

TAX FACTS

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AT THE FOOT OF THE RAINBOW

"Another Treasure Hunt" is the appropriate title which Orland Kay Armstrong has given his article appearing in the January *Country Gentleman*. In his own words, the article is "an attempt to analyse the outstanding questions which the various state lawmakers find confronting them, and to give an advance peek at the proposed 'work sheets' as laid out by legislative committees and assembly leaders all over the country."

These problems, Mr. Armstrong has grouped under four headings: 1. How to bring about economies in state and local governments. 2. Taxation: The big problem of where to get the money—particularly new sources of revenue. 3. Administrative problems, such as state planning, combating crime, liquor control, and the like. 4. Legislation for social welfare.

As the business of state is carried on, it does fall naturally into some such divisions as these. If the second division, taxation, were properly disposed of, the other three would be greatly simplified. Economies in government are not the logical outcome of a tax system that is always seeking new sources of revenue; that siezes upon private wealth wherever there is the slightest excuse for taking it. The mounting costs of government during the past decade are sufficient evidence that not much thought is given to the advisability of spending certain amounts as long as public officials believe that new sources of taxation and bond issues will pay the expenses. It is too much like reckless installment buying on the part of improvident individuals, as one wag expressed it, a dollar down and a sheriff a week.

"The raising of revenue with justice to all and hardship to none is the dream of every legislative leader," says Mr. Armstrong. "The wisdom of Solomon reinforced by the wizardry of Houdini is needed for this ticklish job.

"Reports from nearly all the states show that the preliminary work is being done along two lines: Shifting the tax burden from property taxes to other kinds of taxation, and raising of additional revenue to pull the state and local governments out of the bad holes they are in.

The most obvious fact in the whole situation of costs of government is the unjust burden that property has had to bear. . . .

"In shifting away from property taxes for state and local expenses, states are considering most generally, in addition to the sales tax, increase in income taxes, inheritance taxes, corporation and franchise taxes."

That is the picture of the tax problem as it appears to forty-eight legislatures in the land of the free and home of the brave. Taxes are the revenue that is collected to maintain orderly government and provide such services as are better supplied by the community than by each individual for himself. This clumsy method of handling the situation, as described by Mr. Armstrong, reminds us of nothing so much as the definition of technique as given by Molasses and January of Captain Henry's Showboat. Implying that the word is a verb instead of a noun, one of that comedy team defined it: "To accomplish the impossible with the utmost difficulty." To establish peace and prosperity and a smoothly working governmental machine by the present method of levying taxes is certainly impossible.

As we have said before, some people consider it "smart" not to believe in God, or at least to profess such unbelief, but the most brazen materialist must admit that there is a completeness about the arrangement and organization of the universe that strongly suggests purposeful planning. Without wishing to precipitate a religious argument, we are going to follow this line of thought, that a Creator *did* plan the universe and made things to fit.

He created man with many desires, longings, appetites, and provided the wherewithal to satisfy those yearnings. Man grows tired and longs for rest. Sleep comes to satisfy that want. He must have water or he will die of thirst. There is water. He grows hungry. The fruitful earth provides many things that can be used for food. In other words, as an individual, he fits into his natural surroundings. He couldn't exist if he didn't.

One of his greatest longings is to be near his

fellow men—to work with them, play with them, sorrow with them, rejoice with them. He is most decidedly a social animal, so much so, that when he develops anti-social tendencies, we hunt him down with the police force of a nation. In his earlier days, he banded together for protection against the beasts of the forest. He still joins forces to combat destructive elements. He develops natural cooperation to ease the labor of production, from husking bees and barn raisings to more complicated organized industry.

And this is a part of his nature. He will undergo hardships and discomforts, live in squalid surroundings in order to be near his fellows rather than seek a place in the sun in some far country. He will sometimes actually die of loneliness when deprived of the companionship of his kind. All this indicates that it was a part of the original design that men should live in groups, or at least in close contact with each other.

Whenever men come together and establish permanent homes and places of business, certain needs arise that would not present themselves to a Robinson Crusoe on his lonely isle. A list of the departments of any city government will show you what those needs are, for the list would include the police and fire departments, water and power, street maintenance, etc. There must be funds to pay for these services.

Is it possible that God provided for man's desires as an individual, but forgot all about his needs as a social animal? Is God so blind that He did not foresee the growth of communities with their governments? Did He make no provision whatever to meet the expenses of the organized group?

Certainly He did, and this natural fund is not difficult to find if we will do our treasure-hunting in the right place; if we will draw a distinction between the things that we make and the things that God created.

Even our largest cities had small beginnings, and in those early days, the social needs were few—the constable, the bucket brigade, the town meeting—such things as these constituted their simple government. The natural fund that should have been used for expenses, but wasn't, was also small.

As communities grow, their needs increase and the natural fund that should supply these needs also increases like a growing shadow. Like a shadow, it shifts with shifting population; it increases as population increases; it diminishes whenever population diminishes. It is greatest in New York where population is dense. It has ceased to exist in the ghost towns of Nevada where the mines played out and the population departed.

