

# TAX FACTS

Published in  
the interest of

SOUND ECONOMICS  
and  
AMERICAN IDEALS

Vol. XII

Los Angeles, California, March, 1934

No. 11

## THE DELUGE

There are very few of our human activities and experiences that are not related, sometimes remotely, to the land problem. If men and women could once grasp this idea, could see that our land policy must be our starting point in the solution of our social problems, many puzzling questions would be answered, many unhappy situations would automatically clear.

In one section of Southern California, the year 1934 was literally swept in on a flood that brought disaster to many. In an article, "Flood Control," *The Tax Digest* for February gives us this picture: "Three hundred homes demolished and four hundred severely damaged, forty-eight known deaths and seventy or more missing persons, eight hundred or more autos buried in mud and debris, hundreds of persons suffering injuries, vast loss and damage to properties and gardens, both through the direct action of the flood waters and through the indirect psychological effect. This is the record."

Much of the blame for this destructive torrent was attributed to last year's fire that swept over the watershed above this area and cleared it of growth. There was, of course, a record rainfall to provide the water for the flood.

What are these home owners to do? If they rebuild on these same lots, will they suffer from another flood of greater or lesser proportions? If they wish to move to safer territory, who will want to buy their property and run the risk of similar loss? It is a knotty problem for those who have invested in real estate which can be so affected by heavy rainfall and denuded watersheds.

Those of you who know your Bret Harte may remember "When the Waters Were Up at Jules," and how the few inhabitants periodically moved to higher ground when Rattlesnake Creek overflowed, and moved back when it subsided, a procedure which astonished the young mining engineer who arrived during one of these overflows. "Why, in the name of God, didn't you, after you had been flooded out *once*, build your cabins *permanently* on higher ground?" . . .

"Well, ez you've put it that way,—in the

name of God!"—returned the man lazily, "it mout hev struck us that ez *He* was bossin' the job, so to speak, and handlin' things round here generally, we might leave it to Him. It wasn't *our* flood to monkey with."

That is about what our engineers propose to do—monkey with the flood, monkey with check dams and debris basins and plant cover for the slopes. We are not trying to ridicule the engineers, they are earnestly working out plans based on the best that engineering science has to offer in such a case as this. Whatever is done, however, in the matter of flood control for this area will cost millions of dollars. Whether this fund is provided by the local or by the Federal government, it must come out of the pockets of people who already find it difficult to provide for the family budget. Something should be done, certainly, to curb such raging torrents as this New Year flood proved to be, but what of these home owners, have we said all that can be said for their unhappy situation when we have discussed check dams and other engineering tricks for outwitting nature?

*The Tax Digest* quotes some very significant paragraphs from "Flood Flows," by Allen Hazen, hydraulic engineer; in fact they contain the only sensible suggestion that we have seen for handling this unfortunate situation and are lacking only in plans for carrying out these suggestions.

"The first settlers in any community," says Mr. Hazen, "are apt to be cautious and to locate upon high ground, where there is little danger of being flooded. As communities increase in size the high land that is safe from flood becomes more valuable than the lower land that is sometimes flooded. Knowledge of flood conditions is lacking and memories are short. Low lands convenient for manufacturing, residence and other purposes are tempting to those *who lack capital to secure better sites*, and especially to those who have not the foresight to see the damage that will result, sooner or later from the occupation of low land. The town originally built above the hundred-year flood line gradually extends

down to the thirty-year and even to the ten-year flood line.

"But it must be recognized that it is the increasing use of land in the middle, or flood zone for business purposes and for residence that is responsible for the great increase in damage from floods.

"Among remedies suggested and discussed for prevention of floods is one very simple one, which perhaps receives less attention than it deserves. That relates to the prevention of flood damages but not to the control of flood flows. It consists simply in *refraining from occupying land that is sure to be periodically flooded.*

"If some skillful dictator could mark out the lines of flood channels and hold everybody back of them it would be a wonderful thing for the country. . ."

