

# TAX FACTS

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## Attention California Boosters!

How Would This Do For An Ad?

### COME TO CALIFORNIA!

Enjoy our Mountains, our Redwoods and our State Income Tax.

### DON'T GO TO FLORIDA!

Florida has no Mountains or Redwoods or State Income Tax.

### DON'T STAY WHERE YOU ARE!

Your Old Home State has no Mountains or Redwoods or State Income Tax.

### WONDERFUL OPPORTUNITIES FOR MERCHANTS AND MANUFACTURERS

Our State Income Tax Will Take a Percentage of All You Make in Addition  
to what is Taken by the Federal Income Tax.

COME TO CALIFORNIA!

Signed:

State Chambers of Commerce, Incorporated,

California Improvement Association,

All Day and Night Club.

The California Tax Commission is obsessed with the idea of a State income tax. In addition to the new State income tax on business corporations—which is twice as high as it need be if the complicated system of offsets were omitted—the Tax Commission is in favor of a State income tax on individuals, over and above the Federal income tax. Does any one believe that a State income tax will draw home-seekers, investors, farming or business interests to our State? Would any friend of California recommend such an advertisement as the above? California should and must rid itself of its hampering personal property tax, but not at the price of an income tax.

### THE TAX COMMISSION

Further consideration of the California Tax Commission's report to the legislature calls to mind the inscription over the head of the organist in a church in the early days of Leadville: "Don't shoot; he's doing his best."

The fact that the report was unwelcomed by those responsible for the appointment of the Commission has caused the public at large to raise their brows questioningly, and prompted the press to consign it to oblivion.

To accept such a verdict is scarcely warranted until the inside history of the Commission's work is fully known. Inference might be drawn from the report itself that one or more persons having to do with its construction had caught glimpses of the truth, but had been overborne by others who either failed to see, or yielded their judgment to outside influences.

This result should not be surprising when one realizes the practical situation. Experts tell us that nearly one dollar in seven goes for taxes. From a minor factor in economic life taxation is now of first importance. Not only is the balance between success and failure in many callings, due to it, but large commercial interests have learned so to shift and manipulate the taxing power as to profit themselves, while throwing the burden upon others.

A reading of the report shows an almost pathetic eagerness to make a fair and thorough analysis. What are "fair" taxes, asks the report. Commercial interests are cited as wishing to pay a fair tax, yet all, bankers, farmers, public utilities, real estate interests, insist that they are now overtaxed.

Shall taxes be levied according to "benefit," asks the report, or according to "ability-to-pay"? It is at this point that the Commission came nearest to hitting upon something fundamental. Functions of government should not be undertaken, says the report, unless the people want them enough to pay for them. "Unless an activity creates satisfactions in excess of its costs, it should not find a place among the functions of government."

Instead of following that thought through to a conclusion, the attention appears to have wandered off and lost itself in a vain effort to reconcile "ability-to-pay" with ethics.

This raised the question of whether taxes shall be laid on business, on persons, or on property. From this point the thought

moves farther and farther from firm ground.

Taxes on business, says the report, are repressive, and seem to indicate unfriendliness on the part of the community. Taxes on persons tend to repel those seeking residence under the taxing authority, while "taxes on property may have the effect of discouraging both business and residents."

Two points appeared to bulk large in the minds of the commissioners. Taxes on tangible personal property are still a problem. Taxes on intangibles had been reduced to a minimum, though the Commission's conscience seemed to demand that local and foreign intangibles be taxed alike.

Taxing local intangibles, however, adds to the complications and injustices of the whole personal property tax—escape from which, the report suggests, may be had through the adoption of a State income tax.

The other, and more disturbing point, was the alleged necessity of relieving real estate. Assuming that real estate was bearing more than its fair share of taxes, all other proposals were considered from the stand point: Will this ease the load on real estate?

It is in considering this feature of the report that one gets an inkling of the limitations of the Commission. Real estate is a composite, a combination of two radically different elements, land and improvements.

