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What Caused Our Downfall

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[The avowed purpose of The National Economic League "is to create an informal and disinterested leadership for public opinion—a leadership that is free from partisan bias or class interest and that will be accepted as representing the best thought of this country." Working toward this end, the Economic League asked the members of a special committee what were, in their opinion, the cause of the present economic depression. Two members of this committee whose replies were printed in the August number of *The Consensus*, were Mr. E. M. Scofield and Mr. David Woodhead of the Tax Relief Association. Mr. Scofield's article appeared in the December number of *Tax Facts*, and the following article is Mr. Woodhead's reply to this vital question that is being asked everywhere, by men and women who never before understood that they are part of the great social fabric. Both Mr. Scofield and Mr. Woodhead have gone straight to the fundamental principles of political economy that have nothing to do with partisan bias or class interest.]

DEFECTIVE ECONOMIC SYSTEM

Special Privileges: The tariff; unjust patent laws; the appropriation by individuals of community created site values, and the private ownership and exploitation of what should be publicly owned natural resources. These special privileges result in restricted opportunity for the laborer to be independent of the employer, and he is compelled to accept a wage which does not give him his proportionate share in the wealth created and he is unable to consume the product of the factories in which he works, while on the other hand a comparatively few privileged rich receive so much more than is their proper share that they cannot consume the surplus, and they reinvest it in capitalistic ventures, adding thereby

to the competition of capital which is already finding itself unable to sell the goods already produced. The high tariffs which all countries have been levying recently in their insane nationalistic frenzies have of course, intensified the recent depression. They have all been producing the same things, which has made overproduction worse.

If we could properly discern at all times the differences between capital invested in the direct means of production, tools, machinery, buildings and transportation, and capital invested in the purchase of monopolies—natural resources, franchises, land, patents, etc., we would find that the so called "capitalistic" system is the best system yet devised for the production of wealth, and if capital were prevented from owning monopolies, it would also be the best system yet devised for the equitable distribution of the wealth created. True capital is a boon. Monopoly capital is the thief which robs both the true capitalist and the laborer.

The present depression is intensified by unusual factors but even these can be readily traced in large measure to the underlying causes mentioned. These unusual factors are: Post War changes in national boundaries; reparation problems with the resulting concentrations of the world's gold supply; insane nationalism expressing itself in increased armament burdens, and tariff walls raised higher than ever to prevent the free flow of commerce; the too rapid adoption of installment buying as an accepted custom of our economic life; and possibly worst of all the South Sea Bubble of speculation led and fostered by the Stock Exchange, unchecked, if not directly aided by the policy of the Federal Reserve in lending its money for the use of speculators, at less than its market value.

THE AFTERMATH

When Mr. Wendel refused to sell his vacant lot on Fifth Avenue, New York City, for a million dollars because the family dog took his daily dozen there, economists seized upon the incident to point a moral in their story of land speculation and land monopoly. Yet the millions who surged up and down the Avenue, whose presence alone could give that value to the lot, saw nothing strange in the fact that one man could hold fast to a bit of land that so many wanted and needed and would have used, and reserved it for the use of his little dog. And while the little dog played on the million dollar lot, little children played in the gutters, and would have slept there if charity had not come to the rescue.

The Christmas that has just passed has probably been the most trying one this country has ever experienced. With unemployment figures standing at seven million, there must have been many who found little comfort or joy in the holiday season, especially in that great metropolis where suffering has been acute for months past. It is customary for some New York papers to carry appeals for special needy cases at Christmas time. It is easy to imagine the need for help this season, the bread lines and soup kitchens kept going by indefatigable charity workers in order that men and women and little children might not starve on Christmas day.

The Associated Press tells us of some Christmas plans that were being made in New York. Dec. 22. "There are no Wendels anymore, but Tobey, aristocrat of poodle dogs, lives on. . . . Tonight, behind the forbidden spiked walls and barred doors of that \$2,000,000 mansion (it is the lot, not the house, that is valued at \$2,000,000) three faithful old servants were preparing for the strangest Christmas celebration the 75-year-old house has ever known. At that party, Tobey will be the lone guest. In the sombre dining-room, with its hand-carved panels, Tobey's extra holiday ration of calves' liver will be placed on his specially constructed dog table. Then he will be taken for a romp in the yard that real estate men coveted for generations."

So, little children of the Eastside, munch the dry crusts that you hold in your cold, blue fingers, one little poodle dog had a happy Christmas. When you grow up, you will probably go right on, as your parents have done, voting for laws that make such a situation possible. Like them, you will fail to see that human beings, not bricks and mortar, make a city; that only their own presence can give value to the land on which they must live and work and play; that this value, which they have created by coming there, belongs to them as a whole, and not to a small group of individuals who arrived first by accident of

birth; like your bewildered parents, you will slave from morning to night, if you are fortunate enough to find jobs, in order to pay some one else for the right to use the God-given earth.

