

# TAX FACTS

Published in  
the interest of

SOUND ECONOMICS

and

AMERICAN IDEALS

Vol. XII

Los Angeles, California, August, 1934

No. 4

## THE MONEY QUESTION

JOHN Z. WHITE

Just now we have a great pothole about "Managed Currency", as though all currency of civilized countries was not "manged". A certain number of grains of gold, nine-tenths fine, stamped by official mints, is lawful "money". That is, it is "legal tender". The latter point, which is the important matter, is usually evaded. All of this is arranged by law. If this is not "management" what is it?

Jefferson thought that a sound money system could be maintained, "bottomed on taxes". No one has improved on his proposal.

If government issues a bill in payment of services received, and accepts that bill in settlement of taxes, or other obligations due to the public, the account is clear—and no "gold" in evidence. Multiply that transaction indefinitely, and results are the same.

Suppose neither gold nor silver could be found nearer than the most remote celestial galaxy, could we not still grow turnips and manufacture tooth picks, and then swap with one another? Always, of course, provided that natural resources were not monopolized.

If government would make improvements, as a postoffice building, they should be paid for with "money," the same to be retired in specified amounts, at specified times, during the life of the improvements.

Taxes, of course, should be equal to expenses. More accurately, expenses should be limited by taxes, taking into consideration the extra issues due to making improvements, as noted.

Such "money" will be used by the people in private transactions. Here trouble begins, for private business varies with seasons. Sometimes much money is required. Sometimes less. So, we need an "elastic" currency.

This feature is easily provided by extending the practice introduced by Senator Aldrich, of Rhode Island. Before this bill was enacted we accepted only U. S. bonds as security for national bank notes. Other specified securities were accepted afterward. Extend this notion by permitting any one with sound securities to

pledge the same to the government and receive in return a safe percentage of their value in "money". Perhaps a reasonable minimum amount is \$50,000.

Securities so pledged would be redeemed when money became plentiful, thus providing an "elastic" feature. To be sure such system is suitable only for an intelligent and honest people, represented by an intelligent and honest government. As such conditions do not now obtain the plan will probably be avoided.

Vanderlip was quite right in declaring the American people "economic illiterates".

"Legal tender" makes the "money question." Money issued by government should be legal tender for all obligations due to tax collecting agencies—that is, due in any form to the public. As noted, such money will be used in private transactions, but such use furnishes no reason for governmental interference with private affairs. Governments are properly instituted to administer public business, and should religiously leave private business alone. But, so long as government enforces the payment of private debts the legal tender function of money must be extended to private financial transactions.

If such interference were abolished, as many eminent men have advised, the money question as we know it would evaporate. In fact, if the government could be induced to mind its own business most of the annoyances of civilized life would vanish. Over one hundred years ago Gibbon informed us that "most of the crimes that disturb the internal peace of society" find their source in the laws. Our money system is merely one of several feudal regulations that we have inherited from past centuries. It is these undemocratic features in our legal establishment that cause our economic troubles.

True reform in all matters is merely ridding ourselves of these feudal regulations, just as we have rid ourselves of chattel slavery, export taxes, toll roads, property qualifications for voters, and other inherited features of ancient feudalism.

Finally, money is a tool of trade, and improving its character will have the same effect as improvement of other tools—that is, ground rent will advance and absorb the resulting benefits. Speculation in the value of land will accentuate this movement, causing intense activity, followed by equally emphatic depression, that are known as the “industrial cycle.”

The remedy is simple: Money implies trade. Trade implies the production of the things traded. Production implies the use of natural resources whereby production becomes possible. Therefore, remove taxes from products and impose them upon the value of land; thereby preventing the development of the crazy land speculation that disorganizes the productive process, and at the same time relieves production of the enormous burden that now periodically checks its growth.

### OUR DESERT SONG

Man never rested until he had explored the earth from pole to pole, had charted it up and down and round about, but in all the thousands of years that he has been here, he has not learned how to use it—properly and to advantage. Some disasters we must take as they come. The amount of rainfall received in any given area, shocks caused by the slipping of the earth's crust, hurricanes and tornadoes and similar natural phenomena are beyond human control. The best we can do is to adjust ourselves so that the vagaries of nature bring the least possible suffering to humanity.

What has taxation to do with the unfortunate condition prevailing in the drought stricken area of the Middle West? It is related to it because it is related to our policy of land-holding; and our policy of land holding is, in reality, our method of using, or misusing, the earth itself.

The earth is the storehouse of mankind from which we draw the materials with which to build our houses, fill our cupboards, clothe our families and so on. The storehouse still contains plenty of materials with which to satisfy our needs and our whims. Some of the supplies have been wantonly wasted, it is true. Although man has expended much effort trying to make two blades of grass grow where one grew before, he has been greedy, as well as ingenious, and at a very early period he recognized the fact that the private possession of natural resources would give him control of those who were obliged to use these resources. It's a good idea—if you want to live on the labor of others and the laws of your country forbid chattel slavery.

