

TAX FACTS

Published in
the interest of

SOUND ECONOMICS

and

AMERICAN IDEALS

di

Vol. XI

Los Angeles, California, March, 1933

No. 11

THEY HAVE NO VISION

"They have no vision, and where there is no vision the people perish." These words from President Roosevelt's inaugural address characterize the average man and woman as well as the leaders of American thought and politics. The whole world, in fact, is so lacking in vision that it fails utterly to understand the social problem as a whole. Too many are still seeking to correct present evils through class legislation. The wage earner must have shorter hours and increased wages; those who have entered their declining years must be provided with old age pensions; men who were called upon to express their patriotism with powder and shot, and the girls who chose them as life partners after the danger was over, must be kept on the charity roll—they and theirs forever.

President Roosevelt has called upon us with appealing frankness to rise above these selfish interests and to support wholeheartedly such measures as Congress and himself may deem necessary to cope with this serious situation.

"Our distress comes from no failure of substance. We are stricken by no plague of locusts. Compared with the perils which our forefathers conquered because they believed and were not afraid, we have still much to be thankful for. Nature still offers her bounty and human efforts have multiplied it. Plenty is at our doorstep, but a generous use of it languishes in the very sight of the supply.

"Primarily, this is because the rulers of the exchange of mankind's goods have failed through their own stubbornness and their own incompetence, have admitted their failure and abdicated . . . True, they have tried, but their efforts have been cast in the pattern of an outworn tradition. Faced by failure of credit they have proposed only the lending of more money. Stripped of the lure of profit by which to induce our people to follow their false leadership, they have resorted to extortions, pleading tearfully for restored conscience. *They know only the rules of a generation of self seekers.* They have no vision, and when there is no vision the people perish . . . These dark days will be worth all they cost us

if they teach us that our true destiny is not to be ministered unto but to minister to ourselves and to our fellow men . . . Small wonder that confidence languishes, for it thrives only on honesty, on honor, on the sacredness of obligations, on faithful protection, on unselfish performance; without them it cannot live."

President Roosevelt is right. We cannot better our condition nor build for permanent prosperity if we try to follow "the rules of a generation of self seekers." We must have the kind of vision that will enable us to see how any proposed measure will affect, not only ourselves, but the economic body as a whole, for losses in one direction may be offset by greater gains in another. We must learn to say to ourselves: "I will work for this movement for the sake of my less fortunate neighbors, for the children of today and tomorrow and for all the generations to come, even though it means giving up some of my personal gains, most of my cherished traditions, much of my life's teachings. I will see what the philosophy of unselfishness can do in a practical way." We must rule out all class interests; we must put justice above charity, above mercy, above expediency.

History is of little value unless we can analyze it and apply to our own problems some wholesome truths to be gleaned from the past experiences of the human race. We often fail to note the most important points. We have looked into the log cabins of our ancestors and have seen them cooking their supper at the open fireplace and eating it by candle light; we have observed their crude implements and homespun garments; we have compared their slow laborious methods of handicraft, of travel and transportation with our swift modern way; and because these people lacked electricity and the machinery and inventions available to us, we have thought of them as being sadly handicapped and have been inclined to give those pioneers too much credit for keeping the wolf from the door. As a matter of fact, the wolf never had a show at all.

These pioneers were not conquerors because they "believed and were not afraid," but because

they had what our unemployed have not—they had access to nature's store house. They could go into the forest and fell trees and hew timbers for their houses; they could select the sites on which to erect their homes without going through a quantity of red tape and paying a handsome price to some subdivider for the privilege of building a house on this God-given earth. How well would that little band of Pilgrims have fared when they landed at Plymouth Rock if they had found every foot of ground already in the possession of individuals who would part with it only for more money than the Pilgrims had brought with them or could earn in a glutted labor market?

Yes, the earth is just as fruitful as it was three hundred years ago, and we have the advantage of many labor-saving devices, but our ancestors certainly had the best of it. How much are the farmers benefited by scientific crop production, by tractors and elaborate farm machinery when they must pay high prices for farm land, and assume a mortgage in order to farm at all?

