 600 years, and more than 400 years ago the birthplace of Gustavus Vasa, regarded as Sweden's greatest king, is to be reduced to 30 per cent of its present size. More than 1000 acres will be placed at the disposal of the organizations interested in home colonization.—*Christian Science Monitor*.

TAX THE LEECHES

We have no patience with the taxpayer who insists that his idle lands are making him nothing and for that reason he should be allowed to place a low value for assessment. As a rule the parties who own it will not improve it and will not sell it to others who will improve it. They sit quietly by and wait for adjoining property to be improved that will advance the value of their idle lands. Is it right to favor the man who acts the part of a leech while you tax the improvements put on his neighbor's property? Let the man who owns this idle land improve it or sell it to someone who will do it or pay taxes like his neighbors.—*Southern Democrat*.

BOOKS

Just the thing for the busy man who wonders why the times are out of joint. Progress and Poverty, Abridged, by Henry George, published by Harcourt, Brace & Co., New York, will explain why, in spite of all that science and invention has done for man, poverty follows close in the wake of progress. Mailed to any address for \$1.00. Or with Tax Facts and one new subscriber one year for \$1.25.

Californians who wonder what takes place at Sacramento when the Legislature is in session, will find most interesting "The Story of the California Legislature," by Franklin Hichborn, published by James H. Barry, San Francisco.

Sticklers for civil liberty will find entertainment and instruction in "The Deportations Delirium of Nineteen-Twenty," by Louis F. Post, published by Chas. H. Kerr, Chicago. Mailed to any address at \$1.50. Or with Tax Facts and one new subscriber for one year, \$1.75.

NOTES

Get a good piece of real estate, buy it wisely, pay for it, keep it, and it will keep you.—*Arthur Brisbane*.

No system of taxation can long endure that is not based upon equal and exact justice. The simplest and most direct forms of taxation are best.—*Los Angeles Times*.

This then is the League of Nations—not a super-state, backed by vast armaments, but a simple instrument for bringing nations together in conference around a table.—*Raymond B. Fosdick*.

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*.

Cheap production is possible through labor-saving devices, skilled management, and the application of science, but cheap labor is of no benefit either to employer or to the country.—*American Federation of Labor*.

"I've heard of oil men bribing public officials," said Uncle Cy, "and lumber kings, and tariff barons, and railroad magnates, but by heck I never heard of a farmer bribing an official in Washington."

Fifty years ago there was freedom in this country because there was freedom of opportunity, and freedom of access to land. Men worked willingly, for they worked for themselves as a rule. The transition from farm hand to farm owner, from clerk to merchant, from employe to employer, from tenant to landlord was easy and frequent.—*Illinois Miner*.

What the world needs now is not production engineers, but consumption engineers. Men who can tell us how to get underfed people to buy more food, under-clothed people to buy more clothes, badly housed people to purchase better houses, and poverty-stricken people to purchase more comforts and luxuries. When we get these consumption engineers the problem of bigger business and greater prosperity will soon solve itself.—*Bulletin of the Manufacturers and Merchants Federal Tax League, Chicago*.

Cotton gloves manufactured in this country are protected by a specific and an ad valorem duty, but the combined rate must not exceed says the *American Economist*, organ of the American Protective Tariff League, "the compound rate might afford adequate protection, but as it is, American manufacturers of such gloves find themselves unable to compete with the foreign manufacturers." Manufacturers have filed a petition for a 50 per cent increase. Quite a modest protectionist to ask for only 112½ per cent tariff duty! But when the duty amounts to more than the goods might it not be cheaper for the consumer to pay the American manufacturer not to make gloves?

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

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Subscription per year 50 cents

Vol. II. Los Angeles, Cal., March, 1924 No. 11

WASTE, WASTE, WASTE!

What would be thought of a builder in a village where one and two-story buildings met the public needs, who should erect the steel skeleton of a twelve-story building, but fill in and finish only the sixth and top floors. The plumbing, lighting, and elevating service to these floors would have to pass the intermediate floors. To the builder's explanation that some day there would be a demand for those unused floors and that he would finish them as needed, there would be accorded the smile that greets the vaporings of the feeble-minded.

Yet, is not this the plan on which the American city is built? As the village expands into a city, and the city into a metropolis, the builders do not improve the lots next to those already occupied. They skip a few lots—sometimes a whole block—and then build. This necessitates running the pavements, sewers, water, wiring, street cars past many vacant lots in order to reach and serve those that are occupied.

By the time the city has reached fifty thousand it is patchy and irregular in form. Not only are there many vacant lots lying among the improved lots, but there are many so-called improved lots occupied by shacks that are a disgrace to the city. As the city grows, the vacant valuable land increases.

Is there really any difference in this plan of civic development and that of the skyscraper with only two floors in use? Does not the waste of service on the horizontal plane correspond to that of the perpendicular?

The waste is the same, but there is a difference to those who pay. The builder of the skeleton sky-scraper would bear the loss of the unused service himself. Whereas, the builders of skeleton cities put the loss on the citizens, who are obliged to support the unused public service to vacant lots in order to have service to their improved lots.

There is no known way in which a builder can enrich himself by building skeleton skyscrapers, with only part of the floors completed. Hence, it is never done. On the contrary, however, we have all about us examples of men who have made great fortunes by laying out subdivisions, when an abundance of vacant lots lay between the subdivision and the center of population. The skeleton-town speculators enrich themselves by wasting public service on vacant lots, while the users of improved lots marvel at the high taxes and poor service.

The extent of this waste is not realized by the average citizen. Only a part appears in the gains of the speculators, for not all holders of vacant lots profit; but whether they gain or lose, the public always loses.

Los Angeles has 41 per cent of its land vacant. This does not include the agricultural lands that have come into the city with annexations, but the land within the city proper. If to this 41 per cent be added the great number of lots in the very heart of the city covered with one-story buildings left over from early days, and now squeezed in between modern twelve-story buildings, it is safe to say that the present population and business could be better housed on less than half the land now occupied.

This being so, one-half the sewers, street pavements, sidewalks, water and gas pipes, light and telephone wires, car tracks and half of the time used in going and coming could be saved. The police and fire departments, having but half the territory to cover, could do it more effectively.

True, the city cannot arbitrarily interfere with private property. It can, however, bring to bear the subtle but unescapable influence of taxation. New York City stimulated building enormously by exempting dwellings from taxation for ten years. The Federal government drove State bank note circulation out of existence with a tax of ten per cent.

Is not the inference plain? Shift taxes gradually from buildings to vacant lots. When the owner of an idle lot must pay the same tax as he would were it improved, it will not long remain vacant. And if the valuable lots near the heart of the city be fully improved there will be less inducement for speculators to subdivide productive ranches, orchards, and vineyards into vacant lots.

Let the taxing authorities treat vacant lots as the Federal government handled State bank "wildcat" currency.