

# TAX FACTS

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## WHICH?

**SHALL COLORADO RIVER AQUADUCT COST US TWO  
HUNDRED MILLIONS**

**OR**

**NET US SEVEN HUNDRED MILLIONS?**

By E. M. SCOFIELD

(Mr. Scofield is one of our most successful engineers, and as a Water and Power Commissioner made a thorough study of the problem.)

When a man is confronted with a new and serious expense which he cannot avoid, he naturally looks around to see where he can reduce expenses to balance this new demand upon his income. If he finds that he can by better adjustments without loss of comfort, reduce his expenses five times as much as the new expense, he considers himself the gainer by the new adjustment. If the new and necessary expense takes \$200 out of his pocket while the management of his affairs retains \$900 in his pocket that would otherwise be outgo, he is really \$700 ahead.

The City of Los Angeles is in exactly that position. It is confronted with a new and necessary expense of approximately \$200,000,000 for additional water from Colorado River. This expense must be undertaken or the City go backwards with its accompaniment of lost homes and wrecked fortunes. This expense is a great undertaking amounting to \$114 per capita of present population of the Metropolitan District and 8% of present valuations. It behooves the City to examine its expenses to see if it can manage its affairs without loss of efficiency so as to save in other places to offset this new but absolutely necessary expense. If while it expends \$200,000,000 it can without loss of efficiency save \$900,000,000 it will get Colorado River water for \$700,000,000 less than nothing. Instead of burdening real estate with an 8% debt, it will increase its value by 32% in addition to the normal growth of the city.

### CAN BE DONE

Now it happens that the city can easily make a saving of \$900,000,000 while it is paying for Colorado River without loss of efficiency, rather with an increase of efficiency.

### HOW?

1. Let the City build its own steam generating station. It will need one to handle properly its Colorado River power in any case. If built now and aided by taking over the Private Company lines in annexed territory and by a line to Owens Valley, the savings would about pay for it by the time Colorado River power is available. During the time that we are paying for Colorado River aqueduct such a station would permit reduction of rates totalling approximately \$400,000,000 without any bonds at all. In other words, it would pay for itself and make the necessary extensions and in addition save the citizens of Los Angeles approximately \$400,000,000 which they would otherwise pay for electricity.

2. Let the City buy, at a price to be fixed by the R. R. Commission, the electric equipment of the L. A. Gas and Electric Company. The economies due to operating this system as a unit with the City's system would, during the time we are paying for the Colorado investment, pay off the purchase bonds, make all further extension without bonds and permit reductions in rates totalling nearly \$500,000,000.

These two savings totalling nearly \$900,000,000 could be made without loss of efficiency,

actually with great increase in efficiency. They would turn a very great but necessary expense of about \$200,000,000 into a net saving of about \$700,000,000. At the same time such savings would reduce very greatly the temptation of the Private Power Companies to corrupt city politics. Without reducing this temptation a well governed city is impossible.

#### HOW WOULD IT AFFECT THE REAL ESTATE OWNER?

Would a \$200,000,000 debt be as desirable to him as a \$700,000,000 profit. He is going to mortgage his property for the aqueduct anyway or suffer a slump along with the city. Cheaper light and power rates at his street line would increase the selling or rental value of his property. Continuation of present rates or increase of rates would prevent that improvement.

#### HOW WOULD IT AFFECT THE RENTER?

Water rates are going to pay for Colorado River water. Would it be better for him to continue or increase present rates for light or have them cut in half.

#### HOW WOULD IT AFFECT THE CITIZENS?

Would he prefer to continue to increase present expenses while the private power companies use men and money lavishly in every election, corrupting the morals of citizens and of officials, or would he prefer to be allowed to govern his city in the interests of fair play and decency?

#### IF YOU PREFER

to make a profit out of this great undertaking, you will need to elect a Council and secure a Board of Water and Power Commissioners who represent you and not the foreign owners of the private power companies stock. At present, ten members of Council (up for re-election) are responsible for three members of your Board of Water and Power Commission who are managing your electric property so as to prevent a line to Owens Valley which would save you \$300,000 per year; to delay or drop your suit for the acquisition of distribution lines in annexed portions of the City which would save you \$270,000 per year; to discharge the oldest and most valuable employees of your Power Bureau with consequent demoralization of morale and crippling of business-getting ability; to take no effective steps to build a steam station which would save you \$1,500,000 per year. The foreign owners of private company stocks will naturally like this program of three members of your board. Do you? You need to see that dependable servants are elected in place of these ten Councilmen.

(Editor's Note: While the above article is of local interest in its immediate application, it treats of a subject of national importance—the handling of our natural resources. Mr. Scofield suggests that those readers who live here join the Municipal Light and Power Defense League, Telephone Mutual 7566.)

### THE PRICE OF PRIVILEGE

Yesterday a Los Angeles syndicate sold a corner lot fronting 180 feet on one of our principal boulevards for \$260,000. The man who bought it will erect a building, the type to be decided later. Whatever the type, the actual construction work will give employment to men and will require the use of many kinds of building materials. No doubt the building itself will prove useful and add something to the community when it is finished.