"Our greatest primary task," said Mr. Roosevelt, "is to put people to work . . . It can be accomplished in part by direct recruiting by the government itself, treating the task as we would treat the emergency of war . . . Hand in hand with this we must frankly recognize the overbalance of population in our industrial centers and, by engaging on a national scale in a redistribution, endeavor to provide a better use of the land for those best fitted for the land."

Those two problems do, indeed, go hand in hand. If the land is released from the stranglehold of monopoly and made available to all who would put it to use, not hold it idle as an "investment," unemployment would disappear and the population would redistribute itself naturally. Giving men access to land does not mean merely forcing men onto farms. It means more particularly putting town lots to use and providing work for architects, contractors and builders, house decorators and furnishers and all others who engage in the building of homes, factories and places of business.

" . . . a better use of the land for those best fitted for the land." There are several reassuring things about President Roosevelt. He is a man of action, not of mere promises. He is dead in earnest in grappling with the problems of state that confront him. More than that—and this is significant—he is "land conscious." He may not understand the land question fundamentally, but he does recognize the earth as of some importance in the economic problem, and how many statesmen have reached that point?

President Roosevelt has already had some experience in reclamation work and it ought not to be difficult for him to go on to the point where he can see that it is even more important to "re-

claim" the lots on Pennsylvania Avenue, and all other similarly wasted urban land. The farm and forest lands may not be needed for years to come; these city lots are needed now. The lots on Pennsylvania Avenue, for instance, are valuable. Are they being used to the best advantage when they are "improved" with buildings that would not be a credit to Pumpkin Corners? "I favor as a practical policy the putting of first things first." The land comes first. Mr. Roosevelt, whether we are farmers or shopkeepers, Congressmen or modistes.

Do we need a Soviet or a Mussolini to solve our problems and start us on the road to prosperity? "Action in this image and to this end is feasible under the form of government which we have inherited from our ancestors. Our constitution is so simple and practical that it is possible always to meet extraordinary needs by changes in emphasis and arrangement without loss of essential form. That is why our constitutional system has proved itself the most superbly enduring political mechanism the modern world has produced. It has met every stress of vast expansion of territory, of foreign wars, of bitter internal strife, of world relations."

Our nation is provided, then, with the instrument by which it may secure to its citizens those unalienable rights, life, liberty and the pursuit of happiness. If we can put aside all personal selfishness, all group interest, and hold fast to that broader vision that sees in all our problems the steady march of humanity, we may, indeed, be looking at the dawn of a new day.

Our Earthquakes

What has taxation to do with earthquakes? Nothing. It is a powerful ally, however, when an earthquake sets out to wreak havoc on man's puny handiwork.

Reports of the damage to cities in the stricken zone stress the point that ninety percent or more of the damage was confined to smaller and older buildings. This is intended to be reassuring to tourists and Easterners—just how is not made clear. Everyone who is familiar with American cities knows that the fine, modern, fireproof buildings are scattered among old, one and two-story firetraps that stand on valuable lots which are being held for speculation. Sometimes they are called "tax-payers" because the rent derived from them covers the taxes, and that is all the owners aim to make out of them—at present. These "tax-payers" are just meat for an earthquake.

Our present system of taxation encourages land speculation, and consequently checks the adequate improvement of town and city lots. It also places a heavier burden of taxation upon the

landowner who improves his lot with a safe and useful building; and the finer the building, the heavier the tax. If Long Beach and her sister cities of the quake zone will remove the tax from all buildings, they will soon find that their citizens will erect more substantial buildings and lessen the damage of future earthquakes. This is one of the important things that these cities can do now—readjust their tax systems to encourage better buildings.

The second way that taxation can assist mankind to escape the danger of earth tremors goes straight to the roots of our land-holding system and cannot now help the landowners of Long Beach. But a little thought makes the whole situation rather absurd.

