

# TAX FACTS

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## Taxes or Profits

*Which Is the More Important?*

*By George H. Dunlop*

It's a silly question to ask—"Which are the more important, taxes or profits?" In few businesses in prosperous years, are taxes as much as ten per cent of the profits, hence, profits exceed any times the importance of taxes.

Prosperity is more important than taxes. That is why President Hoover, and the great leaders of the business world, fearing a recession in business activities after the stock market collapse, have urged the States, counties and cities to embark actively on a large scale of prudent public improvements. This employment of labor and materials, they hope, will maintain prosperity at a high level, while the private corporations whose stocks and bonds have slumped so badly are finding new ways to finance themselves and their work.

States, counties and cities cannot pay for public improvements except with tax money, and an enlarged public improvement program means larger taxes to pay for them. Private corporations, however, due to the collapse of the stock market, cannot advantageously sell new issues of their stocks and bonds, for an enlarged program in their own business.

Yet tax money can be raised at times when investors will not voluntarily take private securities. Hence, if the wheels are to be kept turning, if employment is to be general and wages high, tax money and prudent public improvements must be called into play. These improvements, of course, should be economically sound, and capable, when completed, of producing some form of economic value in excess of their own cost.

A few tax grouches, who think money paid in taxes is money lost, and a few speculators—partic-

ularly speculators in idle land—object to the support of the country's business activities by an enlarged program of public improvements; but the real business leaders of the country seem to be for it. This is natural, for profits are more than ten times as important as taxes.

How about the working man—which are the more important to him, his wages or his taxes? The taxes on a workingman's small home in Los Angeles will run from fifty to one hundred dollars a year. A few weeks of unemployment, a reduction in his wages, a deferment of an increase in his salary, these are far more important than his whole tax bill.

But why talk about a whole tax bill? Most of the tax bill has to be paid anyway, regardless of whether any tax money is appropriated for public improvements that will be worth in themselves what they cost, and incidentally will help to keep business going.

But suppose the tax rate is cut to the lowest possible point, it can't actually be reduced more than ten or twenty per cent. This would mean a reduction in Los Angeles of from five to twenty dollars on the average workingman's home. How does this compare in importance to him with good times, good employment and good wages?

Here is the real point of this whole article. TAX FACTS has never urged the raising or lowering of taxes as a whole. It has asked certain conservative transfers of taxes from productive businesses to speculators in idle lands. For instance, TAX FACTS has urged, among other things, the repeal of the taxes upon livestock, farm machinery and stored crops—which would also benefit city

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### IS IT FAIR?

On the eve of the calling of the business men's conference at the White House by President Hoover, the Los Angeles Realty Board Directors declared that any additional tax levy on real estate would decrease values, and would thereby seriously affect all general business operations.

This declaration was in opposition to the suggestion that California should encourage the development of the State by untaxing personal property, and lightening the tax on buildings. The last legislature responded to the extent of reducing the tax on foreign securities to two-tenths of one percent, and the tax on money and solvent credits to one-tenth of one percent.

Having thus relieved the financial interests of the State, the legislators turned a deaf ear to the suggestion that corresponding relief be extended to the farmer, the home owner, and productive business.

Is it not a little disingenuous on the part of land speculators—for the speculative feature is the main interest of land dealers—to protest that land now pays the lion's share of taxation? Does not land derive the lion's share of the benefits?

Is a six-room house worth one cent more after a walk has been laid in front? Is the furniture in the house worth any more from paving the street, putting in water pipes and sewers? We know they are not, and we recognize the fact by laying the whole cost of such improvements upon the land, because the land alone is increased in value.

The question, then, is not whether land is paying more taxes than other property, but whether it is paying more than it is benefitted. Not only is land benefitted by street improvements, fire and police service, etc., but it is increased in value by the population that comes to town with a new factory.

President Hoover is calling upon business men to get the country out of the dumps by expanding their plants, and by speeding up the works. This will make a demand for building sites, and send up the value of land. What contribution is the realtor going to make? Will he as a good citizen be content to mark up the price of his land, and let the manufacturer and merchant bear all the tax on the factory or business that has caused the increased value of the land?

By such a course land speculators not only will forstall the prosperity that President Hoover, and those working with him, are trying to bring about, but they will precipitate the very disaster the country is trying to avoid.

### THE SECRET OF INDUSTRY

Taxes on industry add to the cost of production, and tend to raise prices. Higher prices check sales and limit consumption. A falling off in demand slows down production and throws men out of work. Idleness is not conducive to good citizenship.

Taxes on idle land, however, do not stop the making of land. The speculator who holds the land for a rise did not make it. On the contrary, if valuable land be taxed the same when idle as when used, the owner will quickly put it to use, or dispose of it to those who will.