Long life to you, little poodle dog, after all, you know quite as much about the unemployment situation as do the experts that President Hoover has appointed to commission after commission. Sleep well, for the Army and Navy of the United States are ready to back your claims to your two million dollar lot against the population of the world. No man with a wife and little children, desperate for want of work, will ever get a job as iron worker or bricklayer or plasterer working on a building on that valuable lot so long as you want it to play on; no business man or stenographer will ever give or take dictation from a modern office building erected on your lot while you choose to hold possession. Sleep and rest, little poodle dog, to the tramp, tramp, tramp of houseless, jobless, hungry men.

FIRST COME, FIRST SERVED

In offering advice to home builders, the perennial Roger Babson calls the present situation a buyers' market for both materials and labor. Most important of all, real estate has "now been driven down in many cases to ridiculous figures." This sounds very much as if low priced land were an aid to home building. If it is, we certainly ought to find some means of keeping the price down to present levels, or even lowering it still more, especially, as Mr. Babson goes on to say: "Good bargains in desirable land are also plentiful. In this connection remember that the price for well-situated land over a period of years is bound to increase with the growth in population. There is only so much land and there never can be any more. The supply is practically fixed whereas the demand undergoes continual increase with the growth of the country."

On one point, at least, Mr. Babson is absolutely correct. The supply of land is fixed. Unless we can find some way of making week-end trips to Mars, this is all we are likely to get, and the more of it that owners are allowed to buy and hold for that inevitable advance in price that must come with increased demand, the higher the price will go and the more difficult it will be for prospective home owners to become actual home owners. If we can make it unprofitable for a man to own any more land than he can use, and unprofitable for him to put it to any but the best possible use, there will be more homes and fewer vacant lots in every community, more men at work building houses and manufacturing furniture, and fewer men in bread lines and charity lodging houses.

THE PRODUCERS

Our columnist, Harry Carr, says: "I never walk through a great office building without wondering how so many people live without producing anything." In every community, there are some who prey upon society, from professional bandits and racketeers to flatterers and sycophants. There are a few recognized occupations that involve considerable labor and no actual production, but we cannot repeat too often nor too emphatically that the workman in overalls is not the only producer, that the man who sows and reaps the grain is not the sole producer of wheat.

Not being wild broncos, we don't nibble our grain from the stalks in the field. We thrash it and haul it to the mill and grind it into flour and transport the flour to the bakery where it is made into bread and sent to the retail store and sold over the counter. By similar methods, every article that is manufactured passes from the factory to the consumer, and every man and woman, bookkeeper, stenographer, clerk, truck driver, locomotive engineer, brakeman, and so on, who had anything to do, however remotely, with its journey from the manufacturer to the ultimate consumer, helped to produce the article. People working in office buildings are producers just as much as farmers tilling the soil or laborers running factory machinery. All of these people are helping to produce wealth, man-made articles.

The non-producers are the ones who sell or rent something that is not man-made, something that was here before man existed and that would be here if man were swept from the earth. The principal non-producer connected with that office building is the man who owns the lot on which it stands. He may be the same man who built and owns the building. In that capacity, he is a producer, he has made something that would not have existed unless some one had labored to build it. When he invested money in the building, he invested it in productive industry which deserves its full reward in wages and interest.

When he invested money in a lot to erect his building on, he merely handed over part of his wealth to someone who had no more inherent right to the lot than he did, for the privilege of charging such of his fellow men as wished to use land in that particular place. Whether the lot was produced by an anthropomorphic God or, like Topsy, just grew, is a matter of personal opinion, but certainly the landlord didn't make it. Yet he collects rent every month from these office workers, and sometimes it amounts to thousands and thousands of dollars, part of which goes for the use of the building, but by far the greater part is for the right to occupy a certain location in the business district.

There, Mr. Carr, is your chief non-producer, your biggest racketeer that has all but throttled the world's productive industry, that has taken so much in the form of rent from the business man and manufacturer, that there is too little left to pay wages and interest, and business is almost at a standstill. No wonder so many are forced out of business entirely while others move into smaller and cheaper quarters. The number of vacant stores and offices in Los Angeles is beginning to effect rent, and when it brings rent down far enough, when industry can pay its rent and have enough left to pay wages and interest, business can go on, and not before.

ON THE RIGHT ROAD

News from Ontario, Calif. says: "Designed to stimulate building activity here early this year, City Council has drafted a petition to Assessor A. E. Allen requesting him to exempt from taxation all building projects started in January, February and March. Building activity is delayed the first of each year to avoid the Assessor's taxation, Council members were told."

