

# TAX FACTS

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## HOME-OWNING AND GOOD CITIZENSHIP

**"A home on almost any terms is better than rent. A home owner is a taxpayer, and therefore a more deliberate and discriminating voter. A home owner is a better employee, a better husband, a better father, and a better and more useful citizen of the community in all respects. Bolshevism and radicalism would be inconceivable even here with only a little over a third owning their own homes. And our community welfare and future are rendered more secure in direct proportion to the increase in home ownership. It is as much a part of our duty as citizens to promote home ownership as it is to promote good schooling for the young. And financing the average man into his home is the best and most direct means of promoting that object."**

This opinion was expressed by Harry F. Hossack before the members of the real estate class of the University of Southern California. What Mr. Hossack said is true, and what he suggested in the way of promoting home owning is commendable. The question deserves further consideration.

There are two forces working against home ownership that not all real estate men appreciate. One is taxation, and the other is land speculation. The citizen cannot have a home without land to build upon, or without paying taxes on the building after it has been built. It is to the relation of these two forces that statesmen should give attention. If adjusted in one way the influence of these forces makes home owning very difficult. If adjusted in another way, it will make home owning easy.

To properly understand this problem, two facts must be borne in mind. First, taxes are levied for the purpose of providing public service for the citizen. Second, public service does not enhance the value of buildings, but does enhance the value of land. Concrete evidence of this may be seen at the Los Angeles assessor's office. Buildings are valued according to general classes and their cubic space, without any regard to their location. The lots are valued without regard to the buildings on them, but according to their location.

This is a sound rule as to valuation. A six room house can be duplicated as cheaply in the center of the city, as on the outskirts. But a fifty foot lot cannot be duplicated as cheaply in the civic center as at the circumference. Not only is it true that public service adds nothing to the value of buildings, but the value it adds to the lot grows as long as the service increases.

Since the valuation of the building is the cost of duplication, and the value of the lot depends upon the public service in a given locality, much depends upon how the cost of that service is defrayed. If taxes are laid upon buildings, the tax on lots will be less; and as the benefit to the lot will be the same, the smaller the lot-tax, the greater the gain to the owner. Thus originates land speculation. No one holds a building idle for speculation, because it does not increase in value. Many persons hold lots idle because they grow in value.

If, therefore, the building be taxed at the same rate as the lot—as the California law directs—a double injury is done to the builder. First, he pays for service that redounds only to the value of the lot. Second, the value that comes to improved lots from public service, comes also to unimproved lots, and the speculators holding the vacant lots advance the price to future home builders. It must be apparent that the more the

would-be home owner has to pay for the lot, and the higher the tax on the house when built, the harder it is for him to get and keep a home.

On the other hand, if the cost of public service be laid upon the lot, which alone is increased in value by the service, there will be less profit in holding lots idle. Indeed, with such a burden on vacant land the growth of the community would have to be very rapid to equal the interest and taxes. When the annual increase in value falls below the interest on the investment, idle lots will be forced into the market, and the price will fall. With a lower cost for the lot the homeseeker can build easier and build better.

The plans mentioned by Mr. Hossack for aiding home owning—co-operation, low interest, easy payments, etc.—while good in themselves, will be nullified by the advance in the price of lots. The percentage of home owners and farm owners throughout the country is growing less. The price of land, both urban and rural is advancing throughout the country. The more builders are aided by government and by philanthropic societies with cheap money and easy terms, the higher the price of land will go.

The whole matter may be summed up thus: The cheaper the land the better for users; the dearer the land the better for speculators. If the cost of public service be shifted from buildings to lots, the price of lots will fall, which will make it easier for a man to get a home. If a large part of the cost of public service be laid upon buildings, the price of lots will rise, which will make it harder to get homes.

The question for statesmen and sociologists to determine is this: Should the tax laws be drawn in favor of land speculators, or in favor of home owners?

### THE COST OF COAL

Consumers who pay twenty to twenty-five dollars a ton for coal, and read of miners who are barely able to make both ends meet, are beginning to wonder where the rest of the money goes. The same thought apparently, has occurred to the anthracite miners. They declare that six coal companies in 1920, made profits of \$32,000,000, as compared with \$8,800,000 in 1912. And they have petitioned the United States Coal Commission to investigate.

This is a timely suggestion. The whole anthracite industry should be investigated; and there should be representatives of the

miners and the consumers on the commission. The price paid by the consumer should be traced back through the retailer, the jobber, the railroad, the operator, the miner, the owner of the land, and the assessment on the tax roll. Particular attention should be given to the assessment on the tax roll.

A single instance of coal land assessments will illustrate the importance of this factor in the problem. In the county of Schuylkill, Pa., the coal deposits have been estimated by experts to be worth \$20,000,000,000. Last year they were assessed at \$53,000,000. One \$15,000,000-tract was assessed at \$500,000. A number of tracts were not assessed at all. County officials were so subservient that they starved the public service, while they enriched the coal monopolists.