In furtherance of this idea, our forefathers pushed across the continent, staking their claims from coast to coast, gobbling up the forests and mines and all choice tid-bits, making fortunes for the few at the expense of the many. The

lumber barons were so bent on making fortunes for themselves and their children that they cared not a jot for any interest others might have in the lumber supply of the country. Let future generations scramble for their own boards and shingles—after us the deluge, and all that sort of thing. And the rest of our dear grandfathers allowed this tree chopping to go on without a word of remonstrance or a suggestion that it might be well to plant trees as well as to fell them.

Deluge, indeed! We have learned to our sorrow that the forests in the upper basin of the Mississippi helped to hold the moisture in the ground and regulate the flow of water through the valley to the gulf. The work of greedy lumber barons and destructive forest fires has resulted in floods that carry the water off at one fell swoop so that it is of no use to anybody. So much for individual initiative as practiced by the lumber barons in building up their fortunes at the expense of other people and future generations. Certainly, we needed some other policy of landholding that would have prevented this destruction of our forests.

After the deluge, the drought. This drought, unprecedented in the history of our country, has turned some 200,000,000 acres of fertile land into something that very closely resembles a desert, and the country is faced with crop shortage and rising food prices. The weather bureau has hazarded the guess, based on scientific calculations, that this condition will prevail, to greater or lesser degree, from now on. If this is true, probably most of the inhabitants will have to move. Irrigation, as practiced in Southern California and similar territories where certain months are always dry, seems to be impractical, if not impossible, for the Middle West.

What we need, apparently, is not only an elastic currency, but an elastic land policy. If Mother Nature is going to play tricks on us by changing our climate, we'd better figure out some method of landholding that will make it easy for a group of people to shift from one territory to another without loss of “investments” in the one place and without paying tribute to individuals in order to establish themselves in the other.

The first generation that tilled the soil of our central valleys paid the government so little for the land that they might have, and sometimes did, move to new pastures without much loss. Those who came later and were obliged to buy the land, not from the government at nominal prices, but from individuals who were anxious to reap all they could from rising land values, could not so easily shift to other localities.

Neither buyer nor seller thought of making any distinction between the value created by the individuals who cleared the land and worked it

into shape for farming, and the value that resulted from the presence of a larger population and increased demand for land. Some of the farms are heavily mortgaged, many represent substantial investments. President Roosevelt has already spoken of removing families from the drought stricken area. If this is tried it will be a tremendous task. It is not easy to shift population to new areas when all the new areas worth occupying are in the possession of individuals who will not be slow to take advantage of any demand for land.

One might suppose, too, that with so many fertile spots on the surface of the earth, and so much knowledge of scientific farming, it would not be difficult to raise crops in those sections where rainfall is adequate and share them with localities that are suffering from natural disturbances. But you see, we have some very curious ideas about imports and exports and tariffs and home markets and so on. Corn grown in Iowa is one thing, but in Argentina—well, the corn may be the same, but their postage stamps are different from ours.

Yes, we need to readjust our ideas regarding landholding and tariffs and taxes and monopolies and so on if we are not to be thrown off our feet every time Mother Nature has a fit.

### LESSON FROM HISTORY

(From *The Porcupine*, Manchester, England.)

A century ago settlers in Australia were able to buy land at £1 per acre. The purchase money was used to convey immigrants from England in order to ensure a constant supply of labour for the development of the colony. But cheap land provided the hired labourers with opportunities to become self-employed, and so many of them acquired land and independence that extensive farming and other large undertakings became difficult and much capital was destroyed. In an official report issued by the South Australian Commissioners in 1836 these difficulties were brought to the notice of the Secretary of State for the Colonies, and a simple remedy was proposed: *to prevent labourers from obtaining land by raising its price.*

While opportunities for self-employment were open to them, it was impossible to exploit the workers; only those who have no alternative to working for employers can be made "wage-slaves." In Wakefield's book, "England & America," Mr. Arthur (the great capitalist of N. S. W.) is quoted as saying: "There is no instance on record where settlers have been able to prevent their indentured servants, hired in England, from becoming dissatisfied and then leaving them after their arrival." At Swan River the first settlers had hardly landed before the Governor was requested to punish inden-

tured labourers for refusing to work for those who had brought them from England.

### Still True

Economic freedom and independence still depend upon the terms of access to land. *Where land is dear, men are cheap.* But all the advantages of cheap land in the Colonies can be enjoyed in this country by means of the Taxation and Rating of Land Values. This policy—applied to all the land—will liberate the millions of unused acres in town and country, and make land everywhere cheap, and this will not only benefit those who seek freedom in self-employment, but also those who prefer to work for wages. Wages will then be high because there will be more jobs (opportunities) available than men seeking them.

### THE FISHING SEASON

"Secretary of the Treasury Morgenthau's experts, who have been spending the summer devising means of increasing tax revenue, are expected within the next fortnight to submit a secret report of recommendations.