It is not necessary to suffer the ills of dictatorship in order to keep people from living in slums or from occupying bottom lands or other undesirable sites. Humanity, especially that part of it that lives in America, likes the best to be had in any line. People will not build homes in unattractive places unless there is a very good reason why they cannot obtain the use of more desirable land—and that reason is that earlier comers, by birth or migration, have seized the best land, some to be used, some to be held until the growing population makes it valuable. They have no more right to it than anyone else. The earth was created for the use of all, not for a few. First come, first served is the philosophy of pigs.

We are not intimating that the flooded homesites now under discussion are in any way unattractive. They are not. They are undesirable merely from a safety standpoint, because they lie in the path of flood waters during seasons of exceptional rainfall. Undoubtedly, these home owners had no idea they were building in a danger zone. They know it now, but what can they do? The land, probably, has never been priced very high, but much of it was bought during boom times and took all that the present owners could afford to put into it. They can't sell their lots, who would buy? If they simply walk off and leave the land, they will lose their initial investment. Yet Mr. Hazen says the best way to prevent flood damage is to refrain "from occupying land that is sure to be periodically flooded."

Little can be done now to provide for this solution of the problem. Much could have been done in the past, something can be done now to work toward a condition where people need not plunk down hundreds or thousands of dollars for the privilege of using the earth before they can establish their homes. We need a change in our land policy that will make it possible for a man to make a mistake in choosing a homesite, yet not have the mistake hang around his neck like the proverbial albatross for the rest of his

natural life. People sometimes buy lots and build homes in sections which they think will grow and where land will become more valuable through increasing demand. Something unlooked-for happens. A carline is extended in another direction. An ambitious subdivider lures the "fashionable" to another tract. Many things may happen to swing the trend of population toward another section of the town. The hopeful home builders of whom we first spoke find the water gradually oozing out of that speculative land value they set so much store by. If they wish to move away, they cannot "get out of their lots what they put into them." Sometimes a man buys land and builds a home during boom times—and at boom prices. A few years later he wants to move to another city, for business or other reasons. He is handicapped by the possession of a home which he cannot sell for as much as he originally paid for the lot. He is "damaged" almost as much as if he had suffered from flood or earthquake.

Now what can be done, if anything, to remedy this social ill, for an ill it most certainly is. The home is the most sacred of all human institutions. Everything possible should be done to aid men and women in the establishment and secure possession of homes.

Those who are loudest and most persistent in their championship of private ownership in land seldom stop to analyze their own concept of this traditional fake. The depression has deprived many people of their incomes and the wherewithal to pay their taxes. They have discovered to their sorrow that their land—and their homes—belonged not to them, but to the state; that they were allowed to use the land only as long as they paid their taxes. Private ownership in land? Yes, our absurd land policy allows an individual to buy and sell land to another individual, exactly as if he owned it by right of production, like a house that he had built or a turnip he had raised. *After* he has bought it, he may use it or hold it idle as long as he will turn a part of its rental value into the public coffers, with a few years grace when his funds give out and his property becomes tax delinquent. Think this over. The state is admittedly the real owner. When a man fails to pay his taxes, his land doesn't go back to the one from whom he bought it. Yet, when he goes to another community and wishes to establish a home, he must pay, not the state or city, but another individual for the privilege of using a piece of land. Obviously, there is something wrong here. Either the state owns the land or it does not. If it has the right to collect taxes, it also has the right to fix the terms of privilege under which the citizen takes possession of his lot or ground; or, if individuals have the right to sell this privilege, they, and not the state, have the right to collect the taxes.

If we did the logical thing and admitted that

the land belonged to all the people, we would give the state the right, not only to collect the taxes, but to give permission to individuals to use it, in which case there would be no sum of money "invested" in a lot or farm. Instead of paying a part of its rental value into the treasury, he would pay all of it. Since he would not need to pay a tax on his house or personal property nor on anything that he bought to eat or wear or play with, his tax bill wouldn't be as high as it was before.