But not all citizens of Schuylkill county were asleep, or afraid. Frank C. Reese has for years sounded the alarm by articles in the press. The Pottsville *Evening Republican* took up the fight. The people were aroused. As a result, the coal lands assessment has been raised from \$53,000,000 to \$433,000,000. Speaking of a "hundred thousand a year dead royalty" received by the owners of a certain piece of coal land, the *Evening Republican* says it cannot continue indefinitely. And adds: "No little reason for this is that the new taxes on coal land will require their operation in order to have some kind of 'a tax earner'."

Supplementary to this *The Bulletin*, published by the Manufacturers and Merchants Federal Tax League, Chicago, calls attention to the Keller bill in Congress, which it is supporting. The bill provides for a Federal tax of one per cent on the privilege of holding lands and natural resources worth over \$10,000, after deducting the value of all buildings, personal property and improvements. This bill is designed to route the dogs out of the manger in such cases as the anthracite coal land owners; and at the same time to reach those land owners whose lands have doubled in value since the breaking out of the war, and yet have paid no war tax.

"Not only will this bill alone permit a billion dollars in federal taxes to be shifted from the over-burdened industries of the country," says the Manufacturers and Merchants Federal Tax League, "but by discouraging land speculation and stimulating the proper utilization of our natural resources—while at the same time giving to one hundred million consumers a vastly enlarged purchasing power—it will result in a state of permanent industrial prosperity."

The price of coal mounts in direct propor-

tion to its scarcity. Scarcity can be increased by withholding coal lands from the market. The withdrawal of these lands from the market is aided by low taxes, and discouraged by high taxes on coal lands. If the vast anthracite fields be taxed at their annual value, there will be no profit in holding them idle. If the coal be mined there will be more work for miners. If it be marketed, there will be more coal for consumers. Will the Federal Coal Commission look into the matter, and give us the facts?

### PRESERVING SINK HOLES

Stockton, Cal., like many other cities, has preserved one of its early land marks by allowing a historic building to go to ruin, and the surrounding ground to become a sink hole, cluttered with shacks and refuse. Of the present owner of the property so intimately associated with Captain Weber, the Stockton Forum says:

He is willing to tear down and rebuild, but does not want to do that if the neighboring lots are to be left in their present condition, as a place would be worthless in such surroundings. The sensible thing for an individual owner to do is to escape prosecution for maintaining a nuisance, if he can, and (if he does get by) simply do nothing but absorb the increment that the growth of the city produces in ground so strategically situated at the head of navigation and in the heart of the city.

Weber point is an odd mixture of sentiment and unearned increment,—litter and filth.

### CALIFORNIA SANITY

Editor Tax Facts:

Though out of sympathy from the first with the "all-at-once" agitation in California, and long apprehensive of its prejudicial effect upon the righteous social doctrines which Henry George developed and the wise crusade which he urged in their promotion, I have all along considered that inasmuch as I was not a citizen of California it would be presumptuous for me to thrust myself actively into the controversy. Aside, therefore, from giving my opinion when asked for it, I have been silent. It seems to me, however, that I should feel free to express my gratification upon reading the "Message to Singletaxers" from the Executive Committee of the Los Angeles Singletax League which appeared in the February issue of Tax Facts. The excellent message and the considerate editorial of the same issue, entitled "Rational Tax Reform," are in my opinion hopeful signs, not only for the passing away of the impossible and obstructive "all-at-once" policy which threw the Singletax movement in California off the main track, but also of the return of all thoughtful Singletaxers to the progressive process which Henry George formulated for realizing his splendid objective.

LOUIS F. POST.

Washington, D. C.

### NOTES

The old feudal idea of taxation—if a man has anything, take it away from him—survives in the modern idea of taxation according to ability to pay. It sounds plausible, but works discouragement to enterprise.—*Commerce and Finance.*

"Whenever a bond issue is made for school buildings," says Howard M. Holmes, "land speculators always get the first big slice after the bond dealers get theirs. This important fact was not mentioned at the meeting of the N. E. A. It wouldn't have been good form."

If we must have an income tax, justice demands that the rate be less on earned than on unearned incomes. A man with a five thousand dollar income from government bonds dies; his family enjoys the income without interruption. A man with a five thousand dollar salary dies; his family has nothing. Is there any justice in taxing them alike?

A free copy of Tax Facts is an invitation to subscribe. The paper attempts to show in temperate spirit, and in brief articles, the fundamental relations of taxation to society. The price is 50 cents per annum. During a limited period three copies will be mailed for one dollar to separate addresses, or Tax Facts and Progress and Poverty, by Henry George will be sent for one dollar.

