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British Parliament Passes Land Tax

By DAVID WOODHEAD

In 1881 a man from San Francisco addressed large audiences in crowded halls in most of the large cities of England and Scotland. He preached what was at that time a strange doctrine—that the value of land was the creation of the people as a whole, and that in equity this publicly created fund should be drawn on for public expenses. He went further, and claimed that the basic cause of poverty, of unemployment, and of recurring business depressions was the failure to recognize that all land values belonged of right not to the individual, but to the people. A gifted Scottish large landowner and scientist, the Duke of Argyle, branded this man as “the greatest preacher of unrighteousness the world has ever seen” and also dubbed him “The Prophet of San Francisco”. This “Prophet” had just written a book “Progress and Poverty” which, within a few years attained a circulation second only to the Bible and was translated into nearly every European language.

After fifty years, a responsible British Government, and the Mother of Parliaments, have both repudiated the Duke of Argyle and justified the Prophet of San Francisco.

The Land Tax provisions of the 1931 budget, with some amendments, have passed a third reading in the House of Commons, and as the House of Lords has no jurisdiction over revenue measures, the act is now a law. As noted before in these columns, the tax is exceedingly small, only a penny in the pound, or a little less than half of one per cent, on the capital value of land; but the important thing is that the lands of Britain are to be appraised by machinery set up by the national government, and that it is fully expected the tax will be increased by succeeding progressive governments, and that permission will be given local rating districts to levy on the same value for local purposes. Considering the narrow margin of votes the Labor Government has been relying on for its continued existence, the major-

ity for its land tax proposals may reasonably be called “substantial”; 274 to 222.

In reading the concluding speech of Britain's sturdy Yorkshireman, Philip Snowden, Chancellor of the Exchequer, it is quite clear, that in his mind at least, there is no thought of this land tax bill merely as another means of raising revenue for a depleted treasury. “It is the first real attack upon the land monopoly of the country”, he said, and concluded his speech with these history making words, “I hope more courageous Parliaments will in the future deal with this problem more drastically than we have done. The principle underlying this bill is to assert the right of the community to the ownership of the land. This is only the first step in the reform of our land system. The effect of that system has been to place a burden on industry of hundreds of millions a year. It has crowded our people into pestilential slums and it has driven hundreds of thousands from the land into the towns to compete with our town workers with the result that wages have been depressed and unemployment has been increased.

“I commend the Bill to the House of Commons not only upon its financial proposals but also upon its land proposals. I think that when they come into operation their social and economic effect will be seen, but it is only the first step.

“I believe we have begun a far reaching reform which some day will liberate the land for the people and abolish once and for all the tyranny under which the people of this country have suffered.”

It was inevitable that a tax proposal with such potential possibilities for removal of the thousand year old vested interests of the landholding aristocracy, should not be passed without tremendous opposition and efforts in every way by amendment or otherwise to emasculate its drastic pro-

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HOME BUILDERS

When President Hoover wrote to the United States Building and Loan League, in session at Philadelphia, he said that home building "goes to the roots of family life, public morals and standards of living." One of our Los Angeles papers said: "The national conference on home building and ownership which the president has called for this fall is expected to devise ways and means for putting idle capital to work in promoting highly desirable development in this direction. It would be difficult to call a conference likely to do more real and lasting good."

How can this, or any conference, accomplish even a little good when, through ignorance or design, it disregards one of the three factors necessary for home building? Mr. Hoover's various commissions and conferences can sit from now until dooms day trying to devise ways and means to put idle capital and idle men to work, but until they devise ways and means to put idle land to work, they will accomplish absolutely nothing. The tide of prosperity will have to come limping back in its usual manner and in its own good time. The banks tell us there is plenty of money, statisticians tell us there are millions of idle men in the country, begging for work, but not a single member of any board or investigating committee has said one word about idle land. Don't they know it exists?

How does Mr. Hoover expect houses to be erected without building them on land or without using the products of land? You couldn't build a houseboat without using land. There is plenty of land on which to build homes, but if Mr. Hoover does devise any means to stimulate home building, what will happen? In the words of the realtors, "Real estate will pick up." Prices will go up. More and more of this "idle capital" that is to provide homes will have to be paid for the lots to build them on. Nor is that the end. When the home is built, the owner will be burdened by a property tax on his house and furniture as well as on his lot, while the man who holds his lot vacant for an increase in price will have to pay a tax on the land alone.

As long as our tax laws make it advantageous for a man to hold his lot idle, letting the growing population increase its value while he does nothing to it or for it, so long will home owners bear the brunt of the tax burden. As long as Mr. Hoover and his assistants try to construct a triangle with only two angles, home owners and the home building industry are going to suffer. Devise some method to release the idle land, and idle capital and idle labor will begin to function without any further urging.

Home building does, indeed, go "to the roots of family life, public morals and standards of living," and those roots need the soil of idle land.

