

# TAX FACTS

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## California vs. Baltimore

*Baltimore Puts Out Literature Claiming to be the  
"Industrial" Center of the Atlantic Seaboard.*

By GEORGE H. DUNLOP

In justification of the claim, the literature sets forth that the Glenn L. Martin Co., formerly of Los Angeles, has started building a \$5,000,000 airplane plant in Baltimore; that the Western Electric Co., (its name does not suggest that it began business in the East) has started a \$24,000,000 plant in Baltimore; that the Bethlehem Steel Co., (we have a small branch at Los Angeles Harbor) has there the "largest tidewater steel plant in the world"; that the Baltimore Copper Smelting and Rolling Company plant "refines one-fifth of all the world's copper" (Arizona copper?); that Cross and Blackwell (the world famous jam and jelly makers of England,) "has its only United States plant in Baltimore"; etc.

Now what are the advantages that Baltimore claims have brought these and other factories to it? With one exception, the enumeration of Baltimore's advantages sounds like a list put out by the Los Angeles Chamber of Commerce enumerating the industrial advantages of Los Angeles City—climate, labor conditions, favorable living conditions, strategic geographical location, trunk line railroads, and a great harbor. What does Baltimore claim for itself that the Los Angeles Chamber of Commerce does not and cannot claim for Los Angeles? Here is the big exception.

"Baltimore is one of the few industrial centers in the country which allow manufacturers an exemption from taxation on machinery and equipment, raw materials, goods in process of manufacture, finished products and bills receivable."

Of the five large factories named in the beginning of this article, it is apparent that four of them at least, did not arise in Baltimore. They moved to Baltimore from some place else, because they liked the Baltimore conditions.

Would it not be well for California to make itself attractive to manufacturers, by repealing its out of date tax upon tangible personal property, thus putting its manufacturers on an equal competitive base with the manufacturers of Baltimore? Incidentally, the manufacturers of Pittsburgh and New York are almost as favorably situated as the manufacturers of Baltimore, to the disadvantage of manufacturers of California who have to meet this Eastern competition.

It should be kept in mind that Maryland has no state income tax on manufacturing corporations, and that the state corporation franchise tax is only \$600 on a \$10,000,000 corporation. Why should the Bethlehem Steel Co., for instance, do any of its manufacturing at its Los Angeles branch factory that it can possibly do under the tax exemption conditions of its Maryland plant? The same question applies to the United States Steel Corporation allocating its business to its tax exempt Pittsburgh plant or to its branch plant at Torrance, California.

Baltimore is encouraging and getting the manufacturing that might come to Los Angeles. If exempting machinery and equipment from taxation is a good thing in Baltimore, there is no reason why it would not encourage manufacturing in Los Angeles.

## THE PRETENSE ABOUT INTANGIBLES ESCAPING TAXES

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Intangibles are mainly paper representatives of real estate and other tangible property. Therefore, to levy taxes on intangibles is really to tax the same wealth twice. If you have a \$20,000 farm with a \$15,000 mortgage on it, then a tax on the mortgage means you must pay the lender higher interest. Thus you really pay taxes on \$35,000 although there is only \$20,000 of actual value.

Again, if, with partners you own a \$40,000 store and decide to incorporate, your store is still worth only \$40,000, but now you (and your fellow owners) are supposed to be taxed (e. g. in the tax system of Missouri) also on \$40,000 of shares of stock in addition to the \$40,000 store, although the shares of stock are merely your various titles to the store.

You have no greater "ability" to pay taxes just because your business is incorporated. Indeed, when it is incorporated many people can more easily own some of it, for though their savings may be too insignificant for direct personal ownership of any large property, they can yet purchase one or a few shares of stock in a corporation owning such property. When property is thus held, in corporate form, by people of small means, why should the state attempt to tax them twice while taxing the private owner of a store, home, farm or vacant lot only once?

Nevertheless, we hear over and over again the statement that owners of stocks, bonds, mortgages, etc., are escaping their just share of the taxes since, forsooth, the state does not commonly succeed in making them pay two taxes to other persons' one tax; and we are told that thus the owners of farms, homes and business property are compelled to pay more of the taxes than they should.

Such talk is utter economic and arithmetic nonsense despite its constant use by public men and other self-constituted "authorities". To tax these "intangibles", as we are urged to do in order to relieve real estate, would be, indeed, to tax some real estate twice. Taxation of intangibles is double taxation.

To one who really understands the relation stocks, bonds, mortgages, etc., bear to the real estate and other tangible property they represent, the ridiculousness of current propaganda is apparent. Thus, the propaganda in Missouri, by various members and protagonists of the report of the Government Survey Commission, to the effect that 80 per cent of the wealth of the state pays not over 4 per cent of the taxes and that the other twenty per cent pays 96 per cent of the taxes, is seen to be altogether misleading and fun-

damentally untrue. It may make good propaganda among the ignorant but no attention should be paid to it by any informed person. Arguments of this general nature have been advanced also in Ohio, California and other states. They are superficially plausible. They are likely to do a great deal of harm by leading the community away from wise and toward unwise taxation.

