

TAX FACTS

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RENDER UNTO CÆSAR

Those who advocate the sales tax are pluming themselves because they have at last discovered a tax that will reach the "non-taxpayer." The man who has been enjoying all the benefits of government, Federal, state and local, without contributing one cent toward their expenses will now, for the first time, contribute to the public funds. Even high officials and tax experts are guilty of holding this opinion and of using it as an argument against those who oppose the sales tax.

It is hard to believe that the general public is so ignorant of the facts. Yet, we see that all of the cries and lamentations provoked by high taxes come from those who are on the assessor's books, from "property owners." Not one word has been said about the taxes levied on commodities, such as food and clothing, household furnishings, etc. The public doesn't rebel against these taxes because it doesn't know that they exist.

A very enlightening article, the third and last of a series, appeared in the *Los Angeles Times* of January 3rd. "Tax Burden Takes Toll from Cradle to Grave" by William P. Helm. Perhaps, if Mr. and Mrs. Public would devote a little more time to such articles as this, and a little less time to the marital difficulties of radio crooners and such, they would understand what it is that is hurting them, and how to remove the cause.

Mr. Helm's article, undoubtedly has been a surprise to many people, and in the hope of bringing this matter to still more readers, we wish to quote rather liberally from its columns.

"The huge levies of last year, the prospectively larger levies of this, have come and will come out of the hide of every man, woman and child in the nation.

"The man who buys a loaf of bread pays seventeen kinds of immediately visible taxes, if he will but take the trouble to look under the wrapping paper. These are topped off by the new-fangled processing taxes on wheat. These taxes stretch all the way back to the wheat fields; they race with the wheat going to market; they climb into the elevator where it is stored; they proclaim themselves in the noise of the flour mill;

they bob up in the office of the wholesaler handling the flour; they fairly shriek their presence in the bakery or store where the purchase is made.

"If the purchaser walks home, he wears shoes taxed twenty-three times. If he rides in a bus or automobile, he pays forty-two kinds of taxes. If he takes the subway or an electric car home, the total number of visible taxes riding with him—if he will take the trouble to look into the subject—may run as high as fifty-eight."

If this be true, and we have no reason to doubt it, the homeowner who is complaining of high taxes because his tax bill doesn't please him is paying fifty-eight kinds of taxes every time he rides home on the street car! Remember that the producer of raw material, farmer, stock raiser, mine owner or what not is taxed for the material while it is in his hands; it is taxed again when it is in the hands of the manufacturer; and again when the finished product passes into the hands of the wholesaler and again into the hands of the retailer—this is to say nothing of the taxes on buildings and equipment that must be paid out of the price received each time the goods changes hands. Each time the material or finished products change hands, the tax is added and enough more to make a profit.

Mr. Helm has some information for the non-homeowner, too. "Similarly, the man who rents a house, an apartment or a room may feel pitying sympathy for the poor devil who owns his home and has to pay heavy property tax bills. It is misplaced sympathy. The renter may not know it, but at least two months' rent that he pays for his quarters goes every year, a survey discloses, to various tax collectors. The only difference is that the home owner pays the tax directly to the city, while the renter pays it through his landlord. There is no other distinction.

"A great many direct levies do not appear on the surface because they have been imposed so long that most folks are not aware of them. Every dining table in the land, for instance, is paying today a tax of about 2 cents a pound for

every pound of sugar placed upon it. That is a tariff levy; if the sugar retails for 5 cents a pound, 2 cents of the 5 cents is for the tariff and the other 3 cents is for the sugar—including a host of domestic taxes."

Mr. Helm has mentioned sugar, but keep in mind the fact that all this applies in more or less degree to every purchase that you make, from the meat and potatoes on the table to the rugs on the floor, from saucepans to pins. Your tax burden is a heavy one, indeed, whether your name appears on the assessor's books or not. Most of us must pay enough taxes to satisfy the collectors of city, county, state and Federal taxes, but in the District of Columbia, Mr. Helm points out, "there is but one taxing power, the Federal government. There is no multiplicity of tax collectors; only those employed by Uncle Sam and the district government which is directly under the Federal say-so. Here, if anywhere, public utilities, serving a large population compressed upon a few square miles, can serve their patrons cheaply. Here, too, taxes—so far as the number of levies goes—are fewer, perhaps, than anywhere else in the country. Fewer, but perhaps no lighter.

