

TAX FACTS

Published in
the interest of

SOUND ECONOMICS
and
AMERICAN IDEALS

Vol. X

Los Angeles, California, October, 1931

No. 6

The American Farmer

Jackson H. Ralston

Is not the American farmer due to learn a sad but needed lesson from our present financial catastrophe?—that is, that he does not possess in any degree, and his welfare is not bound up in maintaining, the false land values of the past? Old ideas are hard to eradicate, but the farmer must be indeed stupid if he fails to see the facts as they are.

The American farmer has of late years thought he held land of perpetually increasing value, and in the pursuit of wealth by methods other than hard work has tacked one field on to another. In so doing he has mortgaged his holdings old and new. While this work has gone on, improved methods of cultivation have had an effect equal to a corresponding addition of land under tillage. Invention has made possible the growth of crops on land theretofore capable of little or no production. New areas have thus and in other ways been brought into production. These and other causes have vastly increased the amount of competing areas, and land values representing privilege have diminished. The land for which the farmer, grasping at wealth, was willing to obligate himself is now only capable of raising products of greatly reduced value, to be sold in a highly competitive market. The farmer, despite his possession of land now shown to be of little value, finds his interest to be not with those whom we call land monopolists, but with the producer of the city. Meanwhile the drift of population—and population furnished largely the ultimate basis of land values—is to the cities.

At this time we find banks filled with what is called "frozen credits," largely the notes of farmers based upon a value which really never existed and which we know now does not exist, but which

the farmer and the banker hope in vain may be caused to return. Thus the savings of the people are endangered, tho by the administration of some sort of dope it is sought to revive old conditions.

What must the farmer do if he is to be restored to a condition of health? Let him face the situation we have briefly outlined. Let him realize that as land monopolist or the owner of a special privilege in land, save in limited ways and areas, he has had scant success and never deserved any, for such values are made by the public at large and not the individual. Let him insist that the taxgatherer value his naked land for what it is really worth today, and that in all conscience is little enough, considering the vast stretches in this country of idle or scarcely cultivated land. Let him demand that the bulk of his real wealth—his houses, orchards, fences, drain pipes, tools, cattle and sheep—go untaxed. For are not these the products of industry or needed for the further production the community requires for its well-being?

Time was when our cities were small and the majority of our population dwelt on farms, that farms represented the wealth of the community, and farmers were excusable for believing that taxation on land values alone was inimical to them—I say excusable tho not even then justified. Now we find ourselves in a greatly changed world. Compare the present values of city and farm property in land and what a contrast we discover! Country land values have shrunk to a low point, while with the constant flow of population from farms to towns and cities municipal values have become immense. How soon must the farmer be forced to cry out as lustily for taxation on land values as heretofore he has cried out against it?

THE LODGING HOUSE

The Municipal Reference Library of New York City issues a brief resume of the Annual Report of the Department of Public Welfare for the year 1930.

"The Municipal Lodging House in 1930 sheltered and fed more lodgers than in any other year since its establishment in 1896; 76,732 men, women and children were assisted. Nights' lodging for 408,100 and meals to the number of 1,042,247 were provided. As the capacity of the Lodging House was overtaxed, an Annex has been provided on Pier 73 at the foot of East Twenty-fifth Street, Manhattan; it accommodates 1,500 single beds. . . . During 1930, 7,906 families found it necessary to apply for the commitment of 15,127 children to institutional care. Such care is provided by the municipality to parents or relatives who can not provide for their children in their own homes." The report goes on to say that approximately 78,000 wage earners of families were without work and in actual want.

This is not a condition that can be glossed over even by the politicians. Such a situation calls for fundamental changes in our economic system. Special sessions of Congress and conferences with Wall Street bankers are not enough. The men and women of the United States—for this is not a report on conditions in Russia, if you please—must give earnest thought to this matter. If the depression has taught us nothing else, it has shown us that prosperity and adversity do not depend to any great extent on political parties. That economic depression always comes during a Democratic administration is one ghost that has been laid. Let us get after the others, and among the first, let us lay low that devastating ghost that says high real estate values are an indication of true prosperity.

Real estate values in New York City are the highest in the world. Every one of these 78,000 wage earners without work and in actual want did just as much to create that value as did the multimillionair land owners of the city. In October 1930, real estate in the city of New York was tentatively assessed at \$18,408,633,307. If the value of that land had gone into the public treasury instead of into a few private pockets, many land owners would have found it unprofitable to let their land lie around, decorated with a few ramshakle "taxpayer" structures. They would have found it necessary to put those lots to the best possible use or sell them to some one who would. In either event, the disreputable buildings would have come down and fine modern fireproof structures would have gone up, providing jobs and offices and homes for the thousands of destitute wage earners and their families.

SAILS AND SALES

The citizens of Santa Monica have voted a bond issue of \$690,000 to make Santa Monica Bay a pleasure harbor. The residents of Santa Monica will bear the expense of the bond issue. Who will profit by it? All those who love to watch the little craft, as well as those who are fortunate enough to own them, will find interest in the harbor, but the actual profits in dollars and cents will go almost entirely to two groups—boat builders and land owners.