How would this change in our land policy benefit these flood sufferers and others who have built their homes in wrong places? In the first place, all of the choice spots of the earth are not yet in use. Those that are desirable because of natural advantages and location are, almost without exception, in use or being held for speculative purposes. It is this latter number that we want made available so that people need not build their homes in low lands or waste lands or other undesirable places. Land would not be held out of use for speculation if the right to use it was obtained from the state and not from a private individual. Fortunes would not be made "in real estate." Some of the people, at least, who suffered from the New Year flood would not have bought land in that locality if more desirable lots had not been held for higher prices.

If they really wanted to build their homes there, they need not have invested money in land in order to do so. Under a different land policy, they might have obtained this privilege from the state—or county or city—by simply agreeing to pay the annual rental value into the public treasury. Then it would not be so difficult to move to safer ground. The report tells us that three hundred homes were demolished and four hundred severely damaged. They must be rebuilt entirely or in part. Why not in a better place?

If people were not obliged to pay hundreds or thousands of dollars for building lots, it would not be so disastrous to make a mistake in choosing a homesite. One would simply move to a new site, move the house, too, if he liked, and begin paying his land tax, or more properly economic rent, for the use of the new site. Our present land policy, besides being responsible for our business depressions, is an illogical scheme that does not give the security it professes to.

### CHEAP HOUSES

Factory-built uniform houses produced in wholesale lots has been suggested to help solve the homeownership problem. All that the owner saves in building construction is that much taken from labor. Where does it go, to the homeowner? No. It goes to the landowner, from whom he must purchase a lot on which to build any kind of a house from a dog house to a ducal palace. As the cost of building comes down, there will be more demand for lots. As the

demand for lots increases, the price of land will go up. The homeowner, the architect, the carpenter, the bricklayer, the cement man, the roofer, the painter, the paperhanger, the lumber yard—all these will lose if these cheap houses become popular, only the landowner will gain, and he has done absolutely nothing to earn one cent so far as the land is concerned. He merely sells to you the privilege of setting your house on the land that was made for you as much as for him.

### TAX DELINQUENCY

The unhappy situation brought about by depleted treasuries throughout the country has become so alarming that the National Municipal League, with headquarters in New York, has launched a Pay Your Taxes Campaign. It is the services rendered by state and local governments that have suffered most, schools and libraries, health departments, municipal employees.

"Of all the immediate causes of this situation, the failure of citizens to pay their taxes is of the utmost importance, since it not only cuts off income that has been budgeted (and in all too many instances already spent) but it also helps to destroy a city's credit. As tax delinquencies mount, the chances of the city borrowing against these uncollected taxes become poorer. Thus a paradoxical situation is created wherein the cities that need financial help most are least able to get it."

This is one more argument in favor of a just and scientific tax, one tax on the value of the land itself, a tax that is, in reality, merely the annual rental value of the land which is now paid to private individuals in addition to the taxes paid to the Government—when they are paid.

### AN OPTIMIST SPEAKS

Beginning in 1929, it took three years for the farmer and the city wage-earner to sink as close to the bottom as it is possible for these two great classes—and all who depend upon them—to get without completely disrupting the Nation. It will take, I fear, at least a couple of years before we get back to where we were before the depression. Some people think we never will get back there, but I am convinced that if we really use our heads and our hearts, if we have intelligent patience with one another, we can make remarkable strides during the next year.—Henry A. Wallace, Secretary of Agriculture.

(It will help a heap, Mr. Wallace, if we use our land, too. Most heads are not worth much.)

Destroy land speculation and stop land rent from going into private pockets and you will rid all of our large cities of their slum districts.

The cost of living is still about the same—all a fellow has.—*Punch* (London).

