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A Short Step In Tax Relief

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As a practical step towards simplifying the tax system of California, making the enforcement of that system more uniform, definite and fair, lowering the cost of living, decreasing the taxes of the "dirt farmer," and building up the manufacturing interests of the state, thus all told, building up the prosperity of the whole state, including the prosperity of the "realtors," we suggest the following simple little tax amendment to our California state constitution.

Amend Section 10½ of Article XIII to read as follows:

EXEMPTION OF PERSONAL PROPERTY

The following forms of personal property shall be exempt from taxation: wearing apparel and household property in use; stored crops and food products in the hands of the producer or in public warehouses; live stock; tools and machinery in use; raw materials and manufactured products in the hands of the manufacturer; ships.

If you are familiar with the present tax system of the State of California (which for brevity's sake we will not describe again in this article), you will notice the following points about the tax amendment proposed above:

1. It would increase the tax revenue of the state treasury by removing some of the local personal property tax offsets now allowed against the state four per cent corporation income tax, without, however, increasing any corporation's total tax, state and local. This increased state revenue would enable the state to carry more of the local school tax;

2. It would reduce the cost of living because eggs, butter, cheese and all other stored food products would be exempt from taxation;

3. It would reduce the taxes of real farmers by removing the taxes on their live stock, includ-

ing poultry, their tools and machinery and their stored crops;

4. It would facilitate the orderly marketing of stored crops because they would not have to be shipped out of the state prior to the first Monday in March, the present date of assessment;

5. It would facilitate the building up in California of "Spot Markets" and public exchanges for the sale of all California products because the products would not have to be rushed out of the state before the first Monday in March to escape taxation;

6. It would facilitate changing the date of assessment from the first Monday in March to the first of January, because farmers would no longer object to the change;

7. It would put California manufacturers on a par with the manufacturers of those great Eastern manufacturing states which already exempt from taxation manufacturing machinery and goods in the hands of the manufacturer;

8. It would so encourage farming and manufacturing in California as to promote the general prosperity;

9. It does not exempt from taxation ordinary stocks of merchandise, stored oil, etc., but leaves these matters for future determination;

10. It takes care of the exemption of ships from taxation, now taken care of in a temporary and limited manner by Section 4, Article XIII of the State Constitution;

11. It would be a popular tax relief amendment and would receive a popular majority vote.

We have had a lot of talk about tax relief and tax reform in California. Why not do the simple practical thing that will receive general approval, while the advocates of more far-reaching, more disputed measures, continue their abstract arguments and elaborate investigations?

THE TAX PROBLEM

PART I

For thousands of years men saw ripened fruit fall from the branches to the earth. Until a particular apple plumped to the ground at the feet of Sir Isaac Newton, they were ignorant of the cause and effect. Today we are wrestling with two problems, unemployment and taxation. That there is any relation between the two never seems to enter most people's heads.

Until men understand this connection, until they see that unscientific taxation and unemployment are truly cause and effect, not merely coincidence, we cannot build permanent prosperity. Economic laws are natural laws and cannot be broken with impunity. The only excuse for calling our taxes a burden is when they are so unjustly imposed upon us that they create hardships and sometimes misery.

For a clear understanding of the subject, which is not in any sense a difficult one, we must keep in mind two things: the purpose of taxation, and the result of taxation. A tax may be levied for the purpose of obtaining revenue, as a personal property tax; or it may be imposed as a prohibitory measure as a dog tax or any nuisance tax. It is necessary for present purposes to consider only the first one, the tax for revenue.

When we live together in groups, towns, cities, states, nations, we find that many of the things done by primitive man in defending and maintaining his own existence and that of his family are better done by the group as a whole. Rather than sit on our own doorstep with a shotgun to protect our property, we establish a police force. Instead of digging hundreds of wells in hundreds of back yards, we find a central water supply sufficient for the needs of all. Public schools are built and equipped to educate the children collectively. As open fields give way to city blocks, parks and playgrounds are provided by the community for the enjoyment of its citizens. The bucket brigade is replaced by well trained, well equipped fire companies. Museums and libraries are built to satisfy our cultural wants.

All of these things are to supply certain needs or afford certain pleasures to the citizens of definite communities. They must be paid for. The men who constitute the government that directs these institutions must be paid. In the final analysis, that is what taxes are for, but the method of collecting them is fearful and wonderful.

The attitude of both public and officials so far has been something like this: it takes so much money to run the government of Los Angeles, for instance, how and where are we going to get

that money, where *can* we get the money, anywhere will do, just so we get it. The procedure is something like this. We send our agents, called assessors, around to every man's home and place of business and find out what he owns, what kind of a house he lives in, what furniture, automobiles and jewelry he possesses, we look into his safety deposit vault for stocks and bonds and mortgages, we ask him what his yearly income is.