What is this shadow that follows the group like a tribal god? It is the thing we call *land*

value. We do not mean the quality of the soil that makes it fertile or non-fertile, suitable for one kind of a crop or another. That does not depend upon the presence of population. The value we speak of attaches to land when men come together and form growing communities. Their homes, their places of business, their factories, must stand upon the land. Fields that had no value whatever when the sabre-toothed tigers fell into the La Brea pits, become very valuable when the population of Los Angeles approaches the million mark for the simple reason that people want to use this land.

This value, then, is one that is created by and belongs to the people as a whole. It is the natural possession of the group, provided by God, or nature, to take care of community needs, that is, to pay for the services that the government renders to the individual.

In speaking of this value as one that moves and changes with the increase or decrease of population, we do not refer to the fluctuating speculative price of land. The real value of the land does not "fluctuate." Its increase or decrease corresponds to the growth or shrinkage of population in a given area; consequently, it should meet the normal requirements of any given group. It will not pay for a World War. That is a luxury. It will not meet the cost of extended paving, street lighting, pipe laying and so forth to, and through, innumerable subdivisions, but such activities are not carried on to fulfill the real needs of the community. They are designed to lure "investors" to buy lots and pour into the pockets of speculators what Mr. Mantalini so expressively termed "bright, shining, clinking, tinkling, demned mint sauce."

Stop this speculation in land, and you will greatly reduce the costs of government. Take the true rental value of land to defray the necessary expenses of the community and you will have an adequate fund that you can count on. It will be difficult, if not impossible, for public officials to fill their own pockets with boodle. The whole thing would be too obvious—which may be considered an asset or a liability, according to your point of view.

Why on earth legislators, or anyone else, should want to tax the products of labor or incomes, or levy a sales tax or collect anything as revenue except this land value that belongs to the community is just one of the mysteries of life. A small part of this land value is collected now in the form of a tax on land, and so strange and distorted are the ideas of most people regarding this matter that they actually want a small part kept from the community to which it belongs. They want the tax burden shifted onto some labor product or levied on a man's savings as a penalty for thrift.

So our legislators must go treasure hunting to find "new sources of revenue." They will never find the true treasure until they recognize this land value as the product and the rightful possession of the community. That is the pot of gold at the foot of the rainbow—and the foot of the rainbow rests on the land.

SALE OF A POPULATION

The Porcupine, Manchester, England.

It was announced in the press as "A Town Sold," but as a town without population would be worthless, the price paid includes the commercial value of the townfolk as well as the land and buildings. Landless men are owned, bought, sold or inherited by those who own the land, and it is merely ironical to describe them as "freeborn Englishmen." The town in question is Adlington, Lancashire, and the proceeds of the sale were (as provided under the will of the late owner) given to a home for dogs, "Our pets' home."

The price of land is the capitalized value of the legal right to charge "rent" for permission to live and work on a certain part of the earth's surface. This rent is the first charge on the industry of a town's population; it is a deduction from the earnings of those who work and it maintains—usually in luxurious idleness—landlords who do not work. In this case the people's activities maintain dogs instead of men, but though it may be more unusual, it is not more foolish to toil for the inhabitants of a dog's home than for the inhabitants of a Duke's palace.

How long this system will continue depends upon its victims. People who enjoy unjust privileges are not likely to offer to forego them; those who would be free, themselves must strike the blow! Economic freedom can be won by diverting rent (land-values) from private to public purposes by Taxation of Land Values.

FARM ACRES

The State Planning Commission is studying the possibility of a state program to take families off unprofitable, or submarginal, land, and put them on farm acreage where they can make a profitable living. Providing schools for these scattered families is an expensive proposition for the state.

After motoring for miles past idle acres of good land, nestling close to well built up, well schooled and church communities, one wonders why any sensible person should pass by this good land and settle on poor submarginal land, far from schools and other social institutions. Then we recall the good old boom days when the Escrow Indians set up their "sweat boxes" among the wild oats and sold off these acres in fifty-foot lots—for business!

FREEDOM

George A. Briggs, in his address before the Institute of Government at the University of Southern California, said some of the things that should have found a place in the many patriotic orations delivered on Constitution Day. For instance:

"The basic Georgian hypothesis recognizes clearly that men are not equal, but insists that our economical set-up should be such that no man shall be subject to coercive exploitation. To this end it insists that equality in economic opportunity shall be preserved among men. Every man should be free to exercise his faculties and his talents in any way he sees fit, subject to the equal rights of others. This may be an impossible ideal, but if we act "as if" it were not, then it may prove valuable, like the scientific "as if" of open-mindedness.

"At present the chief obstacles to this equality in opportunity are those features of the economic scene known as legalized monopolies. Let me explain this term. It refers to any economic activity which could not be carried on without active consent of government. A merchant or a manufacturer needs no such consent. The field is open to all comers. But a patent, a tariff schedule, a right of way, or a deed to land, each carries with it economic power conferred by government."

