

# TAX FACTS

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## BLUE PRINTS

When the raids of the coyotes on fowl and small domestic animals became too devastating, the government offered a premium for the pelts of these destructive marauders. For months, death rode the hills and hencoops, and the number of coyotes grew less and ever lesser. All would have been well, from the ranchers' point of view, had it not been for another factor in the case. Coyotes also eat jackrabbits, and these nimble creatures at once took advantage of the situation to multiply like anything.

Now, jackrabbits don't eat sheep, but they devour by nibbles the same herbage that furnishes food for sheep; so, if you have too many rabbits to the acre, your sheep pasture will be thoroughly cropped before your sheep are up for breakfast. The authorities must now devise some way to kill off the rabbits. If they succeed, we'll probably find out what rabbits are good for.

An old lion hunter in New Mexico says that deer and the North American mountain lion just naturally belong to each other. Where you find one, you find the other; and where the lions are thickest, the deer are the slickest and speediest and healthiest specimens of their species. The reason is obvious. If a deer grows old or sick or becomes injured, he can't make such a quick get-away, and when the startled herd takes flight, he is the one that gets caught. Deer don't maintain institutions for the decrepit or mentally deficient. Nature handles the situation without sentiment.

This is not an essay on natural history. We merely wish to call attention to some of the more familiar instances where nature, if not interfered with, will maintain a nice balance of her own. The entire universe must be accurately adjusted in every particular if it is to hold together. It is appalling to think what might happen if any of the screws worked loose.

Man seems to come the nearest to being a mistake. He can think of more ways to outwit natural laws than there are laws. His success in that direction, to date, is still at zero. It is not more true, but it is more apparent, in his handling of economic problems than it is in other ac-

tivities. We have thrown our economic system out of balance by allowing some groups and individuals to take advantage of others. Any attempts to achieve and secure economic balance without first removing that dead weight of privilege that causes our ship to list, always have been and always will be unsuccessful.

It is not the decision of the Supreme Court that prevents the Agricultural Adjustment Act from solving the farmers' problem. Without that ban, the plan must, eventually, have met with failure. The administration is trying to remedy the situation, not by removing the fetters that already bind production, and which Mr. Hoover is very careful not to mention, but by imposing further restrictions. Industry, staggering under an insufferable burden of taxes, was called upon to bear still more in an effort to rise out of the depression — a depression that was, itself, induced by unjust and unscientific taxation.

No, it was not the "flagrant flouting of the Constitution" that prevented the farm policy of the A. A. A. from working successfully, but the ignoring of the natural laws that govern our economic life whether we recognize them or not. Why there should be so much confusion and ignorance regarding the production and distribution of wealth is almost mysterious. If the three factors that enter into production—land, labor and capital — were allowed to function freely, there would be no trouble about distribution, no problem of poverty or unemployment.

A few years ago, a football player in a Rose Bowl game was given embarrassing publicity because, after receiving the ball, he became confused and ran in the wrong direction. He crossed the goal line, but it wasn't his goal. If the administration continues to carry the ball toward the goal of planned economy, it may get somewhere, but it won't be that goal of freedom and prosperity and abundant life that we had in mind.

Who can say how much wheat or corn or pork a given number of people can or will consume? "Planned economy" fails at the start because no one knows how many acres should be

planted to what crops, or how many little pigs should live and be let live. There is only one power on earth that can determine how much wealth should be produced to satisfy any group of people—the age-old principle of supply and demand. Good old boy! We don't need to burn the midnight oil figuring that out. It just naturally takes care of itself—but produces good results only when every man can labor and possess the fruits of his toil. If he must give part of what he has produced to his landlord, part to the tax collector and some more parts, too numerous to mention, to this, that and the other monopoly, he won't have much left to trade off for boots or lollypops. His buying power will be reduced, and industry will scale down its production.

Believing that the farmers, being more independent and less organized than the industrialists, would not voluntarily reduce their output, the administration undertook to tell them how many acres must lie idle to match the idle machinery. The decrease in farm products would mean higher prices for the farmers and also for the housewives whose husbands were unemployed.

