TAX FACTS

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Giving the Farmer a Lift

Lands on which I lived in my boyhood, and which sold for five dollars an acre, have been sold in recent years for five hundred dollars an acre. Yet I remember when young men used to buy these lands, after saving their wages as month hands for two or three years, and equipping themselves each with a team and wagon — buy them and in a comparatively short time pay off the small mortgage. They would be laughed at for trying to do this now. Herbert Quick, in The Real Trouble With the Farmers.

One of the first acts of the President, after the voters had so emphatically rebuked the avowed champions of the farmer, was to appoint a special commission to inquire into the causes of the agricultural depression. Press dispatches announce that the commission includes among its members three farmers, and that it will have a free hand to inquire into agricultural financing, the Farm Loan Board, the Federal Reserve Board, the War Finance Corporation, the tariff, railroad rates, cooperative agencies, and other things that excite interest.

Coincident with this announcement appears an editorial paragraph from Frederick J. Hart, editor of the Farm Bureau magazines of the various counties of California, suggesting that an investigation be made into the tax question as it relates to agriculture. "Agricultural land," he says, "is paying on a higher valuation than city land."

Mr. Hart's suspicion that the farmer is bearing the heavy end of the tax burden might well be passed on to the President's special commission. Herbert Quick has shown how land speculation has forced prices far above their economic value, and left the working farmer with a crushing burden of interest and taxes. Roger Babson, the noted financial expert, declares farm land values are beyond the point where the working farmer can make his wages by tilling the soil. Profitable farming, he says, will be impossible till prices have been deflated.

Confirmation of this is to be found in the report of the California Commission of Immigration and Housing, 1919, "Large Land Holdings in Southern California." The same conclusion appears in the report on "Land Tenancy in California," issued by the San Francisco Commonwealth Club in 1922. "The opinion is almost unanimously expressed," says this interesting but pessimistic report, "that a man cannot purchase land at present prices on the income from the yield of the soil."

In view of all this, and much more that might be cited, the proposal made by the California Tax Relief Association to aid small farmers in owning their farms by exempting from taxation all personal property and $2,000 worth of improvements, is most timely. Realizing the situation set forth in the report of the Commonwealth Club, that a man "cannot purchase land at present prices on the income from the yield of the soil," and accepting the precedent of the Income Tax law which lays a higher rate upon large than upon small incomes, the Tax Relief Association seeks to lighten the tax burden of the small farmer who is trying to establish a home.

Not only must the farmer pay taxes on the speculative value of his land, but he must pay in enhanced prices the taxes on what he buys. "Local Merchants," says a recent statement of the Tax Relief Association, 502 Delta Building, Los Angeles, "are taxed on their stocks of merchandise; but these taxes in the nature of things, are added to the price of merchandise when sold, and the farmer pays the tax when he buys the goods." Continuing, the Association says:

It is evident from this fact that the farmer in an agricultural county has an indirect interest in the personal property taxes paid by the merchants of our great metropolitan cities. To the extent that the merchants of San Francisco or Los Angeles pay to their cities and counties, personal property taxes upon their stocks of merchandise—which taxes they must add to the prices of their goods —and to the extent that the farmers of the State patronize these metropolitan merchants, either retail or wholesale, to that extent the farmers of the State are paying the local taxes of the governments of San Francisco and Los Angeles. Eliminate all personal property taxes throughout the State, and this forced contribution from the agricultural interests of the State to the local governments of our metropolitan centers will cease.

The American farmer is the victim of an economic system that on its face looks fair, but in reality is most unfair. A large part of our revenue is derived from taxes on labor products, or goods. Such taxes under free conditions are added to price, and are paid by the consumer. But conditions are not free. Farm prices are fixed by what is exported, and the perishable nature of farm products and the necessitous condition of the farmer, compel immediate sale. Whereas the merchant and manufacturer, protected by a tariff on foreign goods, and able to withdraw from the market when the price does not suit, is able to pass his taxes on to the farmer.

It may be said that the proposal of the Tax Relief Association will not solve all the troubles of the farmer. True, but it is a step in the right direction. And it offers relief where relief is most needed, to the family that is vainly struggling against tenantry, or that is hopelessly burdened by mortgage and taxes. To these—and their number is ever growing—the tax relief measure offers a temporary breathing spell. If experience proves it to have been a wise step, other steps can be taken in the light of that experience.

