

TAX FACTS

Published in
the interest of

SOUND ECONOMICS

and

AMERICAN IDEALS

Vol. III.

Los Angeles, Calif., October, 1924

No. 6

Making Better Americans

To re-awaken in America a realization of the responsibilities of citizenship; to induce a more general and intelligent acceptance of those responsibilities to oppose the development of class consciousness and the class domination of government, business or society; to defend the right of private property as the only practical incentive to the full exercise of individual energy, skill, and thrift. Constitution of the Better American Federation.

Making better Americans is a worthy endeavor. No people ever had a better opportunity to be great. And, consequently, no people ever bore a greater responsibility. It is their duty not only to make the most of their opportunities for their own sakes, and for those who are to come after them; but it is their duty to succeed, if success be possible, for the sake of the less favored peoples in other lands,—lest they despair utterly.

The avowed purpose of the Better American Federation, as quoted above, is worthy of all praise. Any body of men and women who will honestly, intelligently, and unselfishly work to that end is most deserving. But the success of such endeavor must in the end depend upon recognizing actual conditions, and directing effort toward attainable ends.

America's greatest philosopher, Benjamin Franklin, said: "It is hard for an empty sack to stand upright." Translated into present-day terms this means that appeals to patriotism and the finer traits of character are likely to meet with little response from those who have no substantial stake in the country. As the wit facetiously put it, "Few men will lay down their lives for a boarding house."

As an example of the practical better-American makers the efforts of the Tax Relief Association of California may be cited. This organization is approaching the problem of character building of the American people from the fiscal side. In a recent address in behalf of the measure to be introduced in the legislature, ex-

empting from taxation \$2,000 worth of improvements on land, and all personal property, the Association says:

It is hard to get a start in the world. Taxation should be less on a man when struggling for a bare living than when he is more prosperous. The proposed exemption will have the same effect as the \$2,000 exemption of the Federal Income Tax Law. In the same manner our inheritance tax laws relieve small inheritances.

In former days the Federal Government helped a man to get a start in life by allowing him to homestead 160 acres of government land. As such land was seldom worth more than ten dollars an acre at the time of homesteading, the economic value of the Government's gift did not exceed \$1,600. Compare this in economic value with the \$2,000 exemption of improvements of the small farmer. Assume a tax rate of four dollars a hundred—perhaps this is an average tax rate in many parts of California—and the taxes exempted on \$2,000 worth of improvements would be eighty dollars a year. Eighty dollars a year, considered as interest on a five per cent basis, and capitalized into principle, equals \$1,600.

In view of the fact that farm tenancy in the United States increased, according to the Census reports, from 25.6 per cent in 1880 to 38.1 per cent in 1920, it is only natural to infer that there must be some basis for the discontent in the farm regions. When the farmer, who is naturally conservative, breaks away from his old party affiliations it means that his faith in the old order has been rudely shaken. If he, with all that science and invention have put in his hands, cannot do as well as farmers fifty and a hundred years ago did he wants to know the reason.

Is it not worth the while of persons other than politicians to inquire into the

cause and cure of this trouble. Until educators, and responsible investigators and students go to the bottom of this problem, and make an intelligible statement of the facts, together with a practical remedy, we shall get nowhere. It is not wise to pin too much faith to disinterest—devotion to country when increasing wealth is accompanied by a decreasing proportion of farm owners and home owners.

American farming has held out two inducements to the farmer: First, the gain from what is produced on the farm; and, second, the gain from the increase in the value of the land. These two interests are conflicting. If the farmer uses his land for crops he wants only as much land as he can till to good advantage. If he uses the land for speculative purposes he wants all the land he can get.

The working farmer uses his capital and credit to equip his farm with every labor-saving device, and builds up the fertility of his soil. The speculative farmer expends his capital in buying more land, and neglects his improvements and soil. As soon as possible he rents to tenants too poor to buy, and these tenants neglect improvements and soil.

The speculative farmer, if successful, increases his own fortune, but he depletes the wealth of his country. Whereas, the working farmer, when successful, increases his own and his country's wealth at the same time. Nor is this all. The speculative farmer who increases in wealth at the expense of his country becomes a cynic himself, and makes a lot of discontented citizens who, being themselves propertiless, have nothing to lose by a social upheaval, and everything to gain.

The only certain and steadfast defender of the rights of private property is the man who owns private property. Possession far outweighs exhortation. Abstract love of country has its appeal for high-minded persons, but a financial interest makes that love concrete. The Better American Federation, and other patriotic societies, cannot do better than to study the program of the Tax Relief Association.

Make it easier for the struggling tenant to own a farm, and for the weaker brother in the city to own a home; stimulate business and stabilize employment by removing the too-heavy load of taxation, and there will be no temptation to be anything but a good American.