When we have come as near to the truth as we are likely to get, we do a few little sums in addition and per centage and say: "Here, Mr. Bivens, your taxes for this year will be so many dollars. Not because there is any sense in charging you that particular amount, but because you've got it and we need it." Then we go to Mr. Snivens, who was more fortunate than Mr. Bivens, and charge him twice as much because he is "worth" twice as much in point of property, income and so on. Mr. Givens, who lives in the next block, had a bad year. His house is small and not very smartly furnished, his income is not large, and his automobile is old. We won't charge him as much as we did Mr. Bivens or Mr. Snivens, for we are levying taxes on individuals according to their ability to pay. If any thinking person can find sense or logic in such a system, he is a wizard.

Any government, local, state or federal, is doing nothing on earth but selling to its citizens various kinds of service through its different institutions, protectional, educational and so forth. The method of paying for this service should be figured on exactly the same basis that is used by any modern business man or private institution, that is, by the cost of production and the quantity and quality received by the individual citizen. In other words, the government, like any merchant, should charge you according to what you get, and not according to what you have.

If you enter a store to buy a bonnet, the clerks don't ask you what your income is. They look at the price tag on the bonnet. They quote the same price to a stenographer that they do to a millionaire widow if both women look at the same bonnet. If some customers spend more money than others, it is because they purchase more goods or a better quality. Whether you buy cabbages or calico, no storekeeper charges you for what you buy according to your ability to pay. Why should the government want to follow such a nonsensical rule?

Two more comparisons will help to make this point clear before we go on to discuss the principles by which we determine the amount of benefits of government received by each citizen. The next issue of Tax Facts will continue this discussion.

N. C.

INTELLIGENCE AND IDEALISM

It has been suggested by one of our readers that we print in Tax Facts the quotation from William James, which was used on the statement sent to members of the Association. It may be of interest or encouragement to others who have labored in a great cause and been disappointed at its glacier-like progress.

The lines are from James' "Elementary Psychology." "In all ages the man whose determinations are swayed by reference to the most distant ends has been held to possess the highest intelligence. The tramp who lives from hour to hour; the bohemian whose engagements are from day to day; the bachelor who builds for a single life; the farmer who acts for another generation; the patriot who thinks of a whole community and many generations; and finally, the philosopher and saint whose cares are for humanity and for eternity,—these range themselves in an unbroken hierarchy, wherein each successive grade results from an increased manifestation of the special form of action by which the cerebral centers are distinguished from all below them."

These words of a great psychologist and philosopher, spoken with authority and assurance, seem to be borne out by the characters of the men who have best served humanity. Idealism is not just for today, neither is it the product of little minds.

WATCH DOG OR DOG IN THE MANGER?

Another suggestion as to the cause of hard times comes from the Chamber of Commerce Bulletin. "We have suffered too long with a something-for-nothing complex. During the year just closing, we have been brought face to face with the fact that, after all we do have to work for what we get." If a man works in an office or a factory and saves two thousand dollars from his wages, that money is certainly the result or earning of his labor. He has not gotten something for nothing. If he invests his savings in a vacant lot which he has no intention of using, and sells a year or two later for four thousand dollars, the two thousand dollars profit is his reward for harboring a something-for-nothing complex. It represents the value that came with a greater demand in lots, which in turn resulted from an increase in population. It belongs, of course, to the population that produced it. Just what did the "investor" do to "earn" the two thousand dollars? Keep the lot from flying off to the moon, or something? Oh, no, we don't have to work for what we get if we buy and sell vacant lots.

Wherever privilege is admitted, equity is excluded.—S. S. Taber.

THE CONSUMER PAYS AND PAYS

A staff representative of the Los Angeles Times says of former Governor Young: "From what he wrote in his message, it is concluded that he suggests an increase of 50 per cent in the tax on electric companies and nearly 30 per cent upon telephone and telegraph companies."

The writer adds: "In California the public utilities bear the major portion of the expense of operating the State government. Their taxes usually are a political football, politicians loudly vociferating that the "trusts" ought to be taxed higher. The other side of the picture, which the declamatory politician does not present, is that the utilities live upon the rates charged the people, and if the state exacts more in taxes they, in turn, must charge the people more for service. As simple a proposition as that, however, apparently has never occurred to an office-seeker looking for votes."

As simple a proposition as the fact that all taxes on manufactured goods and merchandise are passed on as part of the price paid by the purchaser does not seem to occur to the people who are complaining of taxes. When the "property owner" looks at his regular tax bill and at his special assessment bills, he raises a great cry about his tax burdens. If he could see an itemized account of the taxes that have been added and added again to every article he buys from the tariff on his sugar to the tax on sheep, clipped wool, looms, factories, spun thread, woven cloth, cut fabric, to the finished article that he buys at the retailer's and wears for a coat, he would make a bee-line for the Wailing Wall and how he would wail!