REWARDING ABSTENANCE

The assessor of Long Beach, Calif., credits that suburb of Los Angeles with an assessment of $150,000,000. Land values show an increase in 1924 over 1923 of nearly $30,000,000. Improvement values increased $6,000,000. Men who employed labor and material to the extent of $6,000,000 have added to the city six million dollars worth of buildings and related improvements. Other men who employed no labor to speak of, and used few materials, added to the city — what? The lots they hold are of the same length, breadth and depth in 1924 as they were in 1923. The owners may have done a little in the way of street improvements, drainage, etc., but they added nothing to the lots beyond the $6,000,000 already noted. Yet the assessor credits them with an increase of $30,000,000.

It is plain to be seen where the $6,000,000 came from. That amount of money expended in labor and material will produce that amount of buildings. But whence came the $30,000,000? No money was spent on the lands of the city, beyond the six million above mentioned, and not very much on improvements in the streets.

Realtors know where this enormous value came from. They repeat the story over and over to possible purchasers of lots. They say, and all thinking people admit, it came from the presence of a rapidly increasing population. They show newcomers that there are only so many lots having ready access to the beach and harbor, and that any increase in population must intensify the competition for those lots.

The realtors of Long Beach point to another factor. The city owns within its borders oil lands from which a large revenue is received. It is possible that this revenue will be large enough to pay all the expenses of government, thus eliminating taxes. A lot in the midst of an increasing population is better than a gold mine. Such a lot untaxed would be worth still more. The realtors know all this, and they repeat it again and again to those who wish to purchase lots in Long Beach.

But there are people who are wondering what will be the end. They can see that those who owned lots before the boom began have been enriched. Some of those buying now may be enriched. But the problem is, what will be the effect on those who do not own lots, and upon those who come after.

There will be no increased competition among the non-lot owners for buildings or for goods in the buildings, because the supply of these things is unlimited, and a bungalow or a factory can be built as cheaply in a taxless city as in a taxed city. The same is true of all moveable property. But lots, which are not moveable, and are fixed in quantity, must steadily advance in value with increasing competition.

What might have been and what should be a blessing to all the people of Long Beach is redounding to the benefit of those only who own land in the city.

PROGRESS IN FLORIDA

Persons who disconsolately dismiss the political situation as hopelessly reactionary should not overlook the election results in Florida. A constitutional amendment was adopted in that State at the last election prohibiting the levying of an income or an inheritance tax.

The Christian Science Monitor wonders if in voting to make Florida more attractive to people who dislike to pay taxes the voters may not be thinking of the large number of farms and building lots they have for sale.

But whatever the motive of the voters there is no denying the wisdom of their action, which is based on the golden rule of taxation: Never tax anything of value that could and would run away, or that could and would come to you.

Florida and California are rivals in their appeal to the people of the north. This action on the part of Florida will incline people of wealth toward that State, for, as Governor Trinkle of Virginia says, "There are many people of wealth who will go to any land, anywhere, to get rid of taxation."

Fortunately, California can "see" Florida's bid, and "go her one better" by adopting the measure put out by the Tax Relief Association, which exempts from taxation $2,000 worth of improvements, and all personal property.

Florida says: Come to us. We will not tax your estate when you die. Let California say: Come to us. Bring all the personal property you can; we will not tax it while you live.

By untaxing personal property, wealth will flow to California. By untaxing the modest home, California will become a State of home and farm owners.

A JOKE ON THE EDITOR

The editor bought a building lot occupied by a little shack valued by the assessor at $40. The lot lay from two to ten feet below the street level, and was littered with rabbit hutches, chicken coops, weeds, and the rubbish of civilization that accumulates in a "dump." He hauled in 200 truck-loads of dirt, graded it, and built a neat little bungalow that is valued by the assessor at $1,310.

The tax on the shack was $1.54. The tax on the bungalow is $50.56. The editor was not aware that he had harmed anybody by his action, or put the city to any trouble or expense. Indeed, the neighbors were quite flattering in their praise of his act in having converted an "eye-sore" into a pretty little home that added to the beauty of the neighborhood.

If a man parks his car in front of a fire plug, or exceeds the speed limit, the city fines him to prevent a repetition of the act. The natural inference is that the city does not want people to replace old shacks with neat bungalows. And this appears to be a serious thing in the eyes of the city government, for whereas it does not repeat the fine for parking in front of the fireplug unless the offense is repeated, the fifty dollar fine for building the bungalow will be levied each year.

Verily, the joke is on the editor.