"A recent survey of taxes in the district discloses that its public utilities pay approximately twenty different kinds of direct levies and that one-sixth of their gross income, in round figures, is turned over to the tax collector every year.

"That one-sixth goes into every telephone and electric power bill paid in the district; into every street car or bus ride. Were it lighter, rates could be less, for rates are rigidly regulated. On the average, one-sixth of all consumers pay to public utilities in the district is taxes and nothing else.

"Congress not long ago passed a law lifting from consumers of electric power the three per cent levy on their bills. Congress said the power companies and not the consumers should pay the tax. It was a noble gesture and a grim joke. The consumers pay it just the same, although it does not appear on their bills, for power rates are regulated with an iron hand and when their profits rise beyond a certain figure, rates are reduced. . . . All public utilities collect from only one source, the public. The public pays all their bills, including their tax bills. When the public utilities are soaked with high taxes, they serve only as collection agencies for the tax collectors; the public pays the high tax bills because all the utilities income comes from the public."

This body of gentlemen referred to as "Congress" doesn't seem to have the ghost of an idea about the principles of taxation—but it goes right on spending our money! We have quoted extensively from Mr. Helm's article because it is of the utmost importance that people learn what constitutes the "tax burden" that is being carried by every man and woman in the country, whether

they are so-called property owners or not.

We believe that, with all the tax experts, taxpayers' leagues, etc., nothing can be done to aid industry, abolish poverty and unemployment, and increase the earnings of labor until the general public gets it through its head that the bills from the assessor's office are the smallest and least important tax bills of all; that these hidden taxes, as well as the much-touted sales tax, are the real tax burden that is crushing industry, and that they must be abolished. By the way, Mr. Helm begins his article with this sentence: "From the crossroads village to New York City, records of all units of government in the United States proclaim that there is no greater fathead in the country than the man who believes he pays no taxes." That applies, also, of course, to the man who believes that the sales tax must be supported because it is the only method of reaching that fabulous animal, the non-taxpayer.

William James, our great American psychologist, says: "There are at all times *some* ideas from which we shy away like frightened horses the moment we get a glimpse of their forbidding profile upon the threshold of our thought." Tax experts and taxpayers, alike, have been shying like scared rabbits from the idea of abolishing this multitude of taxes and establishing in their stead one tax on the value of land, a tax that cannot be shifted or evaded or hidden, a tax that automatically adjusts itself to the income of the taxpayer and to the needs of the community. Some day you folks are going to have gumption enough to get over your fear of the profile of this particular idea and look it squarely in the face, shake hands with it and welcome it into the bosom of your family.

We cannot do better than to close with one more paragraph from Mr. Helm's article: "The most common articles are loaded in price with batches of taxes numbering from a dozen or so up to several score. The blanket in which the new-born babe is wrapped bears at least twenty different kinds of taxes; the shroud which covers the dead has as many more. Even the funeral cortege carries a multitude of invisible revenue stamps. From the infant's first cry to the old man's last, the road through life is lined with taxes, the overwhelming number of which are hidden."

RULE BRITANNIA

The Britisher loves his freedom, cherishes it, boasts of it, fights for it—that is, to the extent that he understands anything at all about it. His "rights" are sacred to him, and it is most unfortunate that he does not include among them his natural right to the use of the earth. For centuries, he has allowed his fellow Britishers to hog the little Island, charge him what they pleased for using any portion of it, gradually appropriate his commons, and finally drive him

into the bread line—just as we do over here.

