

TAX FACTS

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Prolonged Business Depression Through "Tax Relief of Real Estate"

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The present agitation to relieve real estate of taxation makes no distinction between relieving improvements, thus reducing the penalty on thrift and enterprise, and relieving situation values or land values. To relieve of tax the products of individual labor, enterprise and thrift, including therein the improvements of real estate, is indeed desirable if the revenue for government can be otherwise adequately and fairly secured. But to relieve of the tax the value of the bare land, as such, a value produced almost altogether by community growth and development, is an entirely different thing. Such "relief" is bad for business, bad for productive efficiency, bad for labor. And it is especially bad in a period of business depression. For it reduces what little penalty we now put on the economically injurious policy of holding land out of use for speculation.

Thus the land speculator finds it even easier than now to hold land vacant and out of use until productive enterprise is compelled, if it would carry on, to pay a speculative price for the privilege of making use of the surface of the earth.

When we are going through a period of business depression, it may seem to the average man that as few difficulties as possible should be put in the way of industrial and commercial activities. It may seem that enterprising business men who are eager to build stores or factories, and to employ idle labor should be encouraged to do so, rather than that the maximum of difficulty should be put in their way.

One of the consequences of "tax relief for real estate" as currently urged by landowners would

be to make the residents of a state pay to support the state, regardless of how much property in it is owned by outsiders. Tremendous blocks of real estate may be owned by non-residents and by outside corporations, whose taxes would thus be tremendously reduced.

This would not be so bad if it were not that land or site values are so much a community product. It is because of the growth and development of a community and, in part, because of its public expenditures for schools, public buildings, streets and roads, that its land values grow. Must the residents who do the work of the community pay the taxes for these things in order that non-residents whose land is valuable through no activity or service of their own may enjoy high rents with little or no taxation!

Much is said about relieving "the poor home owner"; by real estate interests whose chief idea seems to be to get the taxes put more largely upon those who do not own even their homes but are in the tenant class. Now about their proposition to put taxes more largely on the expenditures and the hard-earned incomes of persons who own not a foot of land, as well as upon the expenditures and incomes of home owners, while relieving of tax the community-produced value of land, including the land owned by non-residents and by giant corporations located and largely owned elsewhere?

It may seem reasonable that taxes should be kept high, and even made higher, on valuable land which is being held out of use by speculative owners, so that this obstacle to industry and commerce might be reduced to the very minimum,

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INCREASING THE STATE'S SHARE OF THE SCHOOL REVENUE

California Commission for the study
of Educational Problems.

In reply to your questionnaire as to the most important problems of California's Public Schools, I submit the following:

How to increase the State's contribution of Thirty Dollars per year per Pupil in the Public Schools?

Assuming for sake of brevity that a satisfactory argument has been made that the State's annual contribution of thirty dollars per pupil should be increased, I think it is clear that the state's increased contribution should be uniform throughout the entire state, rather than be limited to certain poor school districts. Any effort to decide which school districts are poor and which are rich would result in bitter strife and make such a plan unpopular.

In districts that may be classed as of average wealth, a uniform increase in the state's annual appropriation of Thirty Dollars per pupil would not be a negligible change on the theory that the State's increased contribution to the County's schools was offset by the County's increased contribution to the state's revenue. There would be this important change—the sources of state revenue are different from the sources of local revenue, so that an increase in the state's appropriation would mean a transfer of an equivalent amount of taxation from the local taxpayers to the state taxpayers. The poorer counties, of course, contribute relatively smaller amounts to the state taxes than do the richer counties.

But if the state is to increase its annual uniform thirty dollar contribution, how is it to increase its revenue so as to be able to increase the appropriation?

The money should be derived from the present 4% corporation income tax by repealing the provision of that tax by which each corporation may diminish its state income tax up to 90% of said tax by an amount equivalent to the local personal property taxes that it pays. The partial rebate allowed real estate corporations for local real estate taxes paid by them should also be repealed.

The repeal of these rebates or offsets would more than double the state's revenue from the corporation income tax. In the next fiscal year this increase in the state's revenue would exceed several million dollars, which increased revenue could be applied to increasing the state's uniform thirty dollar contribution.

In order that the corporations paying the state income tax should not have their net taxes increased by the repeal of the offset provisions of

the present law, such repeal should be accompanied by an amendment to our state constitution repealing the present tax on tangible, personal property so that by the exact amount that the corporations paid an increased state income tax, they would pay a decreased local tax on tangible personal property.

The independent arguments that can be made to show that the repeal of the tax on tangible personal property,—(machinery, merchandise, stored crops, livestock, household furniture, etc.) is a desirable tax reform of itself, are too numerous to be entered into at this time. Suffice it to say, that the repeal of the general tax on tangible personal property is recommended by practically all students of taxation. Several eastern states approximate this repeal already.