Since we Californians cannot deny the earthquake, the next best thing we can do is to assure you Easterners that earthquakes are no worse than tornadoes or floods or hurricanes. Really they are not as bad for this reason: even the scientists cannot foretell the path of one of these destructive storms. If you live in a state that is subject to tornadoes, you must take your chance, but we know a great deal more about earthquakes.

From Pasadena comes the news that "Dr. Beno Gutenberg, recognized as one of the world's foremost seismological authorities, announced today that the Long Beach earthquake probably had its source in what is known as the Inglewood fault. This fault, or break in the rock strata, starts in the Baldwin Hills north of Inglewood, projects toward Long Beach, runs under the ocean past Newport and Laguna, finally tapering off near San Diego . . . It was a tectonic earthquake, due to faulting in the earth's crust, rather than to volcanic or other causes."

Imagine a tribe of Indians encamped in this territory, as ignorant of this fault in the earth's crust as were the first settlers of Long Beach. The earth shivers and down come the teepees. A white man appears while the dazed Indians are scrambling to their feet and explains to them that this convulsion of the earth's surface is not due to the wrath of angry gods, but is caused by a settling along a definite line, called a fault. Would these Indian chiefs turn to their squaws and say: "Now, you women put these teepees up so they won't fall down the next time the ground takes a notion to settle. If this fault is going to do any more quaking, we want to minimize the danger as much as possible." They would not. They would pick up what was left of their belongings and scurry off to firmer ground, the farther away from the fault, the better. Wouldn't that be the sensible thing to do? Not having invested any clam shells or jumping beans in town lots, they would have everything to gain and nothing to lose.

With white people it is different. They are

so gagged and bound with real estate investments, even an earthquake can't shake them loose.

Suppose all the land in Long Beach had been held by the government of that city and turned over to individuals, lot by lot, as they wanted to use it. Any realtor in Long Beach can tell you what rent you would have to pay for any lot in town if you wished to lease it instead of buy it. If there were no such thing as land speculation, this rent would not be as high as it is now, but it would be something, and the more desirable the lot, the higher the rent. This rent now goes to private individuals who own the land, but if it went to the government in place of taxes, each newcomer to the city would not be obliged to "invest" several thousand dollars in land before he could build a house or place of business. He would simply go before the proper authorities to receive his title, or whatever guaranty was given, and begin paying this rent into the public treasury. As soon as the scientists discovered that a fault ran under the city and made it subject to earthquakes, he wouldn't have to wait for the actual tremor, he could pick up his belongings and move. He wouldn't have hundreds or thousands of dollars "invested" in his lot. He wouldn't be speculating in land and be unable to get his money out of it or make a profit unless he stayed in the city and induced others to come there. He would be free to go elsewhere, even take his house if it wasn't too far, and could inform others of the real condition of things and advise them to locate in a safer place. Granted that Long Beach area and harbor districts have their uses and attractions, the population ought not to be tied there, willy nilly, by investments in land that shakes under their feet.

Land speculation has so warped the minds of men that they prefer to risk their lives rather than lose the money invested in real estate. The inhabitants of the quake area are appealing to the R.F.C. for funds and are *actually priding themselves on their courage and determination in rebuilding over this fault that has shaken them down once and very likely will again.* Courage? Their motto ought to be "Are we downhearted? No. We're just plain idiots." It is true that they are being advised to put up quake-proof buildings without fancy cornices or brick-a-brack that might come tumbling down on the heads of strangers like the pippins carved in timber that ornamented the bedstead of Sarah Gamp and which came tumbling down on the slightest provocation.

So, Mr. Easterner, who's afraid? Come on to Long Beach or Inglewood or any town along the fault. Your dishes and vases, even your head, may be broken, but we are taking it on the chin and smiling our inebecile smile. Southern California real estate is sound!