There is a very important difference in these two classes who are to have the greatest monetary interest in the yacht harbor. One purpose of the harbor is to stimulate interest in boating and such interest will naturally result in the building of pleasure craft, large and small. That activity will mean the investment of capital, large and small, and the employment of labor. It will result in the creation of wealth in the form of boats. Boatbuilding means jobs and wages for men. As long as men want boats and have money to pay for them, boats can be built. They can be multiplied indefinitely. Perhaps the only drawback to the business is that boatbuilders must work for every cent they get.

On the other hand, those who were subdued by the Escrow Indians a few years ago to the point of buying lots in the Santa Monica Bay district and have left them for the weeds and crickets and flying gulls, lots that have employed no labor and paid no wages during this depression are to be sold for a stiff increase in price or held for a greater increase. The ever growing value of these lots will be very largely due to the new yacht harbor for which the good people of Santa Monica are paying. Every cent that will be invested in boats will pay wages and interest and will produce something that would not exist if men did not labor. Every cent that has been "invested" in home sites has produced absolutely nothing for the land was not man-made.

Mr. Percy W. Rairden, vice-president of the Santa Monica Land and Water Company, says: "We have always advocated the projected harbor because of our developments, consisting of Huntington Palisades and Pacific Palisades. We know that it is destined to increase the interest in this region and result in more demand and increased values for homes and homesites." Homes, meaning houses, as distinguished from the sites on which they stand, will not increase in value with either the construction of the harbor or the growth of population. Houses decrease in value as they grow older. It is the land alone that will be affected by the construction of a harbor or state highways or any other public improvements.

The "developments" to which Mr. Rairden refers consists of a few hundred dollars worth of surveying, a few miles of pavements and curbs,

a little clerical work and a certain amount of salesmanship—and the thing these men were selling was the right to use the earth. Millions of dollars will flow into private pockets as a result of this fine public work, for the price of these home sites will go up and up and always up, which is just as it should be for plainly we cannot all use the same front yard. The trouble lies in the fact that the people of Santa Monica by their actual physical presence in that district have given value to the land, and by voting a bond issue of \$690,000, they have increased that value. Since "they" created the value, why don't "they" get it in the form of a tax on land values?

Little boats and big boats may be multiplied indefinitely, homesites and building lots cannot.

THESE HOUSELESS FOLK

Mr. E. C. Davidson, secretary-treasurer of the International Association of Machinists, suggests that "the War and Navy Departments be instructed by Congress to bring out of storage millions of reserve blankets and tents, for a million men, and that regular encampments be established where the jobless may be housed under sanitary supervision and fed by means of their kitchen equipment during the coming months."

If a man were cast away on a lonely island, he would find himself in precisely that situation—jobless and houseless. What would he naturally do? He would explore the island for an advantageous site upon which to build and would make a survey of all "natural resources," stones, branches and so on that might be used in constructing a shelter. Not being by trade either a carpenter or a stone mason, the result would be a pretty crude affair—and there wouldn't be any plumbing. Nevertheless, without capital, save for such little devices as he might construct for lifting stones or rolling logs, the man working upon the soil would produce a house of some kind without the aid of the Army and Navy or the Community Chest. In fact he might take a great deal of pride in his own ingenuity and find that the chief drawback to the lonely island was the fact that there was no one but himself to marvel at it.

If a man, working alone practically without tools, could provide himself with a job and a home, isn't it rather amazing that thousands of men living in the same community, who could cooperate to the fullest extent in such an enterprise, should go jobless and houseless? Will we have to take them out on ships, wreck them on desolate shores and cast them away on lonely islands in order to sharpen their wits sufficiently to make them labor to provide themselves with the food and shelter that they need?

What is it they would have on the island that they wouldn't have in California or Illinois or New Hampshire? They wouldn't have any money. That went down with the ship. They wouldn't have any steam shovels or planing mills or concrete mixers, but they would have land and they, themselves, would constitute the labor, the two elements without which neither food nor shelter can be produced. There is land and there is labor in California and Illinois and New Hampshire, and too large a part of both are idle. Force either land or labor into idleness, and the other will have to remain idle, for men cannot work without land and land doesn't build houses, it just holds them on its lap.

Mr. Davidson has already observed the idle men, now if he will kindly cast his eyes on the vacant lots and see how badly they are needed on which to build homes for these houseless folks, will he appreciate the necessity of passing some kind of laws or regulations that will release this land for use? He might. It's worth trying.

GOOD ADVICE

In speaking to the conference of midwestern business men at Purdue University, Mr. John Moody, New York economist, traced our economic troubles back to the World War with its subsequent "inflation in commodity prices, in debts, taxes, tariffs etc."

Mr. Moody went on to say: "What are the remedies? First of all, a frank recognition that tariff barriers must be lowered, interallied debts heavily reduced or canceled, armament and other governmental expenditures greatly contracted, both at home and abroad. In our own country abandonment of the mistaken policy of trying to create prosperity by apportioning large sums from public treasuries to bolster up industry."