But popular prejudice is easily appealed to by the current propaganda about "relieving" real estate and taxing more heavily the owners of securities. The way it is proposed to get more revenue from owners of securities (stocks, bonds and other "intangibles") is to levy or to increase (if already levied) income taxes and nuisance taxes (the latter including taxes on amusements, soft drinks, etc.). This means securing a large part of the revenues of the state from the hard earned incomes of people who have no property at all.

Looked at in this light, the proposed "tax relief for real estate" is really a scheme to put heavier burdens on people who earn by hard work all they get. It would injure the salaried man and the working man in two ways.

1. It proposes to tax them more, the salaried man and the skilled workman by income taxes and all workmen by consumption ("nuisance") taxes.

2. It proposes partial relief of land speculators from taxation, enabling them to hold land out of use for speculation, with little penalty, thus making available land scarce and expensive and making harder to realize any ambition of the working man or the salaried man to buy land for a home.

Any such alleged tax "reform" puts more burden on the workers, as such, in order to relieve the owners of land and sites. It allows these owners to enjoy with even less tax than now a value produced almost wholly by community growth and development. For the proposal is more than a scheme to prevent possible future increases of taxes on land. It contemplates relieving the unearned increment of land value from some of the taxes now levied on land and putting more taxes than heretofore on incomes earned by hard work. This is the beginning of the long trail towards a privileged aristocracy and towards poverty and hopeless tenancy for the masses. We need to beware of the slogan "tax relief for real estate".

To relieve real estate improvement of taxation, so far as it is possible to raise necessary revenues from some other source or sources is a legitimate ambition. To relieve of taxation community-produced land values, thus to give more of these values to privileged private owners, encourage land speculation and make too expensive for the poor man to become a home owner, would be wholly vicious.

## LOUIS POST'S LATEST BOOK

THE PROPHET OF SAN FRANCISCO, by Louis F. Post. Published by the Vanguard Press by the Robert Schalkenback Foundation. 1930.

We wondered what this, the last book from the pen of Louis F. Post, would be. It was just what we expected, a loving tribute to his friend. Never was a philosopher more fittingly set forth by a more faithful friend. Seizing upon the incident in the career of Henry George, the passage at arms with the Duke of Argyle, in which he was dubbed the Prophet of San Francisco, by accident, a title bestowed in derision, Mr. Post used it to the end.

The principle events of his career are related. He writes of the great men that flocked to the standard, the return from Ireland with the ten dollar dinner which was given at Delmonico's where the 170 guests included Felix Adler, Algernon S. Sullivan, Henry Ward Beecher, Recorder Smythe and General Termain, William Saunders, and Thomas Kinsella, of the Brooklyn Eagle where extravagant praise was given to the man they thought he was; then of the dinner given shortly after in Cooper Union where the real friends flocked around him.

Then followed in quick succession the lecture trips at home and abroad, the three campaigns, culminating in his death just before the election in 1897, when many noted men came to pay him tribute.

The second part of the book is devoted to the teachings of Henry George. He was no socialist. Nor was he a communist. He was just plain American. That is why the interest in the teaching of his doctrines won the hearts of all men who were interested in America as an example of liberty.

This part of Mr. Post's book also treats of the Prophet's spiritual vision and idealism, of his belief that these truths would ultimately prevail; of his profounder thoughts on the progress of civilization.

In the final chapters of the book, Mr. Post characterizes the principle books of Henry George and noted his method of working, emphasizing particularly the point that Henry George himself believed the progress of the movement would be very slow, but very sure.

Mr. Post's book is autobiographical in nature, but it is more truly an appreciation of the character and ideals of Henry George.

Mr. Post closed his own years of work in behalf of justice by paying fitting tribute to the man whose cause he had supported. The spirit of love and tolerance which he attributes to Henry George is manifest in his own writing. His book should have a strong appeal for all who understand the philosophy of Henry George.

## BRITISH FARM RELIEF

England, as well as the United States, has its farm problem. If one may judge by political action to date the British politician seems to know as many ways of how not to relieve the farmer as American politicians know.

The English farmer differs from the American farmer in that he neither owns the farm nor does the work. Rather, he is an employer, a capitalist. He owns the tools, rents the land, hires the labor and runs the farm. But though the American farmer does his own work, and owns the land and tools—all but the mortgage—they are fellows, in that they cannot make the business pay.

Parliament, seeing the English farmer's plight, has sought to relieve him by remitting his taxes. When, however, millions of dollars in local taxes had been lifted from the renting farmers, other farmers came forward with offers of higher rents for the untaxed lands. The net result has been an increase in rents to the landowners, and a heavier tax on business. Meanwhile, vast acreages of land in England lie idle and untaxed because unused.

If American farm relievers were to be exchanged for British farm relievers, both would feel perfectly at home; and the farmers would not notice the change.

Fortunately for the members of the Farm Board, their salaries are not paid by the farmers.—*Dallas News*.