THE COLD DECK

Chocolate Mountains sound delectable, but in the Boulder Dam district they are barren, rocky piles, and on the realtor's map they are a snare and a delusion. Some enterprising sharpers have been selling sections in these rocky wastes to unsuspecting buyers in the East and Middle West who were so anxious to buy land that was sure to rise in value through benefits derived through the construction of Boulder Dam, that they cheerfully parted with their money without making any serious investigation into the matter. People do make fortunes by buying up land at psychological moments and sitting comfortably in their rocking chairs while other folks make it valuable.

The only trouble with this particular game is that the land never will become valuable. According to T. A. Kelly, chief deputy commissioner of the State Real Estate Department, "Some 8300 acres of land in the Chocolate Mountains district of the Imperial Desert have been withdrawn from sale." During the past two months, various groups of realtors and business men have been cooperating "to prevent worthless lands from being foisted upon unsuspecting eastern buyers." The thing that spoiled this little game of chance was misrepresentation. The game is still in progress in the sections that will be benefited by the Dam. It's all right to gamble in land values, but nobody likes a cold deck.

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visions. As a matter of political necessity, especially in view of the adverse votes of apostate liberals who went back on their party pledges in favor of land taxation, several amendments were permitted reluctantly by the Chancellor, which it would take too much space to explain in detail, but none of which took away the main principle of the bill—to appraise the lands of England and subject them to tax. Church property devoted to educational and recreation purposes were exempted alike from both appraisal and tax; the cultivation value of agricultural lands actually set to crops is exempted, and at the insistence of the liberals a complicated amendment was accepted allowing credit to income tax payers of certain proportion of the receipts from land subject otherwise to the tax.

Democracy moves slowly in the direction of justice in conservative England, but seldom does it give up a new liberty acquired or another advance towards the goal of Justice, and we doubt not that a beacon has been lighted that will be carried on until labor and industry are freed from the devastating effect of a system founded in tyranny and continued only because of the ignorance of the masses to see in which direction their redemption lies.

ONE REPORT ON PITTSBURGH

Much has been said in Tax Facts about the Pittsburgh graded tax plan. This plan has not been in operation long enough, nor is it so far reaching in itself that it could cause any great degree of prosperity in that city at a time when the whole country is suffering from economic exhaustion. That it has not been disastrous in its effects, however, as any Los Angeles Realtor would have predicted, is evidenced by the report of an economic study made by R. L. Polk & Co. (presumably of New York.) "Ninety-six per cent of the city's 267,000 families today are enjoying steady incomes with an average of 1.2 persons in each family gainfully employed . . .

"In a single Pittsburgh zone chosen for the preliminary report because of its low income and buying power rating as well as its varieties of races and occupations probably typical of laboring class communities throughout the country, it was found that 58.5 per cent of the families are buying nothing on the installment plan. And of the remaining 41.5 per cent, it was reported the majority have their purchases more than one-half paid for. In the same zone 55.2 per cent of the families have from one to five savings accounts, or to speak of substantial deposits in building and loan associations or postal savings accounts."

The above report was taken from the Los Angeles Times. Look out, Mr. Chandler, Pittsburgh has been decreasing the tax on industry and increasing the tax on land values.

NATURAL RESOURCE TAX

Editor Tax Facts:

President Hoover stated in the campaign of 1928 that the issue in this country was poverty. That issue in two years has become acute. Unemployment and want depress the ordinary man and his family as never before. Prosperity does not now trickle down from the favored few to the unfavored many. To remedy this situation, stupid statesmen have increased the tariff tax and proposed a burdensome sales tax on articles of consumption.

The vital issue in the next presidential election will likewise be poverty, and we trust that by 1932 Americans will have the moral courage to go to the roots of the matter and propose a natural resource tax to checkmate further taxes on consumption.

Back of the undeserved poverty that increases in proportion to our progress will be found the private monopoly of the natural resources of the earth,—resources upon which all life and prosperity depend. The private monopoly system is grounded upon the private monopoly of natural resources. Back of the oil trust, the coal trust, the lumber trust, the steel trust, and practically every

trust, are countless acres of oil, coal, timber and iron ore lands, and other natural resources, monopolized and held out of full use. Such natural resources should be forced into use through a national excise tax upon the privilege of owning and holding natural resources in excess of \$10,000 in value; or if such an excise tax is unconstitutional, then through a direct national tax on the value of natural resources in excess of \$10,000 in value, apportioned according to representation and population.

Thus and thus only can the stupid agitation for a sales tax be met. There can be no freedom of government, industry or economic life from the tyrannical control of the private monopoly system, unless we go to the real cause underlying poverty and want, namely, the private monopoly of the natural resources of the earth, and remove that underlying cause through ad valorem taxation of natural resources.

W. G. ARTIMUS,

Los Angeles, July, 1931.

GAMBLING ALONG

An article in the Los Angeles Times is headed "Old Wall Street Is Passing." According to the article, however, the spirit of speculation that permeates every corner of our globe, is still rife in little old New York.