To the working farmer who has spent a life of toil in bringing his acres under cultivation, and rearing improvements that make life worth while, taxes are indeed too high. But to the speculator who holds the neighboring acres, marking up the price every time the working farmer improves his land, the taxes on his unearned values are too low.

To treat real estate as though it were a simple homogeneous factor in taxation is to beg the whole question. The working farmers, like other industrialists, are grievously burdened, and their plight calls for relief. But this does not mean that taxes are by the same act to be lightened on land speculators who are profiting by the industry of the active capital and labor about them.

The Tax Commission appears to appreciate the plight of industry, and timidly suggests that relief can be got by setting up an income tax in place of the personal property tax. This may be leaping from the fire to the frying pan, but it is not freedom from unjust burdens.

(Continued on next page)

## TWO KINDS OF SPECULATION

Among the many fine cartoons by "Gale" in the Los Angeles *Times*, the issue of April 7, contained one entitled "Speaking of 'Call Money'"! Old man Money Bag is shown securely locked in the public stocks, his head reclining on the back of the bench upon which he sprawls, snoring lustily. Across his ample waistcoat runs the inscription "Over \$2,000,000,000." And just above his feet "Speculative Stocks."

In the background of the cartoon is outlined an industrial center, and midway between is the agitated figure of Uncle Sam, shouting to old Money Bag: "Money wanted for investment in business and industry."

The cartoon is excellent, and makes its point. It might, however, be given a wider application without losing its force by changing the inscription on the stocks from "Speculative Stocks," to "Speculative Real Estate."

Billions of money—far more than the amount temporarily locked up in the Wall Street stock market—are permanently held in speculative real estate all over the country. Beside, a dollar in speculative real estate is employing no labor, and is producing no wealth.

Profits from stock speculation come out of other stock speculators. The rise and fall of prices through the seasons tend to equalize each other. But profits from land speculation come from all productive labor and capital, and increase year by year.

Speculators in stocks sell for a fall as well as for a rise in the market, and so tend to maintain their real value. But real estate is a one-sided market. Everybody buys for a rise, and the price continues to mount as long as population increases and the community grows.

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The legislature has reduced the tax on banks, money and credits to a nominal amount. That is good. The State needs cheap money and credits. Let it now give business men and farmers the same advantages that have been given to financiers.

Let the State gradually repeal the taxes on manufacturing machinery, materials, stocks of merchandise, household furniture, workmen's tools, farmers' implements, live stock, stored crops, and all other tangible personal property; and accompany this repeal by a corresponding increase in the tax on speculative landholding.

In the stock market, bulls and bears offset each other. In the real estate market all speculators are bulls. Consumers in the long run are affected little by stock fluctuations, but the ever mounting speculative price of land is a burden to producer and consumer alike.

Moralists who condemn gambling may well inquire into land speculation. Legislators looking for sources of revenue should consider the mounting speculative price of land.

Taxes laid upon money and goods are added to the interest or price, and are paid by borrowers and consumers. Whereas taxes levied upon speculative land values must be paid by the speculators.

The triangle is a wreck tangle.—*Publishers' Syndicate.*

Lips that touch liquor have to be diplomatic.—*Dallas News.*

Opportunity knocks but once. Evidently it isn't motor driven.—*Dallas News.*

Probably the most promising career of all careers is that of a politician.—*Louisville Times.*

Our advice to all future governors of Oklahoma is to draw their salaries in advance.—*Hartford Courant.*

It is the aim of the Anti-Saloon League to make Congress as dry as the Congressional Record.—*Florida Times-Union.*

Ambitious Oklahomans probably in the future will aspire to the office of Lieutenant Governor.—*Louisville Courier-Journal.*

Americans have become so extravagant that it is almost as hard to live within an income as without one.—*Louisville Times.*

Preparedness will prevent war, they say. You've noticed how peaceable gangs are since they got machine guns.—*Buffalo News.*

There are people back in the mountains of Tennessee and Kentucky who are so ignorant they live a hundred years.—*Kay Features.*