A CLEAR DISTINCTION

The proposal to tax land values to the exclusion of labor values should not be confused with either Socialism or Communism. It is individualism, pure and simple. It secures to the individual all that he produces as an individual and also his share of the social value that he helps to produce as a member of the community. It involves no new ideas of property, no change in land titles, no increase in officials, and no complication of accounts.—*Samuel Danziger.*

IN THE RIGHT DIRECTION

One may certainly conclude with Professor Seager, that a gradual increase in the municipal taxation that falls on land, as distinguished from improvements and different kinds of personal property, is much to be desired.—*Prof. Charles A. Beard, Columbia University, in "The American Government."*

NOTES

The taxation of industrial activities is indefensible.—*Norman Hapgood.*

The mania for speed has not yet set in among the law courts.—*Detroit News.*

The news that the Senate will broadcast its sessions has played havoc with the sale of radio instruments.—*Life.*

It would be a fine thing if the folks who are sowing wild oats could be converted to crop diversification.—*San Diego Union.*

What hope have we from a system in which Wall Street gets our lambs, and Congress gets our goats.—*Columbia Record.*

Contrary to apparent belief, self-government is not the kind that will run itself without the people's taking any hand in it.—*Nashville Banner.*

The way out of difficulties is not to destroy the good we have, but to use it as a foundation upon which to build a better structure.—*Leighton's Magazine.*

I regard the land value tax both theoretically and practically sound, and an indispensable basis of much needed tax reform.—*Prof. John Dewey, Columbia University.*

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HONEST GRAFT

George W. Plunkitt, one of the old-time Tammany politicians of New York, died a few days ago, full of years, wealth, and honors. But though he reached the age of 80, perhaps his chief claim to remembrance outside his personal circle is the epitaph penned by some wag—"he seen his opportunities and he took 'em"—and his defense of what he called honest graft.

Plunkitt conveyed his idea of honest graft with the following illustration:

"My party is in on the city and is going to undertake a lot of public improvements. Well, I'm tipped off, say, that they're going to lay out a new park in a certain place. I go there and buy up all the land I can find in the neighborhood. Then the board of this or that makes its plan public and there is a rush to get my land, which nobody ever cared about before. Ain't it perfectly honest to make a profit on my investment and foresight? Well, that's honest graft."

The man's frankness is refreshing. It has prompted many a jest among people who would have thought themselves insulted had they been classed even remotely with Plunkitt.

But consider this honest graft. Of what did it consist? The managers of the city's affairs decided to lay out a park. Taxes were laid upon the city at large to pay the cost. The park was located in some particular part of the city. Wherever it might be the neighborhood would be a more desirable place, and people would wish to get as close to it as possible.

All this is perfectly natural, logical, and commendable. But now enters a new element, the shifting of property values. Not house values, or goods values, or any kind of labor values, but land values. Anything that labor makes can be supplied after the park is established as well as before, and the fact that more goods are needed when more people move into the neighborhood will simply cause more goods to be brought in, till supply and demand balance as before.

But the site upon which the people and the goods rest is another matter. There are only a certain number of square feet within a block, or within six blocks of the park, and any increased demand for that space causes a rise in price. This advance in price will continue till it equals the advantage of being near the park.

There is nothing strange about this. It cannot be prevented. It is due to a natural law that distributes economic values. The value is caused by the people as a whole. It attaches to the sites where the park is located. All this is natural and inevitable. The question is, who should have that value.

Mr. Plunkitt who was a stickler for a certain kind of honesty claimed the value as a reward for his shrewdness in getting a "tip" from the public officials as to what lands they were going to endow with this community-created value.

But suppose Plunkitt's brand of honesty be ruled out. Suppose there is full publicity given to the location of the park. Let us go even so far as to chose the location by a vote of the people themselves. Then what? There remains the same question of the right of ownership of the land values. The only difference between the utmost publicity, and the "inside" methods of Plunkitt is that in the one case the publicly created value enriches chance beneficiaries, and in the other it enriches a designing beneficiary. In either case the people who paid for the park, and who by right of creation should enjoy those values, see them go to those who did not pay for them.

There is no occasion to pass judgment upon Plunkitt and his kind. The real fault lies in a blundering statute that interrupts the natural law. Kansas City established parks by laying out a park district, and taxing the lands benefitted in proportion to the benefits received. No tax was laid upon houses or furniture or any kind of labor values, because these were not affected. The whole cost of the parks fell upon the lands benefitted. Not only was the original cost met in this way, but the upkeep as well.

Plunkitt's philosophy, and Kansas City's demonstration should cause people to think. Clean and disinterested politics will be slow to come, as long as we insist upon conferring publicly created values either by chance or by design upon particular individuals.

Friends of American institutions are quick to condemn the Plunkitts, but how long will it take them to see the real danger to these institutions?