"For the present it is expected that Secretary Morgenthau's experts will be restrained, and that, while taxes will be increased, and new ones added here and there, no crushing burdens will be applied. In large degree, also, the coming tax programs will be measured according to the strength the Roosevelt administration will have in the Congress to be elected next November."—*Los Angeles Times.*

It is very evident that tax programs, past and present, have not been measured according to the strength of the public that has to pay the taxes. In Washington, and in forty-eight states, "experts" are racking their brains trying to find new channels through which tax money can flow into the public coffers. Not that it makes a particle of difference to the taxpayer whether he pays his tax in one lump sum or in a hundred little dinky amounts. The point is, these experts are merely devising means to gag and blindfold the citizen in the hope that he won't realize what is happening to him. There is one hope for us. This is a finite world. They must come to end of their list some time, and when they have taxed everything else out of existence, the land will still be here.

### AGAIN, AND YET AGAIN

Alice Thatcher Post

A dream I wove to conquer doom.  
You tore my web; you smashed my loom  
But now the dream reweaves, for still  
I hold the plan, I keep the skill.

We seem to be getting out of the mire, but the strain on our boot straps is terrific.—*Mobile Register.*

# TAX FACTS

Published Monthly

By The Tax Relief Association of California  
333 N. Madison Avenue, Los Angeles, California  
Phone: OLympia 7852

NORMA COOLEY - - - - - EDITOR

Subscription per year 50 cents

VOL. XIII LOS ANGELES, CALIF., AUGUST, 1934 No. 4

## THIS PURCHASING POWER

When surpluses began to pile up in field and factory, the cry of "over production" was raised. After looking about a little and contemplating our fellow countrymen who are holding their rags together with one hand while they hold out the other for alms, we decided that it couldn't be a matter of too much bread in the bakeries, but too little money in the pockets of prospective customers. Then we began to talk about "purchasing power" as confidently and familiarly as if it were an article we could obtain all wrapped up in cellophane at any shop.

That many people have not a clear idea of the real nature of purchasing power is evidenced by the fact that many believe we can increase the purchasing power of the country by taking wealth from those who produce it and giving it to non-producers. This is what happens when wealth is distributed through charities or pensions. It also happens when one man pays another for the use of a farm or a town lot; it happens when a man climbs in the back window and helps himself to the table ware or milady's trinkets; it happens when a man pays a bet at the poker table or the race track. These transactions merely shift wealth from one person to another, they do not, and never can, increase wealth.

Frank A. Garbutt, writing on "Production" in *The Los Angeles Times*, introduced his arguments by saying: "The greatest source of wealth is production." Production is the process by which wealth comes into existence, it is no more the source of wealth than a water main in the street is the source of water. The earth, itself, with its animal, vegetable and mineral matter is the source of all wealth. Production is the application of human labor to these materials. It is our complicated system of working together and on a large scale that has thrown Mr. Garbutt and many others off the trail. There is not room in this little paper to trace the growth of an apple pie from the minerals in the ground through the grain and the fruit and the sugar can through the warehouse and the markets and so on and so on, until they arrive in all their juicy, fragrant deliciousness on the dinner table. From start to finish, hundreds and hundreds of people have had a finger in that pie. Switchmen

on railroads, blond stenographers, and pert delivery boys have had their hands in this production no less than the actual cook. Human labor brought the pie into being, but the real source was the earth, itself, the natural elements that man can use very cleverly, but cannot create.

As long as people can get at this source of supplies they can make things—pies, bonnets, chairs, whatever they wish, but you can't make a mud pie without mud. If I choose to make more pies than I wish to eat, in order that I may trade some of them for other things that I don't know how or haven't time to make, these pies become my purchasing power. That is, you will give me a chair or a carpet that I desire, if I will make so many pies to give you in return. But it would take so many pies to purchase most things that I couldn't carry them about, and the other person couldn't eat them. That is our excuse for money. It represents wealth as long as people labor and produce wealth to be represented. If you give money to a man, you merely give him the means to take away from some one else part of the wealth which that someone else produced. He has not contributed one ounce to the sum total of wealth in the world. He is merely trading with wealth that other people have produced. Whenever a man consumes wealth without producing any, someone is bound to come off short. If money is what we need to make the country rich, all on earth we have to do is to speed up our mints. Only work can make us rich, and we cannot work unless we have something to work with and somewhere to stand while we do it.

In a radio address last spring, Senator Borah said emphatically that we must restore the anti-trust laws and break "the stranglehold of monopoly which holds the purchasing power of the people down to the lowest point, and consumption, in many respects, to starvation level." It is only by destroying the monopolies that prevent people from working in nature's storehouse that we can increase and properly distribute wealth. Products of labor constitute the real purchasing power of any people, whether they gained possession of the wealth by begging, stealing or working. When we destroy crops or limit production, we destroy or limit purchasing power. We could take all the money in the United States and dump it in the Pacific Ocean and the country would be just as rich as it was before. It would be more difficult to exchange ribbons for rabbits, but it could be done—and without the help of a magician, too. The droughts and the chunch bugs are our real worry.

As Dickens would say, nothing but the divine intervention of Providence and the suspension of all natural law could bring prosperity to a people who insist upon destroying wealth with one hand while passing out pension money with the other.