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TAX FACTS

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Stimulating Farming Business and Home Owning

"A few days before Roosevelt died, while he was still in a New York hospital, I went to see him. He discussed with me the great need of awakening the American people to a realization that something should be done to restore health to our basic industry—our agriculture. He pointed out the need to tax unused land in order to discourage the land speculator; he pointed out the need of encouragement to be given farm owners so that we might stop the increase of farm tenants who are fly-by-night, who exhaust rather than improve the soil, who are responsible periodically for the over-production of certain crops and create conditions in which government aid and price fixing become a hue and cry." — Richard Washburn Child, in *The Saturday Evening Post*.

It is in response to this cry of Roosevelt, and to thousands of others who see farm tenantry increasing, and business staggering under a crushing burden of taxes that the Tax Relief Association is urging upon the attention of the legislature its measure to exempt from taxation personal property and \$2,000 worth of improvements.

There is no dispute anywhere as to the need of this relief to home owners, farmers, and business. A little examination into the measure will demonstrate its sanity. The proposal contains three points. 1. It is definite in its scope, and does not commit us to anything further than the measure itself. 2. It is moderate in its application, in permitting the exemption to be made at the rate of 25 per cent a year. 3. It is a continuation of the policy adopted by the irrigation districts of the State.

It is not as though something new and untried were submitted to the people. It is an extension of a plan thoroughly proven by long experience in the irrigation districts of California. Prior to 1909 the law provided that taxes for irrigation purposes should be laid upon both land and improvements.

This plan was not satisfactory. Farmers found themselves taxed for every building they put up, for every tree they planted, for every improvement of any kind, while men who held land idle for speculative purposes, and whose holdings were increased in value

because of the improvements made by the resident farmers, paid less taxes than before.

This injustice became so irritating that the Legislature amended the law by exempting improvements from taxation in all new irrigation districts to be formed, and by providing for the change in the old districts on a vote of the resident owners.

Modesto Irrigation District, in Stanislaus County, adopted the new law as soon as possible, which was in 1911. Oakdale, in the same county organized under the new law. Turlock, also in Stanislaus County, remained under the old law till 1915, when, after seeing the operation of the new law in Modesto and Oakdale, the farmers voted 923 to 260 in favor of the change.

The benefits arising from the exemption of improvements were so pronounced that the City Council of Modesto issued a statement in which it said:

"Under the old system it was found that the small farmer who had built his house and barn and set out trees on his land was paying an excess proportion of the taxes of the district. Whenever he built a house or set out a tree his share of the irrigation tax was increased. The men of thrift who were developing the land and building up the district found their share of the burden of the tax district increasing with their industry. On the other hand the large owners, who

made little or no improvements and refused to sell their land had their taxes reduced because of the increase of the total assessed value of the property caused by the new improvements. By this means the large holders making no improvements had their taxes reduced, while the small owners had to pay more taxes."

A declaration by the Oakdale Council gave similar testimony:

"The exemption of improvements from taxation encourages our farmers to build nice homes, with nice gardens about them, and to keep their places in the best of order; also assures them that their new neighbors will erect the best homes that their means will permit. Our experience has taught us that the more you relieve improvements from taxation, the quicker the country will improve."

These statements were signed by the Directors of the Irrigation Districts, Board of Trade, Gas Company, all of the banks, the newspapers, Women's Improvement Club, County Building Trade Council, and other officials and organizations of these districts.

It would seem from this experience, which is duplicated by irrigation districts throughout the State, that the Tax Relief Association is on safe ground in making its proposal to exempt from taxation personal property and \$2,000 worth of improvements. This is a more moderate step than that taken by the irrigation districts, but it is over a wider territory, and it covers more diverse activities.

If California will extend this plan of taxation, which has been found to work so well in the irrigation districts, to the whole State it will beget a new era of prosperity. And while it will benefit all producers of wealth, it will—as in the case of Modesto and Oakdale—benefit most the small farmer, the home owner, and the business man.

UNEARNED INCREMENT

Descendants of Col. Thomas DeKay are grieving over the lack of foresight indicated by their ancestor. He had a farm of sixty acres on Broadway in New York City and in 1725 traded it for 100 acres across the river in New Jersey. He got more land and he found himself farther removed from the growing noises of a town. These seemed to be distinct advantages at the time and he was pleased with the deal. Today the New Jersey farm is worth possibly \$30,000, but the Broadway acres would bring something like \$1,000,000,000. The great money in the world has been made in the increase of business property in the large cities. More wealth has been found in Los Angeles than in all the diamond mines of Africa and the gold hoardings of the Klondike combined.—*Los Angeles Times*.

