

TAX FACTS

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THE CHAIN STORE TAX

The late Thomas Mott Osborne told of a prisoner at Sing Sing who had been convicted of burglary. He protested his innocence from the moment he was arrested until Mr. Osborne elicited the truth from him after four years of his incarceration—and the truth was that the man really was innocent of the crime for which he was convicted, but he couldn't furnish a convincing alibi because on that particular night he was robbing another house two blocks away.

The crushing burden of unjust taxation has placed business men in a similar predicament. The chain store tax bill, for instance, is an excellent example of muddled thinking and unjust legislation. It is also the mark of short-sighted self-interest, yet, the afflicted merchants cannot present a convincing case without setting forth some important economic truths which they are not willing to admit. They could not refute the weak and foolish contentions of the independent merchants because they were ignorant of, or unwilling to use, the only arguments that would clear the ground. Yet, unlike the unhappy house-breaker who was bound to lose either way, these business men have nothing to lose and everything to gain by telling the truth.

So far as we have been able to learn, the chief argument of the independent merchants is that the chain stores can sell their goods at lower prices. If there is a sillier argument for penalizing or eliminating chain stores, we haven't heard it. One of the goals for which we are always striving is that of gaining our ends with the least possible exertion, producing goods quickly and easily and cheaply. If the chain store merchant can do this very desirable thing, yet is forced into a position where he must arbitrarily raise his prices to meet those of the independent, then the independent merchant is a liability and not an asset to the community, and the unnecessary advance in prices that the public must pay is nothing but cold charity. The community would be better off if the independent closed his shop and lived on the dole.

The point is sometimes made that the chain store moves into a town, lowers prices until inde-

pendent merchants are forced out of business, and then raises prices. This is obviously untrue, because the independent can make a profit at the advanced price, and the threat of his return is sufficient to hold down prices.

As a matter of fact, it is not *big* business, but *privileged* business that makes trouble. Oddly enough, the privileged business operating on the chain idea in California, didn't get caught in the trap. We refer to the oil business. The chain stores that must bear this heavy burden are grocery stores, bakeries, markets, drug stores, hardware stores, auto supply companies, five-and-ten-cent stores and others of a similar nature. That is, they don't enjoy any special privileges from the government. They are not, and cannot be, monopolies.

While the Governor and legislature were wrestling with the tax bill, merchants of both varieties flocked to Sacramento, more than 2000, according to the press, but they do not regularly maintain lobbies at Sacramento or at Washington. Why should they? Neither chain store nor independent merchants are asking any odds of the government. It is true that you cannot operate a store of any kind without a license, which is a small privilege, to be sure, but there is nothing to prevent your obtaining one if you feel an urge to sell soap or neckties or cinnamon buns. No chain store has a monopoly on the business. The only advantages they have, come naturally from efficient business administration and cooperation, or combined effort, and the public benefits directly from this service.

President Roosevelt, in his share-the-wealth plan, made no distinction between privileged and competitive business. To him, business is just big or little. The general public falls into the same error. A young lady with a taste for titles, and a purse to satisfy that taste, was recently and unfavorably compared to a wealthy man who has given large sums for scientific research and other projects designed to benefit humanity.

This man's fortune was built on privilege. By monopolizing natural resources and means of transportation, he and his corporation are, and

have been for years, charging more for their products than they could in a free and open market. Thus, having taken more—much more—than he has honestly earned, he gives back to the people a small portion of the booty in the name of philanthropy. It glorifies his own name and throws dust in the eyes of the dear people so they cannot see he is robbing them as truly, though less frankly and courageously, as the house-breaker does.

The young lady, on the other hand, is enjoying a fortune that is not the direct result of privilege, but is possible only through that basic monopoly that affects us all. We'll come to that later. Five-and-ten-cent stores have no monopoly on selling thread or screw drivers or swimming caps. If you don't get your nickel's worth, it's your own fault. Presumably, you buy with your eyes open; certainly, you buy in a competitive market. You are not obliged to purchase the goods at that particular store. In the case of the monopoly, you have no choice.

Now, what is the truth that must be told if industry is to be relieved of oppressive taxation and started on the road to prosperity? Men must learn that all taxes on business—on building and equipment, on goods and sales, are unjust and unnecessary. If the merchants, both chain and independent, will stop tilting at windmills, and level their lances at the real monster that is devouring both wages and interest, they will have no occasion to cross swords and wound each other.

The truth from which they both shrink is the fact that land monopoly, that speculation in land, has robbed men of their natural opportunities to labor. This has thrown many people out of work and reduced the wages of others. It has so curtailed buying power that much of the goods that people actually need lies untouched on merchants' shelves. It is not chain stores, but the privilege and custom of holding land idle, the legal, but not moral right, of the individual to appropriate land values that belong to the community—it is this that has deprived merchants of their customers. Yet the idea that investments in real estate are a good thing is so deep-rooted in the majority of minds, that business men are afraid to change, however gradually, the world-old custom of paying tribute to the lords of the earth.