THE RIGHT TRAIL

Domestic trade officials of the Chamber of Commerce here and trade representatives of five Western States conferred recently on ways to increase reciprocal trade. Last year, Los Angeles bought \$50,000,000 worth of agricultural products and other raw materials from the five states represented in the conference. Manufacturers here feel that a fair reciprocal exchange is hindered by legislation and acts of the states that prevent free transportation of goods.

We are on the right trail when we begin to see that duties and taxes and any laws that restrict trade between two people or two groups of people must be removed to facilitate the production and interchange of goods.

MIRACLES

A local priest at Beauraing, Belgium, claims to have seen a gigantic figure of the Virgin and Child in the sky while praying before the grotto on Sunday. He says 200 people saw the vision, says the *Daily Herald's* Special Correspondent on the spot.

Now for the fact! "A host of new cafes and restaurants have sprung up in the last month, and land values are soaring, one plot, sold in 1919 for £10, having just changed hands for nearly £1,700."—*Commonweal*, London.

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THE CHAMBER MEETS

The western division of the United States Chamber of Commerce, meeting during the first week of December, sounded an optimistic note for the business of the nation. These business leaders agreed that "the country is now ripe for better conditions. Resources and capital are ample. Loosening of capital for investment will give impetus to the durable goods industries. This will open the way for employment of the employable unemployed in private industry, relieving distress."

These business men know that capital invested in industry means more employment of workers with consequent increased purchasing power, and increased production of goods for people to buy and use—a normal, healthy condition for any country to be in. Opposed to this philosophy of the market place is that of the realtors who would have men invest their capital, great or small, in land, much of it vacant. The good accomplished by a revival in the building trade could not keep pace with the rising price of land. We would be headed for another boom and another fall.

Paul Shoup, chairman of the board of directors of the Southern Pacific, asked a very pertinent question. In fact, it was a very important question that the whole nation ought to be asking itself. "How far at this time," asked Mr. Shoup, "can we go in changing the established order while at the same time we are endeavoring to restore prosperity under the same established order? . . . What substance is there for the widely advertised claim that the capitalistic system has broken down and that a new order must be established if civilization is to survive?"

If widespread prosperity could come to this country over night, the doctrines of Socialism and Communism would die a natural death. Happy, satisfied people are not interested in changing their government or starting revolutions. They are willing to let well enough alone. How can you rise against an oppressor that doesn't exist? Ah, that's just the trouble, Mr. Shoup, an oppressor does exist. This oppressor, however, is not the capitalist, as Mr. Sinclair would have us believe. If he were, some such revolutionary changes as Mr. Sinclair advocates might be necessary. The capitalist as a capitalist, pure and simple, is a very handy man to have

around in the business world. When he grows into a greedy little pig and wants more than his share; when he is no longer satisfied with the honest earnings of capital, but gums up the works by forming a monopoly and so depriving others of their opportunities, then he becomes an oppressor, indeed. If he monopolizes land, or any other form of natural resource, then he is the greatest of all oppressors, and honest capitalists, as well as wage earners, would do well to get rid of him.

The questions of minimum wages, maximum hours of work, child labor, and so on, will be solved when men are free to choose for themselves, free because jobs are plentiful and employers must vie with each other to obtain labor. There is no logical reason why an employer should pay any higher wages than he has to. Every man is born with the same right to use the earth. The average man can't, or won't, see this. He lets a privileged few deprive him of this birthright, then, because this fact makes jobs scarce, he tries to bully his employer by strikes and sabotage. He takes it into his foolish head that anyone with a little wealth is his enemy and he wants to change the whole scheme of things.

Mr. Shoup may take comfort in the thought that very little change is really necessary to give men economic freedom. We need not set up the machinery of Socialism or Facism. Our present form of government, which has all the makings of a true democracy, will do very well. Our capitalistic system has failed, not because of capital but as a result of monopoly and privilege.

Some changes we must have if our civilization is to endure. The best beginning that we can make is with our tax system. A scientific tax system would tend to eliminate the basic monopoly of all—land monopoly. Unless you are one of the greedy little pigs and want more than your share, you have nothing to worry about.

One of the most hopeful signs is the growing conviction that trade restrictions must be eliminated. "In order to advance the recovery of the world, the United States must promote the interchange of goods and services among all nations."

Mr. Cladius T. Murchison, director of the Bureau of Foreign and Domestic Commerce, spoke on the need of expanding the country's foreign trade. He and other speakers strongly urged "the smashing of trade barriers and freedom of competition in an open exchange market."

If taxes and tariffs were removed from production and commerce, we would be headed for real prosperity.

When you and I have things that we could exchange for our mutual benefit, anything that interferes and makes such an exchange difficult will hurt both of us. Whether the obstacle is a high board fence or an import duty or a sales tax, it must be removed.