DISHONEST TAXATION

"Taxing the premiums paid for insurance," says the Pacific Mutual News, "seems to be a favorite indoor sport of present day legislators. The chief reason for its popularity is the ease with which insurers may be separated from some of their money by this kind of taxation because they are unconscious of the operation. For every hundred dollars the policy holder pays for insurance to protect his family or himself or his property, the State collects from one to three dollars. But he does not know this, because the money is collected through the company in which he is insured."

It is one of the encouraging signs in the tax situation that an increasing number of people are considering the incidence of taxation. They are discovering that there is a radical difference in taxes that were formerly thought to be the same. Experience has taught them that some taxes can be shifted, and that other taxes cannot be shifted. That is, that some taxes are paid by the person taxed, and there is an end of it; while other taxes are passed on to other persons.

Until recently only students of political economy have known of this distinction, and not all of them have been bold enough to proclaim the fact—particularly if they have been dependent upon persons who did not want the fact to be known by the general public.

The editor of the Pacific Mutual News sees this, and he has the courage to cry it from the housetop. He sees that when the State lays a tax upon the insurance company it is not taxing a rich corporation. It is merely empowering the company to collect from the home owner, or other person insured. The assumption by the unthinking is that the tax is paid by the insurance company. But the plain fact is, as so bluntly stated by the editor, that it is paid by the insured.

This is, to say the least, a careless way to raise revenue. If it be the desire and purpose of the lawmakers to collect both taxes from the house owner—his own and the tax levied on the company—let them be collected direct. The house owner will then know how much he pays. Whereas, when only one of his taxes is known, and the others are disguised as premiums on insurance, fares on railroads or street cars or included in the price of merchandise, he does not know how much he is paying for government, and how much for other service.

During the operation of the sales tax and amusement tax the citizen realized just what he was paying to the Government. He disliked the sales tax, and he was eager to be rid of it. But the consumer, whether of insurance or dry goods, is paying the tax just as literally now as he was when the tax was shown in a separate item.

The Pacific Mutual News has done a good stroke for sane and just taxation.

HAS IT COME TO THIS?

"Rentals have forced the workingman and his family," says Andrew J. Thomas, New York builder, "from their cottages. Since the war, prices for all dwellings have gone to such a price that the wage earner can no longer remain in his former home. This condition has forced the employer, who must keep his workmen contented, and must pay them enough to live on, to look around for a remedy. This remedy will be found almost entirely in apartment houses, owned by the employers themselves, and rented at perhaps a small profit."—*Public Affairs*, Washington.

AUTOMOBILE TAXES

"The automobile revenue of the Government," says Henry C. Wallace, Secretary of Agriculture, "for the last fiscal year ended June 30, 1923, were in round numbers \$146,000,000, and the withdrawals from the Treasury for Federal-aid highway purposes were approximately \$72,000,000, which indicates clearly that the owners and operators of motor vehicles on our highways are bearing more than double the entire Federal expenditures for roads."

SAVINGS AND LAND SPECULATORS

Perhaps the wisecracks who advise the public to hold off until spring to buy real estate, as they do advise each fall, with regularity, base their predictions upon the theory that building supplies are due for a slump in price, and therefore improved property will be cheaper. This theory has never held good when spring came. Land costs form the chief basis for real estate prices and land values in and around Detroit are steadily rising. The lot buyers know this. If building materials become cheaper, the increased land prices will be certain to more than take up the slack as each season comes and goes.—*Edward M. Heermans, Assistant Secretary, Detroit Real Estate Board.*

OXFORD CONFERENCE REPORT

The Official report of the proceedings of the International Conference on the Taxation of Land Values, at Oxford, 1923, published by the United Committee for the Taxation of Land Values, 11 Tothill Street, London, S. W. 1 is at hand. Price, cloth, fifty cents net.

This little volume should be in the hands of every person who is interested in the question of honest taxation. The United Committee is to be commended in presenting the public with such a readable account of a conference that drew together representatives of ten nations to consider the greatest of economic problems.

LABOR ENDORSES TAX RELIEF

The California State Federation of Labor in convention at Santa Barbara, September 22 to 27, unanimously passed resolutions endorsing the measure to be submitted to the Legislature by the Tax Relief Association, exempting all personal property from taxation, and \$2,000 worth of improvements on land.

This means that the Labor Committee at Sacramento during the session will support the measure as part of its program.

A MINE OF TAX INFORMATION

The report of the Tax Relief Convention held in Chicago last November is just off the press. Instead of putting out a pamphlet of 70 or 80 pages covering the actual proceedings of the meeting, the publishers, the Manufacturers and Merchants Federal Tax League, have enlarged the book to 357 pages by inserting a vast amount of material on taxation in its relation to business, gleaned from the reports and writings of the best known authorities on the subject.