# TAX FACTS

Published Monthly

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

EDITORS

STOUGHTON COOLEY - - - - - NORMA COOLEY

Subscription per year 50 cents

VOL. XII LOS ANGELES, CALIF., MARCH, 1934 NO. 11

## THE DEVIL AND THE DEEP

When Southern California was shaken by an earthquake on the 10th of March last year, the Chamber of Commerce, All Year Club, Realtors' organizations and others could hardly wait to start the presses turning that they might assure our visitors and Eastern friends that earthquakes, like California weather, are unusual. We were told that in all probability there would not be another one of that intensity for fifty years. Statisticians labored feverishly to prove that the number of people killed was a small percentage of the entire population of Southern California—and more nonsense of a like kind. Probably it was all the same to those who were killed whether they made up fifty or only one and one-half per cent of the entire population.

These well-meaning defenders of California's reputation were, at that time, centering their attention on the probable effect that the earthquake would have on land values in that, and surrounding, territory. People have invested money in home and business sites. Any buildings that may be standing on them are expected to deteriorate. We are accustomed to having our houses assessed at a lower and lower valuation as the years go by. The land value, however, is expected to rise with the growing demand of an ever-increasing population. What would happen to land values if the steady flow of new comers to Southern California should be suddenly checked or diverted? It is beyond our power as individuals to make our land valuable, you know. We are dependent on the group as a whole, and the larger the group, the greater the value.

In the case of our earthquake, our zealous attempts to allay the fears of possible future citizens are likely to prove, not only embarrassing, but a very serious handicap in providing for the safety of our children. The earthquake was not nearly as severe as some that have shaken the earth's crust, but it did destroy some school buildings, badly damage others, and put dangerous cracks in many more. Besides, as the Chamber of Commerce naively puts it: "these buildings, fine as they are, were not designed to withstand the movement of lateral forces."

These buildings must be made safe. The total amount necessary for this work is \$31,287,497

of which \$20,411,497 must be provided by a bond issue. During hard times people naturally shy from this added burden. The Los Angeles City Board of Education and others interested in the school problem are using every possible argument to make the public believe that danger does actually exist, in spite of what the Chamber of Commerce said last year. In order to carry the election, the Board of Education believes that it will be necessary to reawaken those fears that are so bad for land values.

Statements, once suppressed, are now brought forward and emphasized with capital letters. One is: "from a statement endorsed by the board of directors of the Seismological Society of America, at its meeting in Los Angeles on April 8, 1933:

"It is common knowledge that, from time to time in the past, earthquakes have occurred in California strong enough to cause damage to property and even loss of life. Geological studies and instrumental records of seismic activity indicate A HIGH DEGREE OF PROBABILITY THAT SIMILAR EARTHQUAKES WILL OCCUR FROM TIME TO TIME IN THE FUTURE."

Another statement from the "June report of the Joint Technical Committee on earthquake protection, under the chairmanship of Dr. Robert A. Millikan, summarizes its findings in part as follows:

"Earthquakes of damaging or destructive intensity will continue to occur in California from time to time in the future.

"An earthquake is apt to occur in this region comparable in intensity and duration with the San Francisco earthquake of 1906. . . .

"The degree of risk is such that earthquake resistant construction is absolutely necessary in this region in order to avoid great loss of life and heavy damage to property."

These quotations are from a folder issued by the Los Angeles City Board of Education. It puts rather a different light on the earthquake situation, and is probably much nearer the truth than the statements issued a year ago. For the sake of gambling in land and getting the highest possible winnings, men will often suppress facts and give entirely erroneous ideas concerning climatic conditions and so forth. If you did not know *why* land speculation was a bad thing, you ought to know that there is something wrong with a "business" when it induces people, who are otherwise honest and honorable, to lie or prevaricate.

Land speculation is a social disease that saps the moral, as well as the economic, strength of a people. Getting something for nothing, which is the objective of all gambling, gives rise to false standards by which people measure success and well being. Considerable fuss has been made here lately over a little gambling device called Tango. Yet the great game of land gambling goes merrily on, aided and abetted by millions who pride themselves on their virtue. Thus does our greed warp our souls.