If Mr. Roosevelt is still troubled about the bigness of fortunes that are not based directly on privilege, he will find the answer to his problem in this: land monopoly has deprived men of their natural opportunities to labor, jobs have become scarce, men are forced to work for any wages they can get—even when the wages are fixed by labor unions. All industry takes advantage of this situation and pays no more wages than it has to. There is no earthly reason why

it should. Anything else would be charity. If jobs were seeking men, instead of men seeking jobs, as should be the case, the girls behind the counters and the boys in the stock rooms would be getting higher wages, and the little heiresses would have less to spend on European royalty.

It is rather odd that Mr. Roosevelt should be so determined to bite off huge chunks of Henry Ford's large fortune, but has nothing to say about the land values that are going into private pockets. The Ford and other automobile companies employ thousands of men. This growth in population, with its greater demand for land, has increased land values in Detroit enormously. That value is created by the people and it belongs to the people, yet the land owners are allowed to pocket the high rents and the selling value when sales are made.

Whatever advantages the Ford Company enjoys from the general economic situation, at least it is producing automobiles; while the landowners, in their capacity as landowners, have produced absolutely nothing. If they are apartment house owners, or cobblers, or pie-men on the side, that is another story.

This appropriation of public values by private individuals seems not to disturb the President, nor the chain store owners, nor the independent merchants, nor any of the distressed business men that we have met. There isn't anything wrong with chain stores, they are serving the public admirably. There is everything wrong with our present land policy. As long as industry refuses to turn its attention to the land problem, it will have to bear an ever increasing load of taxation.

The matter is very simple. Many buildings belonging to chain store merchants stand on leased ground. The sum paid annually to the owners of that land is the rental value of that particular plot. If it were paid into the public treasury instead of to individuals—and under such circumstances it would undoubtedly be less than it is now—there would be no need to put a tax on the building, nor on the furnishings and equipment, nor on the merchandise, nor on the sale of goods. Just look what a heap of money the chain store men would save! But, bless their hearts, they won't have none of it. This tax relief idea would, of course, include all industry and all homeowners.

The more that must be paid out for the privilege of using land, the less will remain for wages and interest. Privilege is at the bottom of the trouble that merchants are having, but it is the monopoly of land, not of cream-puffs or hair ribbons. Mr. Osburne's prisoner had good reason for suppressing the truth, but the merchants of California will find real prosperity only when they face the truth that spells economic freedom for all.

IN CHINA

If land and labor are the primary factors in production, why are there millions of people starving to death in China? They, themselves, constitute labor—of a kind—and there must be plenty of land. According to press dispatches, these hordes rove all over the landscape.

There are two kinds of labor, physical and mental. These people could furnish physical labor, except when weakened by malnutrition or actual starvation, but they are a little short on brain power. As we understand it, the land is not fertile, but neither was our own Imperial Valley until our more enterprising people took hold of it and made it the "salad bowl" of the Nation. Whether that part of China is best suited to the production of lettuce or cranberries, we don't know, but our agricultural experts would soon find out.

There is, to be sure, the same senseless land policy in China that we cherish so fondly on this side of the Pacific. The fact that it has been maintained longer doesn't help matters any. It may be that the barrenness and inaccessibility render it unfit for either production or human habitation. It is not likely that such an immense country as China could not, with modern agricultural methods, be made to feed even her large population. Those unfortunate people have not the mental development necessary to build Boulder Dams or aqueducts or to farm on a scientific basis.

We know how to raise practically everything on our land except taxes. We're dumb about that.

Wisdom

More than a hundred years ago, Black Hawk, chief of the Sac tribe, said: "My reason teaches me that land cannot be sold. The Great Spirit gave it to his children to live upon. So long as they occupy and cultivate it they have the right to the soil. Nothing can be sold but such things as can be carried away." Before the white man came and robbed them of their land, the Indians had no unemployment problem, and their crime problem was negligible. Land speculation was unknown to those simple people—and so were the economic ills from which we are suffering. Black Hawk was right.

Salaries

The United States Government pays 989 salaries of \$10,000 a year or more and 7223 between \$5000 and \$10,000. These salaries are not exorbitant compared with higher salaries in private industry, but we can't help wishing that we could get a little more in the way of good government for our money.

Freedom and Privilege

"Freedom and privilege must exist together, but harmony in this relation is possible only with the most positive and unquestioned public regulation of privileged grants. Property in such privileged grants and property in industrial products do not stand upon the same footing. They are from different sources. They are not, properly, subject to the same law. In common justice products are to be defended. Grants are to be regulated. Either this or face the concrete development of events."—*John Z. White, Public and Private Property.*

Feminine Trends

A recent survey made by the Western Personal Service of Pasadena shows that women are becoming more and more interested in the earning of their daily bread rather than the baking of it. From 1910 to 1930, the total number of women engaged in gainful occupations increased 400 per cent while the number of male workers increased 260 per cent. During that period, the women in one classification, clerical workers, increased 700 per cent.