"A pool is said to have been formed by one prominent real estate mortgage man, head of a large mortgage company, and his associates to buy New York real estate at 25 cents on the dollar over a period of five years. The pool is reported to have \$50,000,000 to spend.

"These men do not intend to climb for properties, but propose to stand there and catch them as they fall into their laps through forced sales."

Perhaps the original transaction in Manhattan real estate when the whole island changed hands for a string of beads was a forced sale, but at that time there was plenty of land left. The original owners simply had to retreat a little farther into the woods.

But the real bumper crop is the pedestrians.—*American Luberman.*

And those that live by the sword shall perish by the taxes.—*Lincoln Star.*

About the only difference between the old dime novel and one of today is \$1.90.—*Ohio State Journal.*

Maybe war will end when Big Business discovers there is no profit in licking a customer.—*Birmingham News.*

Give the Eighteenth Amendment time. Look how long the Ten Commandments have been trying.—*New Haven Register.*

Patriotism is that pain in the neck that you feel when a foreigner wins a championship.—*Illinois State Register.*

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COST VS PRICE

Mr. Emil O. Jorgensen of Chicago has written a book with the laudable purpose of helping business out of the dumps. "The Road to Better Business and Plentiful Employment" is a curious instance of a man's being able to prescribe for our economic ills while entertaining a rather hazy notion of how we got this way. Frankly, if the first part of the book were true, the second part wouldn't be, for all that Mr. Jorgensen has to say about high rents and high prices is a direct denial of Ricardo's law of rent upon which the science of the land value tax is based.

High rent and speculative land values are the cause of our trouble, but not in quite the way that Mr. Jorgensen seems to think. His contention is that curtailed buying power is due to high prices, and that high prices are due to high rents. He would put the cart before the horse—if he had a horse. Mr. Jorgensen's mistake lies so near the surface, it ought to be obvious to any careful reader. He has utterly confused cost of production and selling price. They are two entirely different things.

Land, labor and capital are the three factors that enter into the production and distribution of wealth, but when the thing you have produced is sent into the open market, it must meet the competition of other articles produced on cheaper land. Furthermore, it may find the market filled to overflowing with that particular commodity and the price falling rapidly. The world doesn't care what it costs you to produce your article. It is going to bargain with you before it buys.

The whole world is like Wall Street, those who have goods to sell are the bulls, always trying to push prices up. The buyers are the bears, trying to beat prices down. Price is fixed by what Mr. Louis F. Post called the "higgling of the market," or by supply and demand. If the supply outruns the demand, the price will drop, sometimes below the cost of production, though the rent may be the highest in the world.

This is hardly a case for argument, a little observation ought to show Mr. Jorgensen his mis-

take. The facts are against him, as Sarah Gamp would say: "Facts bein' stubborn an' not easy drove." For instance, Mr. Jorgensen says that in 1830 good farm land could be had for about \$2.50 an acre, and that wheat sold for 85 cents a bushel. "Today the land has reached in many agricultural communities a market value of \$100, \$200 and even \$400 an acre."

This is cited as an example of how high rent keeps prices from coming down! Mr. Jorgensen doesn't seem to know that farmers are getting 25 cents a bushel for their 1931 crop of wheat raised on this high priced farm land. Perhaps he doesn't know that when it goes to market it must compete with wheat grown in Argentine and Canada and Russia and Timbuctoo, to say nothing of that grown on cheaper land in the United States. "The farmer whose wheat costs him a dollar a bushel to produce is out of the game when the prices drops to fifty cents and doesn't need to be told so. But the man who can grow three bushels of wheat for a dollar will probably continue to expand his acreage of that crop." It is because the farmer with high priced land must compete with the farmer who raises his crop on cheap land that he cannot make that high rent a part of the price. People would naturally go to the other man to buy their wheat. In Chicago on August 4th, "A tottering wheat market was still on the toboggan, cash prices dropping to 47 $\frac{3}{4}$ cents for a car of No. 2 red winter, the lowest price in Chicago Board of Trade history for a regular grade."

Cotton planters say that it costs 14 cents a pound to produce cotton. Neither the rent of the land nor either of the other two elements in the cost of production has prevented the selling price from dropping to five cents a pound. Cantaloupe growers in the Imperial Valley this season report that they are \$1,500,000 in the red. They can't put the price of cantaloups high enough to cover the cost of production. Why? Is land free in the Imperial Valley so that there is no rent to keep the price up? The growers think too many acres were planted in mellons and the vines were too ambitious. In other words, the supply exceeded the demand, and it is supply and demand that fixes prices, not rent.

Cost of production and selling price are two separate and distinct things, and part of our trouble lies in the fact that while rent and speculative land values are coming down very, very slowly, prices have been dropping like lead.

It is most unfortunate that the author of this book, which might have been a very helpful book in time of need, should have blundered into the same trap that has caught many an unwary economist.