Lower the tariff barriers! One by one the myths of the Grand Old Party are evaporating in the light of reason—and experience.

Too bad that Reno can't divorce politics from crime.—*American Lumberman*.

How to shorten the depression: Pay as you go, and go somewhere.—*Dallas News*.

One thing the British can be sure of is that Mahatma Gandhi hasn't a thing up his sleeve.—*Duluth News-Tribune*.

Any man who foolishly thinks laws in America are not enforced should try parking alongside of a fire hydrant.—*Louisville Times*.

At last we have a real suggestion for the Federal Farm Board: Make the surplus cotton into sacks to hold the surplus wheat.—*Judge*.

You see, a depression is harder to lick than a foreign enemy because there is nobody to hold it while we get ready.—*Lagrange (Ga.) Reporter*.

The world is having nearly as much difficulty putting Germany on her feet as it once did putting her on her back.—*Oklahoma City Daily Oklahoman*.

TAX FACTS

Published Monthly

By The Tax Relief Association of California
412 American Bank Building, Los Angeles, Calif.
Phone: Tucker 2417

EDITORS

STOUGHTON COOLEY NORMA COOLEY

Subscription per year 50 cents

Vol. X Los Angeles, Cal., Oct., 1931 No. 6

CODE OF ETHICS

The August number of a local trade paper brings an article intended to "throw the spotlight on the tremendous accomplishments of our local realtors." At least, it throws considerable light on the mental outlook of some realtors, for it is written with almost religious zeal. The natural inference to be drawn from this article is that God made the land and entrusted it, or that portion of it known as Southern California, to the Realtors to be guarded and kept from sinking into a molten mass or flying away in star dust, for which service the said realtors are to reap millions of dollars. What would have become of the solid earth lying along the Pacific Coast if it hadn't been for the realtor is simply unthinkable.

"Under all is the land." So starts the preamble of the code of ethics of the National Association of Real Estate Boards The obvious truthfulness of this statement justifies the assertion that *real estate is the basis of all wealth*. Into mother earth go the roots of the plants whose harvests sustain life; from mother earth come the minerals that go to make our coinage, our battleships, our railroads, our telephone and telegraph wires; on its surface rest our homes, factories and commercial establishments." After this fine exposition of a great truth, the paragraph closes with this thought: "Real estate is truly a basic commodity—dealt in from time immemorial."

It is that belief, the idea that land is a "commodity," that it is in no way different from the products of labor, and hence needs no different treatment, that has brought us to our present grief. Land has been dealt in, bought and sold, speculated in and treated as if it *were* a "commodity," but that doesn't make it so. You can call a pig a sheep if you like, but it will go right on being a pig just the same. Realtors, and other people, may go on forever calling land "wealth" and treating it as such, but it will continue to be, not wealth, but the source of wealth from which are produced those life-sustaining harvests.

The article goes on to tell us how: "The steady increase in our population is automatically

carrying property values in a steady upward trend The ingenuity of man made possible our harbor, now recognized as a world port of call, which advanced real estate values of every foot of ground tributary to the harbor." It tells us that the population of Los Angeles increased in the period from 1920 to 1930 from 567,673 to 1,294,770. During the same period the assessed valuation of land rose from \$307,089,565 to \$1,150,599,965. "Not only in the city proper have values increased, making fortunes for those who purchased a few years ago etc."

The article does not explain, perhaps the realtors don't know, let us be charitable, why those who came here first should make vast fortunes by claiming values that other people created. To say that these first comers deserve a reward for their foresight in coming here in the pioneer days, that later arrivals had just as good a chance to make this profit, is nonsense. Some of the people who are going to live in Los Angeles during the next decade aren't born yet. What chance have the little babies that are going to be born next week, next month, next year to use the land in Southern California? If the realtors have their way, these babies are going to pay a handsome price for living on God's earth.

The article closes with another choice thought from the realtor's code of ethics: "The Realtor is the instrumentality through which the land resource of the nation reaches its highest use and widest distribution. He is a creator of homes, builder of cities, developer of industries and productive farms."

What are the facts? What has the realtor actually done? He has bought up land at low prices wherever he thought people could be induced to come, and when or if they did come, he has sold it to them at speculative prices and put in his own pocket the value that they have created by coming to that particular place. He has encouraged these people to buy land, not to use, but to hold as an investment until more people came to send the price still higher. By doing this, he has pushed the selling price of land so high that many people who want homes cannot afford to buy the land to build them on; men who wish to establish factories or manufacturing plants must subtract large amounts from the capital they wish to invest to pay exorbitant prices for land to build on; by encouraging and taking an active part in the national sport of gambling in land values, the realtor has been responsible, directly and indirectly, for so much valuable land being held out of use that the richest nation in the world is suffering from the worst business depression in its history. The realtor appeared in America at an early date and has done his best to block the wheels of progress ever since. And he has done well.