TAX FACTS

Published Monthly
By The Tax Relief Association of California
333 N. Madison Avenue, Los Angeles, California
Phone: OLYMPIA 7852

EDITORS
STOUGHTON COOLEY - - - - - NORMA COOLEY

Subscription per year 50 cents

VOL. XI LOS ANGELES, CALIF., MARCH, 1933 No. 11

The Taxpayer Rampant

"Never before in the history of California," says the Los Angeles Times, "has there been such a marshalling of forces to reduce the burden of taxation. A survey just completed shows State-wide, county and municipal organizations, representing directly or indirectly every taxpayer in the State, lined up on tax reduction programs demanding as prerequisite steps governmental economy and tax equalization."

The California Real Estate Association, The California Taxpayers Association, The Common Property Taxpayers of California, The Taxpayers' Central Council of Los Angeles County (representing 125 organizations) The special Assessments Relief Association of Los Angeles, the Los Angeles Realty Board—these are the leaders demanding relief from so-called tax burdens. They have centered their attention principally on a reduction of the expenses of government, and certainly this is one of the things that should be done. The cost of government has been mounting at an alarming rate.

The second point of attack is directed against the tax on "common property," a term invented by California realtors to designate "real estate," which is another phrase of the realtors and lawyers intended to cover both land and improvements on land. That is, it is a loose term that may be applied to either improved or unimproved land. In the realtors' demand for lighter taxes, however, the term means particularly the land itself regardless of improvements. The California Real Estate Association recommends the "Limitation by law of the tax rates on common property." The Los Angeles Realty Board's legislative program "center around a stiff battle for a reduction of the amount of taxes that may be charged against real estate, an amount set at not more than \$1.50 per \$100 of actual valuation."

Any efforts on the part of these taxpayers organizations to reduce the tax on land values is entirely misdirected. The small home owner and all who have suffered from a sadly reduced income during the last few years find it difficult to meet their tax bills. The natural thought that occurs to them is that they would be greatly benefited if these taxes could be reduced. Not

only in California, but all over the country, real estate organizations are playing upon this predicament of the poor home owner in an effort to enlist his help in an attempt to recoup at least a part of their losses sustained in the declining real estate market.

During the boom days, real estate companies and individuals loaded themselves down with huge profits. The depression overtook them and left them more or less stranded with thousands of dollars worth of vacant land on their hands. The home owners, and all owners of adequately improved property, are already carrying a large part of the tax burden that should be borne by the owners of vacant land. Take two lots of equal value, adjoining or miles apart, one abandoned to weeds and rubbish, the other improved with a neat home and an appropriate landscape decoration. The owner of the vacant lot pays a certain tax on his lot plus a tax on his house, a tax on his garage, a tax on his automobile, a tax on his household goods, a tax on just about everything but his immortal soul. Which is a greater credit to the town? Both lots receive the same benefits from the services of government or they wouldn't be of equal value. It is the services of government that determines the value. Why should the owners of improved lots carry a heavier tax burden than owners of vacant lots?

There is another and still more important angle to the tax problem that doesn't seem to receive any attention from these relief organizations.

Many people feel that if you must pay so many dollars in taxes, it makes little difference what is taxed. It makes a great deal of difference. A tax on business tends to hamper business, a tax on incomes tends to discourage thrift and the accumulation of capital which ought to be used in the creation of more labor products. The more taxes are shifted from land values to industry, the easier it will be for the owners of vacant property to hold their land idle, thus depriving the unemployed of their natural opportunities to labor. When land is idle, men will be idle. When men are idle, wages are low, incomes are reduced, and the saving to homeowners and workers by a reduction of taxes on their land is offset by such reduced earning and purchasing power that the so-called tax relief proposed by these organizations would avail them nothing, but would rather leave them in a worse situation than they were before.

If these organizations wish to help the home owner, let them remove the tax from his house and personal property. If the tax on land values is increased instead of decreased, most of this idle land would be put to use. Labor would be employed and the wheels of industry started going. The tax problem cannot be solved by merely reducing the cost of government. Neither can it be aided by blinding voters and legislators to the true cause of our tax trouble.