DIRECT LAW-MAKING

Five laws relating to taxation, which appear on the California ballot, should arrest attention:

No. 3.—To impose a poll tax—should be defeated. The poor are already overburdened by taxes on consumption. Having paid as much tax as the rich on sugar and other necessities, we should not add an equal head tax. Vote no.

No. 4.—To exempt from taxation the bonds of public utility districts. These bonds should be on the same footing as the tax-exempt State and municipal bonds. Vote yes.

No. 5.—Exempting lands leased by the U. S. Government for air ports. Taxes on land values are paid by the owner. Exempting air port leases would merely add to the land owner's income, without aiding the Government. Vote no.

No. 9.—Empowers the legislature to tax non-California securities at a nominal rate in order to tempt holders to list them. These securities are now taxable, but they are concealed. A better law would be to exempt them from taxation along with California securities. Vote No.

No. 16.—State Water and Power Act. This is the same measure, with a few minor corrections, as that submitted two years ago. It is a comprehensive plan to develop the water power of the State by the people, for the people. There is nothing new to be said of it. Persons who believe in publicly owned highways and water works—which were private enterprises not so many years ago—will favor the measure. The charge that it will add enormously to taxes is false.

When a city issues bonds for waterworks, the people are burdened no more than if a private company issued bonds for the same utility. Bonds will be issued for the development of power, whether the work be done by the people or by private companies, and the consumers will pay the entire cost. While the State Board of Railway Commissioners fixes the rates of private companies it does not fix the expenditures. As the Commission allows a generous percentage on the investment and operating expenses there is little incentive to economy.

Few private companies are so small that they cannot have a \$25,000 president. The Pacific Gas and Electric Company pays its president \$50,000. Sixteen of the highest officials receive ten thousand dollars, or

more, a year, the average being \$15,875. When it is realized that the Governor of the State receives only \$10,000, it will be seen why the officials of these companies are using such desperate means to defeat the Water and Power Act. Vote yes.

TAXING CORPORATIONS

The most casual scrutiny of the State tax system will show that each user of gas and electricity, each patron of the street railways and the steam railroads, each purchaser of a gallon of gasoline pays his share of the cost of the State government.

Under the California State tax system the corporations merely collect the taxes they pay to the State; their own earnings and activities being regulated by the State Railroad Commission. The commission operates on the simple basis that taxes paid to the State by the corporations must be reflected in the rates charged to the consumer. —*Los Angeles Times.*

ARTISTS IN THE ROUGH

"The reason why Los Angeles is not world renowned in art for its museums and statuary, its grand public buildings, its thousands of fountains with dancing nymphs, tritons and fauns," said David Edstrom, the sculptor, "is that Los Angeles does not understand the artist."

"But that is not entirely true—there is one type of artist who is understood here—the real estate salesman, the man who can make any old hole or hill or sand dune flower into a new Eden.

"I have often dreamt of what a school of poets and artists Los Angeles could create were our real estate salesmen converted into real workers in stone and on canvas and all their divine talk given more permanent form."

GETTING SOMETHING FOR NOTHING

The great sore spot in our modern commercial life is found on the speculative side. Under present laws, which foster and encourage speculation, business life is largely a gamble, and to "get something for nothing" is too often considered the keynote to "success." The great fortunes of today are nearly all speculative fortunes; and the ambitious young man just starting out in life thinks far less of producing or rendering service than he does of "putting it over" on the other fellow. This may seem a broad statement to some; but thirty years of business life in the heart of American commercial activity convinces me that it is absolutely true.

If, however, the speculative incentive in modern commercial life were eliminated, and no man could become rich or successful unless he gave "value received" and rendered service for service, then indeed a profound change would have been brought in our whole commercial system, and it would be a change which no honest man would regret.—*John Moody, Wall Street Publisher, and President of Moody's Investors' Service.*

A SIMPLE REMEDY

An exemption from taxation of all improvements on lands farmed by owners would have a wholesome tendency to reduce land speculation.—*Henry Allen, Governor of Kansas, 1919.*

PITT UNDERSTOOD THE TRICK

To levy a direct tax of 7 per cent is a dangerous experiment in a free country, and may excite revolt; but there is a method by which you can tax the last rag from the back and the last bite from the mouth without causing a murmur against high taxes; and that is to tax a great many articles of daily use and necessity so indirectly that the people will pay them and not know it. Their grumbling then will be of hard times, but they will not know that the hard times are caused by taxation.—*William Pitt, in the British Parliament.*

A LAUDABLE AIM?

Los Angeles City Council, considering a proposal to change the name of Childs Avenue to Griffith Park Boulevard.

Councilman Mallard: "Just a scheme to increase real estate values!"

Councilman Allan: "And is not that a laudable aim?"