Without wishing to appear as an apologist for a ship subsidy, it might be remarked that to accept the Fordney-McCumber bill that enables manufacturers to increase their prices \$694,000,000, and vote down a \$50,000,000 bonus to the American merchant marine, savors of swallowing a camel, and straining at a gnat.

A Los Angeles real estate authority says that apartment house sites have doubled in value in the last eighteen months. And the inference drawn from the accompanying comment is that they will double again within a short time. This is fine for the speculators who happen to own apartment sites. But what about the future citizens who will have to rent space in buildings erected on these high priced sites?

Losses through business failures in 1922 were unusually severe. There were 23,676 failures of mercantile institutions during the year, involving liabilities of \$623,896,251. This is in excess of any other year in our history except 1921, which was equally bad. This means that nearly 12 per cent of the concerns engaged in business failed in 1922, and over ten per cent in 1921,—almost a quarter of all the business enterprises in the United States.—*The Hundred Thousand.*

Humanity lost one of its dearest friends in the death of Charles D. Williams, Bishop of Michigan. It was his to see divine law in the social world, as well as in the spiritual; and he strove cheerfully and tirelessly to bring about that economic readjustment that should bring the kingdom "on earth as it is in Heaven." Like Bishop Nulty of Ireland, Father Huntington of the Paulist Brothers of New York, and Dr. McGlynn of Brooklyn, Bishop Williams believed with Henry George, that when man recognized the equal right of all men to the bounties of nature, the prayer would be fulfilled.

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## BEFOGGING THE ISSUE

Had the beneficiaries of privilege combed the world for special pleaders they could not have strengthened their position more than has been done by the Socialists, who mistake the fundamental cause of social and economic trouble, and the class of extremists who, knowing the cause, seek its removal by wrong methods.

To ascribe the wrong cause is to enable the offender to set up an alibi. To attempt the removal of the evil by extreme measures, or in an unreasonable way, may appear to the average man like suggesting a greater for a lesser evil.

The spectacular charges against "capitalism," made in Parliament, by the Socialist leaders of the British Labor Party will defeat the purpose in view. Ascribing British industrial troubles to the wrong cause is merely to give the real offenders new opportunities to further entrench themselves. To name capitalism as the origin of present economic confusion, is akin to saying that sin is due to humanity. It gets us nowhere.

The confused state of mind of Philip Snowden, Ramsay MacDonald, and other Socialists, comes from their failure to distinguish between radically different things. In their economic philosophy there are but two fundamental factors, labor and capital. Labor, they say, has not received its full share in the advance of the world. Hence, capital is to blame. And the remedy is to set up a "social order based upon public ownership and democratic control of the instruments of production and distribution."

But the fundamental factors are not two, as Socialists claim, but three: labor, land and capital. Land is as different from true capital as it is from labor. Its reaction is directly opposite to that of capital. To treat them as one under the term "capitalism" is as absurd as it would be to combine the plus and minus signs in algebra.

Land comprises the natural elements outside of man. Capital is stored up labor used

in further production. The owner of capital can not use it without employing labor. But land, being fixed in quantity increases in value with the growth of population. Hence, its owner may enrich himself without employing labor. He is privileged by statute law to take toll from both labor and capital for the mere permission to use a natural element.

Necessarily the amount of toll taken by a land owner, as a land owner,—and not as a laborer or capitalist—must come out of the the joint product of labor and capital. As capitalist competes with capitalist for opportunity to use land the toll mounts, till what is left for wages and interest is not sufficient; and they accuse each other.

When, therefore, Socialists charge capital with responsibility for industrial breakdown, the real capitalist knows the charge is false and the land lord hides under his cloak. It is only by dividing the term "capitalism" into two parts that the responsibility can be fixed. Having correctly analysed the problem its solution will be easy.

England is said to be the most heavily taxed country in the world. The great part of these taxes fall upon labor and capital, while land owners reap the benefit of modern industry. England has grown enormously in wealth, as Richard Cobden predicted when he opposed the taxes on trade; but that increase has gone mostly to the owners of England, the mine owners, the city-lot owners, the landowners generally—and not to labor or capital. Wages are little higher and interest is lower than in Cobden's time, but the rent and price of land has risen enormously.

England's plight can be relieved by carrying Cobden's program one step farther. Removing taxes from trade stimulated trade. Taking taxes off business will stimulate business. The gain from free trade was swallowed up by the advance in land values. If taxes be now shifted from industry to land values, labor and capital will recover a part, at least, of what was taken from them by land lords.

The platform of the Labor party declares for the taxation of land values. If the members stand by that they will lead the country out of the economic morass. If they will defend labor and capital against privilege they will advance. If they allow themselves to be led by a few doctrinaire Socialists in a Quixotic attack on "capitalism," they will fare no better than did the doughty knight in in his set-to with windmills.