Evidently, the great lords fear to have the public, the ordinary liberty-loving Englishman, made acquainted with his real losses, for the land values of London are being kept a dark secret by the London County Council that made the survey recently. When the House of Have bases its security on the ignorance of the House of Want, it is not very secure. Information will leak out, and ideas develop in unexpected places.

The *Commonweal*, London, has this to say: "William the Conqueror was not powerful enough to include London in the great land survey known as the Domesday Book, and when in 1873 a second survey was made of Great Britain and Ireland by order of Parliament, the Metropolis again managed to secure exclusion. The London County Council have made a private survey, at the expense of the ratepayers, but will not allow the ratepayers access to it. It is locked up in the archives. In *The Great Robbery*, by J. W. Graham, a special chapter is devoted to London's land values, and some remarkable figures are given showing their tremendous increase due to the growth of population. Available evidence indicates that something like one-fourth of the total value of the entire land of Great Britain is located within the area of Greater London."

As this enormous land value flows into private pockets to enrich the lords of privilege, the liberty-loving Britisher is taxed and taxed again to meet the expenses of government, the costs of war, etc., etc., etc.

THE AMERICANO

Lee Shippey of the *Los Angeles Times* calls our attention to the fact that we have only one living ex-President "while five living ex-Presidents of Mexico are doing very nicely." It has been a matter of comment that with only eight years at most in the White House we should always be so short of ex-Presidents.

Why should governing a nation be such a deadly job? The natural law that man tries to satisfy his desires with the least exertion doesn't seem to hold true when he sets up a government. The only way that we can account for that is to believe that he doesn't know he is taking the hardest road and the most circuitous one, but that is the only path he has ever been known to choose. He stubs his toe regularly, falls on his head and almost breaks his heart trying to get out of a labyrinth of his own creation.

Ambition, greed, ignorance jostle each other for a place at the front in the race for political offices. In the business world, the men who fill responsible positions are usually there because they have shown ability in humbler offices. The race at the polls is not always won by the most intelligent, the most honest, nor the most efficient candidate. The rule of the people has largely

become the rule of privilege. Those who would take advantage of their fellows must control the elections, both local and national. An unthinking public is influenced by the press and by every form of propaganda.

Nor is this the whole story. Organized government, with the exception of its latest form, Communism, is too old to be classed as an experiment. Its history is marked from the beginning by the struggles of the masses, the common people, the non-privileged, to gain liberty, personal and political. It is their own ignorance, for they have always been in the majority, that has kept them from establishing the economic freedom that is the foundation of the other two.

The path of ignorance is proverbially the dark one, and along that we blunder year in and year out, doing everything, from levying taxes to spending them, the hardest way. No wonder our Presidents wear out so quickly.

SPECIAL NOTICE

Several Tax Fact readers, by their own confession, have been copying its editorials, in part or entire, signing their own name and sending the material off as "letters-to-the-editor." Their excuse for doing this is their desire to spread arguments and information concerning the land value tax. We appreciate the compliment implied and heartily endorse their desire to help the public in its struggle with social problems, but may we call your attention to the fact that it places Tax Facts in a very embarrassing position. No reader who may see both publications has any way of knowing which article is the original, whether Tax Facts is copying word for word from the newspaper, or the letter writers from Tax Facts.

It is just as dishonest to steal another man's writing as it is to steal his money or his tangible property. If you wish to quote from Tax Facts, do so, but give the little paper credit for it—or else write your own wheeze. Tax Facts is a tiny paper, but we're doing our sawdust best. Have a heart.

THE LOAD ON INDUSTRY

"It is industry that furnishes employment. Industry is selfish and will not function without a fair chance to make a profit. Economic law governs industry, and revival will come when economic conditions provide the incentive-profits. Each new tax burden that is placed upon industry is a new brake on economic recovery."—Mr. W. R. Lence, Managing Director of the Louisiana Taxpayers Association.

Maybe the reason so many laws are passed is to allow for breakage.—*Charleston Gazette*.