LECTURES ON TAXATION

John Z. White, famous economic authority, and lecturer on taxation, will tour the Coast States from January to April. Arrangements for meetings can be made through F. H. Monroe, 538 S. Dearborn Street, Chicago, Illinois.

NOTES

The war that will end war will not be fought with guns.—*Columbia Record.*

There is nothing the matter with the rising generation after it gets up.—*Toledo Blade.*

Economic forces pay no attention to political claptrap and official mandates.—*C. E. Kunze.*

"The number of square people, not the number of square miles, makes a country great."

About the only mark civilization leaves on some people is a vaccination mark.—*Palatka (Fla.) News.*

The savage tribes of Africa pay no taxes, so it is a mystery what makes them savage.—*New Britain Herald.*

In Jugo-Slavia, Congress is called skupshtina, which is nothing to what our Congress is sometimes called.—*Wichita Beacon.*

Taxing monopoly values for government uses seems to me to be the most excellent policy. —*Judge Ben. B. Lindsay, Denver.*

Politicians who promise to save the farmer always make the condition that the farmer is to save them first.—*Shoe and Leather Reporter.*

International finance is a fascinating thing. It consists mainly in borrowing money to repay money previously borrowed.—*San Diego Union.*

Australia is wanting millions of new settlers. The best way for her to get them is to close her immigration gates. Smugglers will do the rest. —*Nashville Banner.*

Our Government is operated on a system of "checks and balances," wherein the people put up the checks and the special privileges get the balances.—*Columbia Record.*

TAX FACTS

Published Monthly
at 420 American Bank Building,
Los Angeles, Cal.,

EDITOR.....STOUGHTON COOLEY

Subscription per year 50 cents

Vol. III Los Angeles, Cal., Oct., 1924 No. 5

LEGAL BOODLING

Are government agencies less efficient than private business? If so, is it due to executive incapacity, or to legislative ignorance?

Let it be remembered that every act of government affects the value of privately-owned property. Bringing the Owens River Aqueduct through the San Fernando valley, for instance, increased the value of the lands in that valley from thousands of dollars to millions. Fixing the civic center of Los Angeles at the Post Office added millions of dollars to the value of the lands in that moribund section.

Where such shifting values are at stake the wonder should be, not that a few officials betray their trust, but that any of them keep faith. The legal department of Los Angeles is now engaged in getting possession of the lands in the civic center area. Criticism has been made that its agents have paid \$209,000 for a lot, which the owner 14 months before bought for \$144,000. Many complaints of this kind will be heard before all the land is acquired.

Whether or not the city paid too much for the lot, it is quite evident that a gross injustice has been done the owners of the land within the site, as compared with the owners of the lands around the site.

The city as a whole voted to place the municipal buildings on that site, and it voted bonds, based on general taxation, to pay for the land. Immediately the site was fixed, land values took a great leap upward. But although the lands north of First Street (the southern boundary of the civic center) rose as they did south of First Street, the city's agents object to paying the enhanced value conferred upon the land by the action of the city; and by threat of condemnation proceedings they often reach a compromise price.

Meanwhile, the owners of the lands surrounding the civic center site are not subject to condemnation proceedings, and are

free to reap the entire rise in value that comes from the expenditure of community money in their neighborhood. By what legerdemain or constitution-stretching is this discrimination in property rights accomplished?

The facts of the case are so plain that there is no excuse for going astray. 1st. The city and county of Los Angeles unite to establish a civic center, in which the public buildings shall be grouped for convenience and beauty. 2nd. A site is fixed by popular vote in the old center of the town, from which business and population have drifted southward. 3rd. The choice of this old center tends to restore it to its former prosperity, and to raise the value of building sites in the neighborhood. 4th. The cost of the lands used for the civic center, and for the improvements put upon them, is to be borne by the whole population. 5th. The owners of land within the civic center district are compelled to sell at the present values; while the owners of land surrounding the civic center are permitted to reap the enormous gains that are to come from these improvements.

If the constitutional guarantee of the rights of property and our moral concept of private ownership mean anything this whole enterprise should have been conducted on a plan that would have called upon each citizen to contribute in proportion to the benefits he derived from it. For want of a better means this could have been accomplished under the law that provides for the organization of improvement districts. These improvement districts—whether for drainage, irrigation, streets, boulevards, parks, or other public service, pay for the work by a tax on the lands benefitted, and in proportion, as near as maybe, to the benefits.

Had this plan been used in building the civic center the cost of the land needed could have been raised by an assessment on the surrounding lands that were benefitted by the location of the improvement in that part of the city. And the citizens in other parts of the city would have been spared the loss and humiliation of having the government forcibly take money from them to buy lands which were to enrich other citizens.

Must it not be a strain upon moral standards, both of citizens and officials, as long as public action results in pecuniary gain to some citizens at the expense of other citizens?