If exempting buildings from taxation will stimulate construction, by all means let us exempt them, not only for the first three months of the year, but for the other nine months as well. Erecting buildings means jobs for men, nothing should be done to discourage it. Taxing or un-taxing land will not have the slightest effect on the quantity that makes up the surface of the earth, but taxing it will have a very decided effect on the quantity that is held out of use. If it were more profitable to use land than to hold it idle, or to put it another way, more expensive to hold it idle than to use it, more land would be brought into use, and you can't use land without working on it, without employing men and paying wages—all of which adds to the gait of nations or small home towns, either one.

Mellon wants a tax on checks, but the public wants a check on taxes.—*Greenville Piedmont*.

Betting, says a church paper, is essentially a means of getting something for nothing. Or vice versa.—*Life*.

Members of a Kent choir have sung carols for twenty years running. This is the safest way to sing them.—*Punch*.

Scientists say woman's foot is getting larger, but maybe it just seems that way because she puts it down harder.—*Akron Beacon-Journal*.

Our politicians are perfectly familiar with all the questions of the day. The difficulty is that they don't know the answers.—*Dublin Opinion*.

That Swedish scientist believes he has finally perfected his synthetic wood substitute for meat. We fancy it won't be long now before we can order a planked plank.—*Boston Herald*.

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SUBDIVISIONS

Mr. Charles D. Clark, subdivision engineer, has filed a report with the County Regional Planning Commission that clearly shows what our mad orgy of land speculation a few years ago has led to. Visitors to Los Angeles, who ride along our county highways, must wonder what those tiny buildings, like detached telephone booths, are that one sees every so often grouped conspicuously amid the weeds and wild oats of what appears to be abandoned acreage.

These are the "sweat boxes" into which the Escrow Indians, or realtors, took their victims to hold, harangue and coerce until, in sheer desperation they signed on the dotted line and became liable for the taxes, assessments and partial payments on lots that were destined to hang about their necks like albatrosses.

That few purchasers expected to build immediately is evident by the fact that they did not build. Some bought because the fast growing population meant increasing demand for lots and they might not be able to buy at all in a year or two. Others bought with no intention of using the land, but of holding it until the price did go up and selling it to later arrivals, making goodness-knows-what percent on their investment. All were victims of the mad frenzy of land speculation that was sweeping over the country, on the one hand, and of almost diabolical high powered salesmanship, on the other.

Now that the shouting and the tumult has died, what do we find in this bag that these lot owners are holding? Mr. Clark's report ought to be a revelation to many. "A total of 1434 subdivision maps were filed in 1923 . . . There undoubtedly was a tremendous oversupply of vacant lots which provided for this increase in population (62 percent from 1923 to 1931) . . . today there are still fifty-three unused lots out of every one hundred which are platted in the county. On each of these vacant lots, well over 500,000 in number, someone is paying taxes and street assessments, hoping to find a use for the lot or a buyer. . . To minimize the cost of holding vacant property the owners often find it

desirable to vacate the unused streets and revert the lot subdivision to an acreage basis. . . Obviously, this cannot be done where the vacant lots are separated by improved lots of various ownerships, but where a single individual or organization controls the ownerships of adjoining parcels these parcels may, under proper conditions, be consolidated to form one parcel and the streets serving them vacated."

We are not much interested in the fate of those who play with Lady Luck, we may even admire them if they are "good sports" and pocket their losses as stoically as they do their gains, but land speculators are very seldom "good sports." They have the gambling instinct, they want to collect wealth that they have not earned, have not labored to produce; but they have not the sportsmanship, the equanimity, the sang-froid of your professional gambler. If they win, they pat themselves on the back and tell you how wise, how foresighted they were. If they lose, they turn crybaby and want the rest of the community to pay for their losses, their bad judgment, their ill luck. One has not yet been found who offered to share his gains with the community.

Both realtors and victims were caught when the land boom burst. Now they are trying to move heaven and earth, particularly the Legislature, to lighten the burden of taxation and assessment on the 500,000 vacant lots with which they were "stuck" in spite of their wisdom, and foresight and business acumen, and make up the sum by adding taxes to productive industry. Those of us who, for one reason or another, resisted the high-powered salesmanship of the subdividers, and invested our money, if we had any, in some form of production, are asked to pay sales taxes, amusement taxes, increased gasoline taxes, license fees and so on and so on—that is, we will be asked to pay these burdensome and annoying taxes if the realtors and the vacant lot owners have their way.

Why did these lot owners ever go out to buy lots where transportation was poor and school, fire and police service negligible? Why didn't they buy lots well within the city limits where streets were already paved and lighted, sewer and water pipes laid and other conveniences of community life provided? Weren't there any vacant lots closer to the center of population? There were thousands of vacant lots and inadequately improved lots spreading from Broadway to the city limits. The owners of these lots saw an ever increasing tide of migration setting toward the Pacific Coast, particularly toward Southern California. They visioned the price of land going up by leaps and bounds, and like the gambler who plays poker or the roulette wheel or the stock market, they were unwilling to let go as long as the game was coming their way.