If the Statue of Liberty had been dalled at Chicago, she would have had both hands up.—*New Brunswick Pilot*.

Most foreign nations think that Congress saw its duties and rather overdid them.—*Florence (Alabama) Herald*.

At any rate, it can not be denied that Prohibition is as great a success as the Ten Commandments.—*Louisville Times*.

Some people think they have a well trained conscience when they get it trained not to interrupt.—*Arkansas Gazette*.

It may be true that just now dollar bills go farther, but they're so forgetful about ever coming back.—*Chicago Daily News*.

No financial wizard would look so much like a wizard if all the suckers didn't look so much like suckers.—*San Diego Union*.

Now that night baseball has arrived, we can't expect any further innovation in the way of night novelties except sleep.—*Chatham (Ont.) News*.

With the Congressional campaigns at last getting under way, we shall have still another form of endurance contests—fence-sitting.—*Virginia Pilot*.

It seems singularly appropriate that the position of the hands is about the same in holding either a harp or a steering wheel.—*Louisville Times*.

Being out of a job is an endurance test that brings no offers from the newspapers and motion picture people.—*Boston Shoe and Leather Reporter*.

The four brothers who quit the farm to make a record and fortune in endurance-flying may have learned the endurance part waiting for farm relief.—*Indianapolis News*.

# TAX FACTS

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## TAX RELIEF

Since real estate organizations throughout the country have adopted a portion of our title "Tax Relief" and incorporated it into their slogan "Tax Relief for Real Estate", it might be well to put in a little explanation of what we mean by tax relief and how our relief differs from theirs.

We have no desire to relieve any class of workers from taxation simply because they belong to that class or are engaged in any particular line of business or because they want relief. We want taxation put on a sane, business basis, and we want business and the products of business freed from the restraint of taxes, not because these taxes are too burdensome, but because any tax on business, however small or light, is unjust, unsound and unnecessary.

Taxes are levied to support an organized government. The government, in turn, renders certain services to the individuals living within the territory governed. If you live within the city limits of Los Angeles, the city government of Los Angeles will furnish you with fire and police protection, with Owens River water, with public schools, libraries and so on. If this service were rendered on a strictly business basis, the city would charge each citizen in proportion to what he received exactly as a storekeeper does.

No clerk asks you what your income is before telling you the price of a pair of shoes or a pound of salmon. They charge you for what you get, not for what you have. A movie extra pays \$25 for a coat if that is the price on the tag, and so does a millionaire if she buys the same coat or one of the same quality. Why should the city government ask you what you are worth before charging you for what you have received?

How are we going to tell how much service one man receives, and how much more or less another man is benefited? It is already done. Any real estate agent can tell you what part of town gets the best service, what part gets the worst and all the grades in between. How does he tell you? He simply tells you the prices of lots in various sections of the city. That is his only method of expressing the difference in value rendered by the community and received by its citizens. It is your only way of expressing that idea. It is the only

way anybody can express it.

Suppose you build a house or a store, just a small sized store, down toward the center of activities, and pretty soon some one comes along and wants to build a bigger store there or an apartment building where you had your Spanish bungalow. You say: "All right, buy my lot and I'll buy a cheaper one out farther and move my house out there." Do the advantages of your first location travel right along on the movers' truck with your bungalow? Certainly not. They stay right with the lot you left behind you. That is why the other man wanted to buy it and why your new lot "out farther" was cheaper. The value of services rendered by any community is absolutely a matter of location. You can't take them with you when you go. You can move the buildings around, tear them down, put up new ones, do anything you like, put up sign boards if you like that better, but the value of the lot itself remains the same. Nobody ever heard of the value of a lot decreasing because somebody moved the house off.

As the value of the lot is in reality the value of the service rendered at that particular point, it is the logical thing to tax. Yet the realtor cries that the burden of taxes on lots is already too great and must be lightened, a ridiculous claim. A tax on business or manufacturing acts exactly like a tax on saloons or dogs. It tends to reduce the amount of business or manufacturing in any city just as a tax tends to reduce the amount of dogs in the same territory.

But what about a tax on lots? The quantity of land is fixed, but the number of vacant lots, or partially improved lots, can keep right on varying until they are all used up; that is, until every lot in town carries the improvements suitable for that particular time and place. The advantage in this is that improved lots employ labor and unimproved lots don't, and there is considerable talk about unemployment.

Let's have more business and less unemployment. Relieve the business man and not the real estate speculator if you want to relieve humanity of a real injustice. The real estate man, if he must gamble, can always play the stock exchange or the roulette wheel or any of the many ways of gaining and losing wealth without producing any. He may work long and arduously to sell a lot, but he can't produce one to save his life. Tax relief for real estate would relieve no one but land speculators. Is it worth while to coddle the non-producers?

The speculator may gain or lose by buying land and holding it for a rise, but the community is always the loser, first by the loss of the lot while it is being held out of use, then by paying an exorbitant price when it is brought into use.

N. C.