Idle land cannot be put to use without employing labor, possibly using capital, and usually producing wealth.

Query: As normal, sane human beings, where should we lay the heavier taxes, on industry, or on land speculation?

### THE GREATEST PEST

What the Los Angeles Chamber of Commerce Digest calls the "Greatest pest of Southern California—the vacant lot", is exciting increased interest from thoughtful citizens. The Digest itself commends the enterprise of the city of Torrance, a neighbor of Los Angeles, for its efforts to beautify the town by planting the vacant lots with flowers and shrubs.

It is a reflection upon any city to have weed-growing, rubbish-collecting vacant lots interspersed with its beautiful homes. If there must be vacant lots in cities and towns, it would seem that the very least that should be required of the owner is that he keep them clean and beautiful.

But why vacant lots? After one has a town site, with land on the border for growth full opportunity for labor and capital is provided for the building of the city. What useful purpose is served by vacant or unused lots scattered all through the business and residence portions?

When these vacant lots have been beautified, what then? The labor and capital employed in sowing a few flower seed is a mere trifle as compared with what would be set to work if the land were put to useful production.

All this is on the supposition that the plan works, which is more than doubtful. If the attempt at beautification is made by voluntary help, the men will soon tire of cleaning up others' lots. If it is made compulsory, by means of a tax, some outraged lot owner will have the whole matter tied up by court injunction.

There is a way, however, by which vacant lots may be cleared of their unsightliness. That is the plan introduced by the city of Pittsburgh. That

Pennsylvania city has reduced local taxes on improvements to one half the tax on land. The result of this lowering the tax on improved lots and raising the tax on vacant lots has been a distinct urge to put lots to use.

Nor should there be any doubt of the effect. When Germany was replanning some of her cities, and straightening streets, the easiest way of inducing owners to correct the alignment of old buildings was to grant a preferential tax to those that conformed. The amount was small, and amounted to little in any one year; but as it was repeated year after year the taxpayer soon yielded.

Let the lot owner know that he pays the same tax whether his lot is improved or not, and he will speedily put it to use.

### PROMOTING LAND SPECULATION

A state income tax in place of the general property tax is advocated by Earl C. Smith, president of the Illinois Farm Association, to remedy present evils. A property tax, says Mr. Smith, falls upon the owner when there are no profits—or even when there has been a loss; but when there is no income there is no income tax.

The proposal has a certain plausibility. Is it economically sound? The expenditure of taxes in the shape of government service increases the value of land. If a tax collected from the income of a worker were used to build a road past vacant land owned by a speculator living abroad, what gain in justice would be made?

Should not the first taxpaying obligation rest upon the person who is financially benefited by the expenditure of taxes? If all the financial benefits of government enjoyed by citizens were insufficient to meet the needs of government, an income tax might be the next best source of revenue. But how can Mr. Smith justify a tax on the income of a landless man, to be expended for the financial benefit of the land owner?

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consumers—so that the farm that is in productive use will pay no more taxes than the idle farm along side held by some speculator.

But when TAX FACTS has suggested transferring some of the tax burden from productive business to non-productive land speculation, the cry has gone up, "Terrible, you are raising taxes!" A transfer of taxes is not a raise of taxes.

Suppose, however, there had been a raise, which is the more important, a ten per cent rise in taxes, a ten per cent decrease in prosperity? Ask resident Hoover. Ask the big bankers and business men who have considered this question in the conferences at Washington.

### WHAT PRICE GOVERNMENT?

An Autocracy asks of its subjects one thing only, full and implicit obedience. The people have no political cares, no responsibilities. The autocrat assumes all, does all, is all.

A Democracy asks of its citizens wise and constant devotion. The people must not only choose their representatives to carry out their will; but they must in addition maintain clubs, leagues, and associations to see that the elected officials fulfil their promises and are faithful to their trust; and lastly, the people must study political problems, and be willing not only to vote on election day, but throughout the year to give their moral support to honest government, always conscious that every right implies a duty.

To the extent that even one citizen fails in these duties, to that extent does he aid in converting a democracy into an autocracy, and in supplanting freedom with tyranny.

Evidently what Prohibition needs is dry cleaning.—*Dallas News*.

Washington is the capital of the Union; Reno of the disunion.—*Arkansas Gazette*.

Clever, these Chinese; they are said to be using American war songs for wedding marches.—*Indianapolis Star*.

We see in a paper that worry is deadly. Now that's something else to worry about.—*Toledo Blade*.

No country can rise higher than its wage level. The people are the producers and the consumers.—*Henry Ford*.