The more money that this man can put into the building, the more and better materials he can use, the more skilled artisans he will employ and the finer structure he will have when it is finished. But no matter how large a fund he has at his disposal for this very laudable work, \$260,000 must be subtracted from it to pay for the lot before he can begin. \$260,000 that might have gone into wages for workmen and legitimate profits for companies handling building materials, must be taken out of his sum total and handed over to a syndicate for the privilege of erecting a building at all.

The syndicate did not make the land. Even a realtor wouldn't claim that. It didn't make the land valuable. The population of Los Angeles did that. Seven years ago the lot was valued at \$42,500. What did this syndicate do to earn this gain of \$217,500? Nothing. The amount of clerical work performed in handling the deal is too small to be considered. Every man and woman that came to Los Angeles, every child that was born here added to the value of the lot at the rate of some \$30,000 a year, and while the lot was held out of use, or was inadequately used, the community lost that value. When it was finally released, the man who is going to put it to use and give employment to labor both before and after the building is up, must pay as tribute to a small group of individuals, \$260,000 that belongs to the people of Los Angeles.

This man isn't complaining about it, for the simple reason that he is just as ignorant as the syndicate is that there is anything wrong about this method of appropriating community made values. This privilege of collecting what the public has created has passed from the syndicate to him. All he has to do is wait a few years until real estate begins to soar again, and he will be able to resell the lot for two or three or four times what he paid for it. Everyone who reads about this transaction thinks that if he could get hold of a lot and hang on to it a while, he could make money too. He is not even discouraged by the fact that many of those who bought lots a few years ago in and about Los Angeles are finding out just what the folks up in Nevada are learning, that every bet isn't a winner.

(Continued on next page)

### ROBBING PETER

If it is true that whom the gods would destroy they first make mad, the earthquakes in New Zealand and Nicaragua may be the beginning of something, for we have certainly fulfilled the insane part.

The main issue discussed at every tax conference in the country has been the necessity of reducing the expenses of government. Federal, state and local expenditures must be reduced, say the delegates to these tax conferences. Dr. Eric Englund, U. S. Department of Agriculture, says: "In the case of farm taxes, and I think in the case of other taxes, it is not that the cost of government has gone up so much, but it is the fact that we, as citizens, have called upon government to do more and more for us."

One of the things that we have called upon government to do is to furnish citizens with jobs. Politicians have always taken that to be the chief function of government, to furnish jobs, but before we lost our minds, most of us thought that employment was incidental to the function of government and not its aim. With over five million men out of work, with charitable institutions calling for funds to keep these men and their families from actually starving the departments of government have undertaken various kinds of construction work, not because we citizens are in dire need of the things that are to be constructed, but for the sole purpose of giving men jobs.

It is a gesture of despair. Our present economic system may be all right in theory, but in practice it has broken down completely. At the very moment that we are calling upon public officials to curtail expenditures, they are calling upon us to vote bonds that they may undertake some form of public work to provide jobs, a thing that government was never supposed to do.

The Public Dollar, a publication of the Chamber of Commerce of the United States, reports that the Minneapolis city council has adopted a resolution to the effect that it is not public employment, but re-employment by private industry that is the permanent cure for unemployment.

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Dealing in real estate is the worst kind of gambling because we are all inoculated with it and the community always loses. The citizens of Los Angeles are complaining about the assessments necessary to pay for new pavements, lighting, storm drains and so on. If the community had the value that it has created, special assessments would be unnecessary, they simply couldn't exist. Imagine a city where there was no personal property tax, no tax on your home or store or factory, no assessment for drains or boulevards or light posts! Just think that over.

City Councilman Gasink said:

"It is time that we in this council faced the fact that government, including city, state and nation, cannot hire all the unemployed or even materially affect the situation. The city is only the aggregate of its citizens. Its wealth and money is only that part of their property which we take from those citizens by taxation. No man can be paid wages without taking the money to pay those wages from someone else. Those taxes may, and often are, in part levied on others who themselves are unemployed. No dollar can be spent in public works without some taxpayer now, or in the future, paying that dollar and perhaps another in interest.

"Further, when those taxes reach the point where they too heavily burden productive enterprises, and, as they now do, prevent people from buying and building homes, the supposed cure has defeated itself. The attempt to relieve unemployment has created and added to future unemployment."

Mr. Gasink has made a clear and intelligent statement of the false principle upon which relief work is going forward today. As long as we try to relieve unemployment by creating jobs, whether it be done through public or private enterprises, we are sure to come to grief sooner or later. When we make it necessary for every man to earn his own living, it will be possible for every man to work, for when there are no idle living in luxury, there will be no idle living in poverty. When every man has access to nature's store-house, from which all wealth comes, he will have whatever wealth, great or small, his own efforts can win. The way out of this muddle is straight and clear before us, and our insanity doesn't need to be permanent unless we make it so.