A lame duck, strange to say, is a Congressman whose goose is cooked.—*American Lumberman*.

In fact, the Bolshevik plot trial looks like one of these Little Theater efforts that doesn't quite jell.—*Dallas News*.

It's ridiculous to think that liquor will ever be legalized in America. Al Capone wouldn't allow it.—*Elizabeth Journal*.

According to an economist, money is the people's servant. Here today and gone tomorrow.—*The Humorist (London)*.

About all you can say for the new Austin jokes is that they are just as funny as they were as Ford jokes.—*Waterbury American*.

The queerest thing about hard times is their trick of being caused by a tariff on one side of the ocean and free trade on the other.—*New Haven Register*.

The apple sellers of New York are talking of banding together to further their own particular interests. Developing a sort of *esprit de core*, we fancy.—*Boston Herald*.

The DO-X is in trouble again, and when it will come to America, goodness knows. We still hope it will arrive in time to celebrate Hoover's abolition of poverty.—*The New Yorker*.

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INDUSTRY PAYS WAGES

For those who like statistics, the Industrial Department of the Los Angeles Chamber of Commerce gives us, in its December publication, detailed figures about furniture manufacturing in the Los Angeles district. "With no local supply of standing timber and without a single sawmill within hundreds of miles, Los Angeles has built up the largest furniture manufacturing and planing mill industry west of Chicago."

Four counties in Southern California have 175 manufacturing plants with an annual output of \$32,000,000. Local furniture factories employ 7,000 men and women and spend in wages alone \$12,000,000 a year. Planing mills, making things from ready-cut buildings and screen doors to ironing boards and built-in beds, employed an average of 4,650 men and women with wages amounting to \$5,600,000.

"The population growth of the district has been the principal reason for such extensive manufacture of furniture. Los Angeles county, which increased by 1,263,000 persons in the last decade, required the equivalent of 350,000 new homes."

There are two significant facts to be considered in regard to industrial development such as this. In the first place, growth of population does not add one cent to the price that can be obtained by a manufacturer for his goods. In fact, it lowers the price, for a local manufacturer can furnish tables and chairs and door frames at a lower cost than a distant factory. It is cheaper to ship material for these things than to ship the finished article. A storekeeper can get no more for a spool of thread or a can of sauerkraut when the population of the city has reached two million than he did when it was one million. If anything, he can sell it cheaper because he can sell more.

What is it that increases in value with the growth of population? Only one thing. Every time a tourist comes to spend the night or a new resident comes to make his home here or a baby is born, there is a greater demand for land. This thirty-two million dollars worth of furniture won't be much good unless there are homes and

offices to put it in, and every home and business building must have a lot to stand on. The people who own lots know this. They aren't going to let their lots go except at the very highest price they can possibly get for them. Men cannot live without land any more than fish can live without water. People must have it. Whoever gets there first, either by travel or birth, can make the next comer pay for using it.

A greater number of industries paying wages will mean increased business for the butcher, the baker and the Edison Light Company. That will make business sites, not potatoes or galoshes, more valuable. Coming or going, the people who own the lots will reap the benefits of increased population with its accompanying government services. Is there any logical reason why the land which is benefited shouldn't pay for this service in the form of taxes?

The second significant fact is this. Every manufacturing plant and business house employs labor and pays wages that in turn employs more labor and pays more wages, which means, if it means anything, increased prosperity, men, women and children comfortably fed, clothed and housed. It means fewer and smaller demands on the community chests and soup kitchens, less crowded jails and tenements. It means that neither President Hoover nor anyone else will have to create jobs arbitrarily to keep men busy.

On the other hand, it is a self-evident fact that vacant lots employ no labor and pay no wages. They receive the same benefits from government that improved land does, but they give nothing in return. Their owners will deny that their vacant land receives any service. Send some of these homeless, jobless men out with a few implements and materials to find work by building homes for themselves and families on land that no one is using, then see how quickly the lot owners will resort to the police and the courts to keep them from using "my land." Yes, vacant lots receive police protection just like the others.

Tell any lot owner that the price of his land is too high, and he will take great pains to inform you that there are many advantages in living in Los Angeles, for the city has fine public schools, libraries, parks, museums and so on. He will not be backward in claiming the benefits of government and the value to be derived from increased population for his particular plot of ground that hasn't had a lick of work done on it since the last sabre-toothed tiger killed his last ground sloth.

Let us have more industries with big payroll, more business houses, more home-owners, and fewer vacant lots and poorly improved lots that don't help anybody.