Many a man keeps his nose to the grindstone so that his wife can turn hers up at the neighbors.—*Kay Features*.

Fortunately we are not a warlike nation. Only 72 per cent of our money goes for that purpose.—*Atlanta Constitution*.

The chief objection to the school of experience is that it thinks up a new course every time you graduate.—*Calgary Herald*.

Fifty million Americans who heartily approve of Jim Crow laws are shocked at tales of caste distinctions in India.—*Peking (China) Leader*.

Every town has at least one man who is a prominent citizen because the town grew up around him and made him rich.—*Colorado Springs Gazette*.

As an intelligence test you might see how many of your friends can name the seventeen other amendments to the constitution of the United States.—*Arkansas Gazette*.

"Theoretically", says a prominent English scientist, "death may be postponed indefinitely." We've just about decided to have that engraved on our tombstone.—*New York Evening Post*.

Fifty million Americans who are opposing the adoption of the thirteen-month calendar can't understand why the Chinese hang on so tenaciously to age-old customs.—*Peking Leader*.

A pessimist suggests that if President Hoover can keep the nation's high-powered executives in conference for a while, business may have a chance to get going again.—*San Diego Union*.

# TAX FACTS

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## WHISTLING UP THE WIND

In the days of the wind-jammers a becalmed crew used sometimes to engage in the vain effort of whistling up the wind. Our present day prosperity touters are resorting to the same idea to keep the wheels of commerce going.

The leading bill-board company of Los Angeles is carrying a profuse display of bills representing a female figure bearing a torch drawn by Charles Dana Gibson. Above the heroic figure, in large letters, are the words, "Forward America." Before her appears the legend, "Business is good, keep it good." Behind her are the words, "Nothing can stop U. S."

Supplementing this in the press is a vociferous chorus of editors, realtors, chamber of commerce men, and boosters generally, all insisting that the financial condition of the country is sound, business is good, and going to be better.

Why all this pother about business conditions? Why these frantic assurances and re-assurances that labor is employed, industry is active, and everything is lovely.

The very fact that financial leaders find it necessary to take this action is evidence that not all is right. Nor is there much reason for believing that whistling up the wind will succeed any better now than it did in the days of the becalmed wind-jammers.

The present social, political, and industrial order has been in existence long enough to warrant us in making certain deductions. Just how high a protective tariff should be to bring good wages to North Carolina mill hands, or what restraints should be placed upon Wall Street; or how the farmers should be relieved may be matters for discussion.

But surely it can be accepted as a fact that vacant lots employ no labor. Also, that unused land produces no wealth. Yet thru all this effort to rescue business there runs an undercurrent of assurance by realtors to speculators: Don't be discouraged, the market is coming back. Tourists are coming from the East. The price of land is bound to go up.

But pray what has that to do with stimulating business and employing labor? Any business done,

or labor employed, in Southern California will have to be on land, in city or country. If capital and labor cannot pay present prices for land and make a profit, how are they going to pay the speculators' rising prices for this land, and make a profit?

At the time these vacant lands are employing no labor and producing no wealth, legitimate capital is employing labor, and serving the community, doing its best to keep ahead of the sheriff.

Yet the realtors and speculators, while declaring that vacant land is going to advance, are vehemently protesting that taxes on real estate are too high, and are clamoring for a sales tax, an income tax, and other taxes on industry.

Business will revive in time. It will not be due, however, to the shouting of the boosters, but to the liquidation of speculative land prices, after the manner of stock prices in Wall Street.

## SPECIAL ASSESSMENT BURDENS

One of the things contributing to the gaiety of home owning is the alliance, offensive and defensive, between the land speculator and the street paving and the ornamental light contractors who thrive by turning rural communities into urban territory, and converting modest streets into boulevards and business centers.

On the one hand the community may be held back by a few old fogies who insist upon retaining cottage residences long after a business center has grown up around them; and on the other, modest homes may be sacrificed by speculators who foist elaborate improvements on them long before required by conditions.

To stop these evils it is proposed to create an assessment commission with sufficient power to regulate special assessments, and prevent abuses.

It is easy to create commissions. The State is full of them. What the assessment commission will do remains to be seen.

Two obstacles lie in the way of government by commissions. First, financial gain can be secured by outwitting the commission and evading its supervision. Second, no matter how able and conscientious the commissioners are at the beginning, sooner or later they are succeeded by those who are the creatures of the men they should control.

The special assessment evil has its origin in land speculation. We can do little to curb man's cupidity, but we can do much to render it harmless by taking the profit out of holding idle land. Just as taxes are shifted more and more from labor products to land values there will be an increasing tendency to hold land only for use, and not for speculation.