The tax changes above suggested could be accomplished best in some rather general revision of the tax system of California. The work of the present California Tax Commission and of your Commission, working jointly, may offer such an opportunity.

GEORGE H. DUNLOP.

FIRE PREVENTION

In San Francisco, Communist leaders of the Pacific Coast have been appearing before a Congressional committee that is investigating Communism in the United States. All the witnesses against these leaders agreed that Communism is on the increase in the West. Perhaps it is. On the other hand, these good people may be scaring themselves like a group of children daring each other to run up to a nice quiet old bossy tied to a stake. We are not in as bad shape, economically, as France was in 1789, or as Russia was in 1917, but it would be walking perilously close to the suicidal cliffs if we were to close our eyes to the conditions that do exist.

One of the Communist leaders being examined in San Francisco wished to read a report on the unemployment situation in the United States. It was ruled out as irrelevant matter. In an investigation to determine who started a bon-fire, attention would probably center on the question who lighted the match, and all facts relating to the pile of trash might be considered irrelevant matter. The fact remains that it requires both a match and a trash pile to make a bon-fire. Had Chicago been a fire-proof, steel and concrete city in 1871, Mrs. O'Leary's cow might have been contented, but she would have died unwept, un-honored and unsung.

It is to prevent this immortal bovine from having too many imitators that the authorities call on us once a year to observe fire prevention week. Clear out your trash and defy your match to do its worst, becomes the slogan of the hour.

If the nation would observe a fire prevention week or month or year to clear its statute books and constitutions of unjust, unscientific, higgledy-piggledy tax laws with their resultant deplorable economic conditions, such "irrelevant" matters as unemployment, business depression, over-production, poverty, and so on, would furnish little fuel for these Red flares that threaten to blaze into conflagrations.

Much is said about the foreign birth of Red agitators, but we must not forget that the ranks of the unemployed, the poorly employed and the poorly paid embrace many of our own sturdy American citizens, some of whose ancestors may have come over in the Mayflower, or sister ships, when the only immigration laws recognized were one's own personal courage and determination.

Revolutions are not started by well clothed, well fed, well housed citizens who have steady jobs and good wages. There is no fertile soil to nourish Communistic dreams among people who earn what they get, and get what they earn.

Set capital and labor free from monopoly, lift the burden of taxation from the manufacturer and business man, make land with its natural resources as accessible to every citizen of the United States as it was to Robinson Crusoe, and there will be little talk of Communism or Sovietism to harrow the souls of the little tin gods. Clear out the trash pile of unemployment and business depression by instituting sane and sensible tax laws, by taxing land values that are created by the community and untaxing the products of labor that belong solely to the individual, and you won't care who strikes the festive match. It will flicker and go out without so much as scorching the fingers of the man who holds it.

Any fire department will tell you that the old adage is true, an ounce of prevention is worth a pound of cure.

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and so that business might revive as easily and quickly as possible.

But this is not the way the matter looks to the land speculator. What he desires is that the tax on speculatively-held land should be as low as possible, so that there shall be as little or no penalty on him as he holds land out of use and hinders industry and so that he may eventually pocket as much as possible of the community produced value of the land. And therefore, undeterred by the needs of industry and commerce in a period of business depression, and with not the remotest idea of distinguishing between labor-produced improvements and community-produced land values, he continues to shout his perpetual refrain of "tax relief for real estate."

STANDARDS OF MEASUREMENT

Realtors say that the tax on real estate is too heavy. They have not yet told us why real estate should bear any tax at all. Until they determine that point they are not in a position to say whether any tax on land is too high or too low or just right. To say that real estate should bear "its just share of taxes" means just nothing at all.

What is the realtor's idea of a basis of taxation from which he draws his standard of measurement? How does he know when a tax is "too much" unless he knows the reason for its existence in the first place. How can a bridge-builder tell when a steel beam is large enough or strong enough unless he knows how large and how strong it ought to be? Levying taxes should be as scientific as bridge construction, it should follow natural laws just as truly. If it doesn't, the economic structure will collapse like a poorly built bridge, and in the wreck we will find business depression, unemployment, "over-production," farm and labor troubles. When the realtors are willing to study the problem of taxation as a science, and not as a game of battledore and shuttlecock, they will understand these natural laws and will know what taxes are and how they should be levied. Meanwhile, it would be interesting to know how they arrived at this "too much" idea.

When hush money talks, it is vociferous.—*Toledo Blade*.

Another form of endurance test is the pursuit of happiness.—*Toledo Blade*.

There's one thing about Dr. Einstein: nobody has ever accused him of plagiarism.—*Louisville Times*.