The brain trust is now starting to provide the economic cloud with a silver lining.—*Indianapolis Star*

Youth has got out of hand, a writer says, because those in charge of directing its destiny "dozed at the wheel." Or, perhaps, slept at the switch.—*Little Rock (Ark.) Gazette*.

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THE HEARTHSTONE

While the Administration is advocating a back-to-the-land movement, Prof. O. M. W. Sprague, Professor of Banking and Finance, Harvard Business School, would reverse the order and send more people into the industrial field. "Reasonable prosperity for agriculture," says Mr. Sprague, "will not be attained unless conditions become such that a considerable number of people now engaged in agriculture find occupation elsewhere. . . . Farmers are too numerous to control supply, and production is an annual process."

Industry, thinks Prof. Sprague, must absorb, not only the great army of unemployed, but also many of those now engaged in agriculture. Our problem is to find "a continuing and profitable demand for a very much enlarged industrial output." Prof. Sprague believes, and rightly so for we are all born "gimmies", that there already exists a potential demand for more industrial products, and that this is particularly true in regard to "that most complicated of products, better housing for the mass of the people. Families in this country with incomes of \$3000 or less are not as well housed as they would like to be nor are the equipment and furnishings of their homes all that they would wish them to be.

"Here is a virtually unlimited opportunity for the employment of more labor and material. It is, however, a possibility that can only be realized by producing houses at lower costs and therefore at a lower relative price than at present."

To increase the number of homes throughout the land and to improve the majority of those now existing, would increase employment enormously. All of the mills and factories engaged in making the myriad things that go into the furnishing and beautifying of homes would find it necessary to speed up production and keep it up.

Prof. Sprague touches very briefly on the most important phase of the homebuilding program. He has stressed through several articles the need for lower prices of commodities and lower costs of building materials. This is for the purpose of stimulating production, but we must not forget that these producers of building materials and house furnishings are entitled to fair wages for their labor and interest on the capital invested in machinery, buildings or equipment. Out of these

prices, too, must come that return to the silent partner in all production, land rent. These producers are making things, creating wealth, producing articles that add to the comfort and pleasure of mankind. It is not the prices of building materials that must be kept down, but the sum that must be invested in a lot on which the home is to stand.

Considering its importance, it is unfortunate that Prof. Sprague has dismissed this point in so few words. "An accelerated house building program, even though costs are held down or reduced, may be checked by an upward movement in the price of land." That is exactly what would happen. As costs of materials were lowered and more and more people were encouraged to build homes the demand for building lots would increase, and any little boy or girl can tell us what happens to real estate values when there is a demand for lots. All that the home builders would save on materials would be gobbled up by the landowners—and a great deal besides.

Mr. Sprague would avert this catastrophe, which he senses only vaguely, by promoting a definite program of policies agreed to by all concerned. "Given the necessary support of public opinion, I believe that an accelerated program of home building with better equipment and furnishings is entirely feasible. In the formulation of such a program, I believe it possible to obtain the support and co-operation of organized labor in the construction trades, but only on one condition. This condition is that it shall be very certain that producers of materials and fabricated products, landowners and builders definitely adopt policies designed to produce houses at lower costs rather than seek to obtain an incipient and temporary rake-off. . . ."

Prof. Sprague couples the "landowners" with the idea of "policies designed to produce houses at lower costs" as nonchalantly as if landowners were accustomed to take less than they could possibly squeeze out of prospective buyers in a speculative market. The Escrow Indians of old Boston town must be of a gentler breed than the California variety to warrant any such hope in the breast of a Harvard professor. Not until a change in our land policy is "given the necessary support of public opinion" can we hope to build homes in the number and quality that we wish.

Those homes that the administration and Prof. Sprague are talking about must be built on lots that are now vacant or inadequately improved. The owners of these lots bought them as an "investment" and have held on to them through the lean years and paid taxes on them—otherwise they might have gone flying off to the moon or dissolved into mist—and certainly after making this heroic sacrifice, which has benefited nobody and has injured the whole social group, they are not going to let go of their lots for one cent less than they can get by hook or crook.