Mortals are frail, and when the meek inherit the earth it isn't at all probable they will stay that way.—*Atlantic City Press-Union.*

Queen Mary recently went shopping in a 10-cent store. Must be trying to establish her claim to the throne of Scotland.—*Los Angeles Times.*

The feminist movement in Mexico is gaining strength, and it is feared that suffragettes may introduce an element of roughness into revolutions.—*Punch.*

Wouldn't it have been great had we but known in time that all that was required to win the World War was the right brand of Cigarets?—*Marion Star.*

The human brain is a wonderful organ. It starts working the moment we get up in the morning and does not stop until we get to the office.—*Hardware Age.*

The chances seem good for Lloyd George's holding the balance of power in the new House of Commons. And how that man can balance!—*New York Times.*

# TAX FACTS

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## THE SIX-HOUR DAY

For two centuries America has been introducing inventions and adopting new methods and processes to save labor. That is what has developed the country. When one man was enabled to do the work formerly done by two men, prices fell and the two men put out a larger product.

But of late years unemployment has appeared, and men are seriously inquiring into the cause. One cure proposed is the adoption of the six-hour day. Conspicuous among the advocates of this plan are A. F. Whitney, president of the Brotherhood of Railway Trainmen, and Timothy Shea, assistant president of the Brotherhood of Locomotive Firemen and Enginemen.

Is this arbitrary reduction of hours the true remedy? A lowering of prices benefits all consumers. Cheaper materials benefit industries by enabling them to sell at a lower price, which is a still further advantage to consumers. It is this that has raised the standard of living.

If the same number of trainmen insist upon working six hours at the old rate of wages it will amount to an increase of 33-1/3 per cent. This would prevent a reduction of rates to relieve the farmer. Were the same process of arbitrary hour-shortening attempted in other industries, the people at large would not benefit, and a few strong unions, strategically situated would enjoy shorter hours.

When labor-saving, or any other saving in the cost of production is made it should appear in lower prices, and so benefit all society. This will be true unless free competition has been interrupted.

In the case of railroads, competition is not free because of the monopolistic nature of the business; and government must either regulate rates, or operate the roads. Businesses that are not of themselves monopolistic are handicapped by the increase in speculative land values.

During the earlier days of the development of the country the unlimited amounts

of free land kept speculative land values at a minimum. Industry expanded with population. There was no unemployment.

When Whitney's cotton gin enabled one man to clean as much lint as twenty did before, it did not throw men out of work. It made cotton cheap, the world used more cloth and there was such a profit in growing cotton that all available labor was used.

The McCornick reaper had a similar effect in harvesting grain, but it left no unemployed men. There were free homesteads for the displaced men.

The same result followed the advent of the steam engine, the steam boat, the railroad, the printing press, and every great labor saving device of those days. Cheap land, both for farming and for building sites, furnished opportunity for all.

But a time arrived when the cheap land of the United States had all been taken. The next man who wished a farm, or a building site had to make terms with those who were already in possession.

It was at this point that the first unemployed American appeared. As industry progressed and developed, as invention followed invention, and the power of labor increased, the competition of the displaced men for the privilege of using land—either for farms or building sites—started the price to soaring.

There was nothing to stop the speculation that followed. Interest and taxes were the same on a house or a machine, as on a lot, yet the lot increased in value while the house and machine did not. The higher speculation drove the price of land, the harder it was to start a new business or run a successful farm.

Recently an eastern firm with an expanding business found itself in need of more space. A man was sent to Los Angeles to find a site. A local builder aided in the search. They found plenty of suitable sites, but all in the hands of speculators, and priced fifteen years in the future.

The eastern representative went home in disgust, and Los Angeles and California lost a two million dollar plant. The men who would have erected, equipped and operated the plant are unemployed. And still more will be unemployed if the legislature continues to tax industry at the same rate that it taxes speculation in building sites.

We may come to a six hour day, or a four hour day, all in good time, but it will never be while society maintains such a premium on speculation in industrial sites.