Amos Woodcock has told the country how he will enforce prohibition, but not when.—*Miami Herald*.

Anyhow, that fine old Irishman, Sir Thomas Lipton, has just about won the human race.—*Western Leader*.

Frequently a philanthropist is one who gives it away when he should be giving it back.—*El Paso Herald*.

What ails the young German Republic is what ails flaming youth everywhere—too many parties.—*Virginia-Pilot*.

Any list of those who rule America is incomplete without the name of the fellow who invents fads.—*Atlantic City Press*.

People used to search their family trees for their ancestors; nowadays they search them for their offspring.—*Virginia-Pilot*.

In a little while all nations will have tariff walls, and then they can all get rich by charging themselves too much.—*Everett Herald*.

Habit gets a fellow. Many a father who worked his way through college is now working his boy's way through.—*Beaumont Enterprise*.

Looks like this tree-sitting business ought to prove one of two things: Either Darwin or Barnum was right.—*Mount Dora (Fla.) Topic*.

Unfortunate man: By the time he gets so much property he doesn't envy anybody he begins to fear everybody.—*New Bedford Times*.

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GAMBLERS ALL

"The present situation is vastly preferable because it is a step toward an honest prosperity which honest men can share and which gamblers cannot disturb. * * * This nation will never go forward on a gambling basis. If you can get that into the heads of capitalists and speculators you will be a great doctor. But I doubt if it can be done." These words come from Henry Ford, and there is much truth in them, especially the reference to inoculating human brains with useful ideas.

That a nation will not prosper on a gambling basis is clear, but it is not always so easy to know what constitutes gambling. Many people would be indignant if they were charged with gambling, many would be horrified if they found out the accusation was justified.

The gambling instinct is present in nearly every one of us, and in the majority of men and women it is paramount to their natural instincts of justice and unselfishness. For most people, making a living is hard; gaining the desired luxuries of life is harder still. Every one is looking for a get-rich-quick opportunity, which usually means looking for a chance to win something for nothing whether it is through a church raffle, a roulette wheel, a Wall street deal or a lot speculation. The last named is the one form of gambling that is sanctioned by church and state alike, it is the one short cut to riches that is considered respectable in any society.

It is a fact, accepted without question, that whether the winnings of the successful gamblers are great or small, somebody has to lose. Every man at the gaming table cannot win. Why should we expect it to be any different when people are gambling in land, buying lots, not to use, but to hold for a time and sell at a higher price. The whole purpose of the transaction is to get something for nothing, to cause money to change hands when nothing has been produced, exactly as it does at a poker game. Somebody must lose. Somebody must produce what he doesn't get or the game can't go on. Of course, every man who purchases a lot expects to win. You never heard of a man betting in a shell game unless he thought he knew where the illusive

little pea had come to rest, and you never heard of a man who bought a lot when he thought the price of real estate was going down with little hope of ever coming up. When he buys a lot he virtually makes a bet with himself that at a future date he can sell it for more than he paid for it. Neither he nor the man from whom he bought the lot nor the man to whom he sells it will have anything to do with the geological formation or geographical location of the lot. It will change character no more than a deck of cards in a faro game. Money will change hands and the price will rise or fall with the shift of population and that is all.

Realtors specialize in land gambling, and it is expecting too much of human nature to hope that they ever will favor any tax laws that interfere with their non-producing enterprise. Worse than that, every man, woman and child in the country is a potential land speculator, or gambler, even if he doesn't own a foot of land at the present moment. He sincerely hopes to, and if he can find a few spare pennies and the realtors are persistent, he will before he dies, and his lot may be a winning ticket.

It is this almost universal hope of man to make money by buying and selling land that makes so hard to convince him that a tax on land is a burden, but a just and scientific method of raising revenue. When you talk taxation to your neighbor or to the man on the street car, you are talking to a man who hopes some day to gain a little riches by selling a bit of land.

It is going to be pretty hard to convince this potential gambler that if there were no winners at this great gambling game, there would be no losers, that it would be greatly to his advantage to break up the game and proceed with the production and distribution of wealth on a strictly business basis. Who are the losers? Every man and woman who wants work and can't get it, every worker who is under-paid, every man who wants a home and can't afford it, every child who is born into this world where everything he must eat and wear and use must come from the earth that has been appropriated by previous arrivals, these are losers when men gamble in land instead of working on it.

Those who actually make fortunes in land deals are not many, but those who hope to are legion. The gambling hall is crowded. How to make headway with a plea for just and scientific taxation when it interrupts the game is a problem. The realtors are making every effort to prevent any legislation that will promote prosperity by making gambling in land impossible. To increase taxes on real estate is to decrease the burden on the business man, the laborer and every other worker. To make sweating, swearing humanity see this is a difficult proposition. N. C.