Nowadays the sport of kings is trying to stay on the throne.—*Judge*.

"Economy in Museums," says a heading. Is that where it is?—*Passing Show*.

The sap is an indication of vigor in all trees except family trees.—*Louisville Times*.

Another good way to get an education by mail is to get on a sucker list.—*Publishers Syndicate*.

With silver around 20 cents, it might be a good time to reline a few clouds.—*New York Evening Post*.

Some take a spring tonic for that run down feeling, but pedestrians need a stretcher.—*Florence Herald*.

The greatest sources of incomes in America are oil, fields, mines, forests and tonsils.—*Los Angeles Times*.

The voice of the people would be more effective, however, as a chorus instead of a medley.—*Manila Bulletin*.

One reason Ghandhi in a bath towel is so trusted by the Indian masses is because everybody can see he has nothing up his sleeve.—*Virginian-Pilot*.

And regardless of unemployment in other lines, it is cheering to think that Mrs. Willebrandt's fruit juices are working night and day.—*Judge*.

Things could have been much worse. Suppose the apple crop had failed and the unemployed couldn't find anything to sell but spinach.—*Arkansas Gazette*.

Henry Ford says a dollar will now buy from 50 to 75 per cent more than it would before it became 100 per cent harder to get.—*Fort Meyers (Fla.) Tropical News*.

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## TO EARN OUR DAILY BREAD

Jane Addams has spoken. For forty years Jane Addams has dedicated her life to the poor of Chicago's slums. She knows from wide, personal experience what these business depressions mean to the poor. When she speaks, she speaks with authority.

"I have watched the reactions of three panics upon the working people who live around Hull House—1893, 1907 and 1930. I have watched the effects of business upon poor people for forty years.

"In my life I cannot recall more distress—more actually imminent starvation—than we are relieving at Hull House today. . . .

"Victims in 1893 were unemployed for several months. To me it seems that workers in 1931 will be jobless for several years."

In speaking of living conditions, Miss Addams says that the people are housed better, and the children go to better schools than they did during previous depressions, but there is no work. "It's like starving in a mansion."

There is truth and deep significance in Miss Addams' comments on the present situation. We have had too many Pollyana messages from the Fords and Rockefellers and other millionaires. It is quite natural that those who apply for food at Hull House should see this depression from a very different angle from a man whose yearly income runs into the millions.

This economic problem of ours is too serious, too fundamental to be met with political platitudes, with charity or with ordinary legislative relief measures. Last October Col. Arthur Woods was appointed director of unemployment relief at Washington. At that time an official statement placed the number of unemployed in the country at 3,500,000. The official figures given a few weeks ago placed the number over 5,000,000. It is nearly six months since Colonel Woods was appointed and the number of unemployed has increased during that period.

Whenever the unemployed and the downtrodden try to act, their movements take the form of a parade or a mob gathering at parks or city halls. They want to make "demonstrations" and

"protests." This deplorable economic situation is much too obvious to need any further demonstration. What we need is constructive thinking. It is rather significant that practically all of the groups of men that have been appointed or called together to formulate plans for relief, for stabilizing employment or handling our surplus production, have been railroad presidents or big manufacturers. In other words, it is the employers who are deciding what terms and what conditions should be made to give men jobs. This, in itself, is unnatural. When one man offers his labor to another, it is the laborer who should say what he will work for. No one but himself can say how much it means to him to sell his services to another. He cannot do this, however, unless he has the alternative of working for himself. . . .

So far, the efforts of the laborer to fix his own terms of employment have resulted in establishing a privileged class of workmen to wrestle with a privileged class of employers. It is simply one monopoly trying to buck another. All rules and regulations are arbitrarily formed and cannot bring the desired results. When one man can say to another: "I'll do that job for you for so much," and the prospective employer replies: "Well, it isn't worth that much to me;" if the first man can say: "All right, I'll go and work for myself," then and then only, will we have true economic freedom. Then, and then only, will every man have a job. For if he can't or doesn't want to work for someone else, he can work for himself. If every man born into the world has a right, a natural, inherent right, to eat, certainly he has the same natural right to earn what he eats without anybody else's permission whatsoever.

He cannot work for himself or for anyone else unless he has access to land. As long as there is a fringe of free land for him to fly to, he can work for himself or for another just as he chooses. If he doesn't like the other man's terms, he can say: "You go chase yourself, I'll raise my own carrots." But when that free fringe of land becomes absorbed, he has no alternative. He must work for the man who does own land, at least until he can earn enough to buy land for himself, then, perhaps, he can get someone else to work for him. This was possible in the early days when our frontier was being pushed back from sea to sea. There is still plenty of unused land in the country, probably more than we will ever need. Make it accessible, and you will make men actually, as well as nominally free. Wages and working conditions will automatically adjust themselves. There can be no such thing as unemployment where men are free to employ themselves. This is the natural condition toward which we must work if we are to achieve permanent prosperity.

—N. C.