The Third Party

Many writers of featured articles are devoting considerable space to the discussion of third party possibilities. If all of the public men whose names are mentioned in this connection decide to become candidates for the presidency, three parties won't accommodate them. Now comes a League for a Woman President and Vice-President. Well, maybe it's not a bad idea, considering the present state of things. For centuries, the women have been cleaning up after the men folks when they got through making a mess.

Chain Store Tax

The chain store license tax is graduated from \$1 on one store to \$500 for each store over nine in a chain. Gas stations, ice distributors and theaters are exempt.

Justice

The American people are determined to weed out the parasites, the over-privileged. This is a sign of promise for the future. But this task must be approached in a spirit of justice and fair dealing. The indiscriminate sharing of the wealth of the Nation, as proposed in ever so many ways, is an offense against the moral sanctions of mankind. The problem must be solved in the spirit of reason and natural justice, and therefore the distribution of the fruits of productive effort must have the sanction of good morals and good economics.—*Hon. Charles R. Eckert.*

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AGUA CALIENTE

As Major Bowes says, the wheel of fortune spins. Round and round she goes, and where she stops nobody knows. She stopped suddenly and completely in Agua Caliente and Tijuana when President Cardenas of Mexico issued an order forbidding gambling. The closing of these two resorts threw thousands of Mexicans out of work, and the situation is really serious. These people were not engaged in productive labor, their work was in the nature of personal service. We never heard of any large fortunes being won or lost at these gaming tables, but whatever their size, they represented wealth produced somewhere else—mostly on Uncle Sam's side of the border. When the doors were closed, the Americans scurried for home, taking their money-bags, race horses and gambling fever with them. It is an excellent example of what happens to a community where men "make money" without producing wealth. Unless wealth is brought in from the outside, the situation is pretty hopeless.

Apparently, the realty interests of Los Angeles understand this and recognize the similarity between their game and Agua Caliente's wheels of fortune, for they are chuckling with glee over the influx of tourists, which is greater than it has been for several years. We have plenty of capital here to start things going—much more than the early settlers had. We have city lots and country acres ready for development. If we want to be a wealth producing state, we have merely to put men to work on this land, erecting buildings or cultivating crops, and labor is so anxious to come that the legislature actually considered a bill to keep it out.

But no, the realtors are not interested in opening up these natural opportunities to men who need work. Having invested their own money in land, they want tourists who will be so entranced with our climate and scenery they will want to invest *their* money in California real estate—principally because they want to resell at a profit. California clearly specifies that these tourists must be moneyed people and not the Model T variety.

That is exactly what kept Agua Caliente and Tijuana in business. People brought money from the outside. If someone like President Cardenas could put a ban on this form of gambling, perhaps we could get our idle men and

idle land together, and become such a bee-hive of industry that we wouldn't have to beg for contributions to provide milk for little children during the summer vacation. Their own daddies could buy it. Does the All-Year Club tell you Easterners that economic conditions in Los Angeles are so deplorable that the P.-T. A. is having difficulty raising funds to provide milk for 5000 needy children? About 4000 children are still short of their allowances. Does the Club tell you that the Los Angeles relief roll is the third largest in the nation? To say that this is caused by the flood of transients is no answer at all. If industry were booming as it should be, there would be a demand for this labor.

The Los Angeles Times was much perturbed to learn that California has been collecting \$500,000 a year in sales taxes paid by illegal gambling. "How the members of the board (Board of Equalization) can reconcile their attitude with the oaths they took severally to support the constitution and statutes of this State, is for them to explain."

The Times is not at all disturbed by the speculation in land. We speak of it as gambling because, in all essentials, it conforms to that favorite sport of mankind. When you bet on the turn of a wheel, you do so because you think you are a good guesser. You expect to win a greater sum than you "invested." You neither hope nor expect to add to the wealth of the community any more than a magician adds to the livestock when he pulls a rabbit out of a silk hat. There aren't any more rabbits in town than there were before.

When you invest your money in land with no intention of using it yourself, you do so because the population of the community is expected to increase, thus raising the value of the land. There won't be any more land than there was before. There will be the same quantity, but there will actually be less available while these investors hold their land out of the market waiting for the rise. When land is bought and sold, no wealth is produced by the transaction any more than it is produced by the spinning of the roulette wheel. If the game is to be kept up, wealth must keep flowing in from outside states just as it flowed over the border into Tijuana and Caliente; and just as one man's gain at the gaming table meant loss to others, every fortune that is "made" in real estate means loss to the individuals who were forced to pay the increased price for land, and loss to the community that needs that value to defray the cost of government.

All tourists please bring plenty of money if you want to play with Lady Luck on one of our nice vacant lots. The babies that are born here without bringing so much as their own safety pins with them are up against it.