The value of such a book to a citizen who would post himself on the subject that all should understand cannot be overstated. It is a ready reference library on taxation. It is a complete exposition on the subject, told in plain and simple language, with an abundance of diagrams and illustrations. Price \$2. Manufacturers and Merchants Federal Tax League, 1346 Altgeld Street, Chicago.

NOTES

Life, strange to say, is never a desert to him who has plenty of sand.—*Leighton's Magazine.*

Creating men free and equal isn't enough; some means must be devised to keep them free and equal.—*Columbia Record.*

I favor taxing land values and removing the burden from the products of human industry.—*Senator Walsh, Massachusetts.*

Lower taxes on human enterprise and higher taxes on the unearned increment of land, looks right to me.—*Senator Norris, Nebraska.*

I feel confident that the most important sanitary measure that any community could adopt would be a tax on land values.—*Surgeon-General Gorgas.*

Farm boys and girls grew over \$1,788,000 worth of crops in 1923 in their 4-H club demonstrations under the supervision of their county demonstration agents.

Almost every industry in America shows that high wages lead to increased production and diminished costs. What a fatal policy we have pursued since the war.—*John Bull.*

According to *Collier's* eighty per cent of the voters cast ballots in 1896; in 1900, seventy-three per cent; in 1908, sixty-six per cent; in 1912, sixty-two per cent; in 1920, less than fifty per cent.

"High priced land," says *Wallace's Farmer*, "is a curse to the farming industry, benefitting chiefly speculators rather than farmers. The real farmer is interested, not in land values, but in selling his products at a price which will return a decent living.—*Southland Farmer, Houston, Texas.*

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DO HIGH WAGES MEAN HIGH PRICES?

The Los Angeles *Times* recently made the statement that "In the last ten years working hours in this country have been reduced at least ten per cent, while wages have increased more than 100 per cent."

A correspondent protested that while wages have increased from 100 per cent, rents, food, clothing and other things have increased from 100 to 250 per cent, and concludes that labor is no better off than before.

The *Times* replies that wages cannot double "without the retail price of the things made by the wage-earners doubling." And the editor calls attention to the fact "that the wages of every workman must be paid by the thing he produces." Continuing, he says:

We cannot get back to the 1914 price of things until we get back to the 1914 wage scales. That is an economic fact which no law or government decree can alter. When the wages of those who herd the cattle double, when the wages of those operating railroads double, when the wages of those making the machinery that goes into the factory double, when the wages of the employees in the shoe factory double, when the wages of the commercial travellers double, when the wages of the clerks in the retail stores double the retail price of shoes is bound to double.

But is the editor's point well taken? Has he included all the factors in the case? If wages were the sole item of cost in the making of shoes one might say that to double wages meant to double prices. But it may be questioned whether this is a complete statement.

A very important item is that of labor saving machinery and devices. Wages may be a constant item as to the individual, and at the same time be a varying item as to the product. Thus with a wage to the operative in the shoe factory of forty cents an hour the labor cost in a pair of shoes may be a dollar. If a new machine be installed, or a new process be used that enables the operative to make the same shoes in half the time,

wages may remain the same, but the labor cost in the shoes has been reduced one-half, less the cost of the machinery.

Just how much labor has been saved by the introduction of machinery may not be known. No one will question the statement that it has been very great. The saving of labor on the farm by the introduction of machinery has been phenomenal. The same is true of improvements in transportation; it is true of automatic machines for making machinery. Most of the commercial travellers have been done away with; and salesmanship has been made more efficient.

All these savings in labor have been so great that to say they have cut the labor cost one-half would be to put it very conservatively. In reality it has been much more. But placing the saving at one-half, is it not clear that wages could be doubled without increasing the retail price of the shoes? The cost of shoemaking depends upon the cost of labor in the shoes, not upon the wages paid to the operatives.

It must be plain, then, that so far as the *Times'* statement goes the editor is in error, in stating that the price of shoes must double because wages have doubled. To take that position is equivalent to saying labor-saving machinery never can benefit the laborer. Such a contention would be monstrous.

But who has gotten the benefits of science and invention? The laborer with his high wages must give as many hours of labor for a pair of shoes as he did before these wonderful machines were invented. How about capital? Interest is not higher than in the past. It is lower, and its tendency is always downward. A dollar in business earns less today than formerly. But the gain of labor-saving machinery has gone somewhere. If it has not gone to labor or capital there is only one other place it can go, and that is to land monopoly.

Prices of land do not simply double. They go up ten fold, a hundred fold, a thousand fold. There are lots in Los Angeles that have increased ten thousand fold within the memory of men now living. Those stupendous rentals must be paid by somebody. They are paid by the men and women who make and sell shoes and carry on the activities of life.

It has been proposed as a means of righting this division of the benefits of invention that more of the taxes falling upon labor and capital be shifted to these land values.