Mr. Hoover is quite right in criticizing this "program of scarcity," but he has not, in any of his speeches, even suggested that the restrictions be removed from industry so that increased employment will enable the city workers to buy the farmers' products. Indeed, he boldly admits and sanctions the subsidies that have been, and are being, given to industry, and he proposes to apply the same form of "relief" to agriculture.

At Lincoln, Nebraska, Mr. Hoover said: "Over a century ago we began it (giving subsidies) in canals and turnpikes; since then we have kept it up on railroads, highways, ships and aviation, and silver mines and land reclamation—agriculture—we usually do it under some other name than subsidy. We had better begin to use straight words and we will act straight. A subsidy is a burden on the taxpayer, but it does not regiment or destroy the initiative or freedom of the receiver—it is to stimulate that."

There is your keynote to Mr. Hoover's economic policies. Of course, it doesn't "destroy the initiative or freedom of the receiver," but it certainly does destroy the initiative and freedom of all the companies and business men who would be their natural competitors. It prevents all industry from conforming to the natural laws that govern the production and distribution of wealth. Natural competition, which is "the life of trade," is destroyed, and the cut-throat competition of monopolies so distorts the whole system that the economic structure is thrown out of balance. The government helps some business men, and not others. This is obviously unfair. Until this injustice is corrected, neither Mr. Hoover nor

Mr. Roosevelt can devise a plan whereby economic security can be established and maintained.

Mr. Hoover was greatly relieved to know that Mr. Roosevelt "admits that the war had something to do with the farm depression." Will some one please tell these two gentlemen *what* the war had to do with it? They are not likely to figure it out for themselves. When so much of the world's population had laid aside the plowshare for the machine gun, the demand for American wheat and other farm products rose enormously. What happened to the price of farm land? Of course, Mr. Hoover and Mr. Roosevelt know, but it doesn't seem to mean anything to them. When farmers encumber themselves with land at two, three, and even four hundred dollars an acre, before long they will find themselves holding the bag. Prices cannot rise high enough to meet that overhead, for they raise wheat, also, in Canada, Argentine and Russia. Using a farm for raising crops, and using it for speculation are two different things.

In closing his speech at Lincoln, Nebraska, Mr. Hoover said: "I have seen freedom, the most priceless heritage, torn from children that this generation might escape its responsibilities. I wish to say to you unhesitatingly that our country has been following step by step the road through which these millions of people in foreign countries lost their liberties. Our farmers have had the blessing of individual liberty in greater fulness in their lives than any other part of even our own people. It was the farmers that fired the first shot at Lexington. It must be the farmers who defend that heritage. I ask you to stop, look and listen."

Mr. Hoover is not aware of the significance of his own words. For generations, people have sailed to our shores to take advantage of the free land and the cheap land here that was denied them at home. Those who did not wish to establish themselves on farms, enjoyed better wages and better living conditions than they had in their homeland. Why? Because this outlet of cheap land relieved the economic pressure in urban centers and manufacturing districts. It was not until this good, cheap land had all passed into private possession that the farmer's real troubles began. The farmers at Lexington didn't pay two hundred dollars an acre for their land, nor one hundred dollars, nor fifty dollars.

Mr. Roosevelt, also, waxed eloquent toward the close of his Jackson Day speech. "The nation is still young, still growing, still conscious of its high destiny." And we need land, Mr. Roosevelt. We cannot build our homes nor conduct our business nor say our prayers without using land. Why fiddle around telling men how many potatoes or peanuts they can grow, setting aside tax money that was collected for social service, then using it for slum clearance; plotting and

planning with a zeal and enthusiasm worthy of a better cause, telling people how they shall conduct their enterprises. Start the wheels turning that will break up land monopoly, give back to the men and women and young people their birthright—the right to use the earth without paying private individuals for the privilege of doing so. Stop burdening industry with crushing taxes.

Give us our heritage—the earth, itself—and nature will strike a nice balance between supply and demand, that neither you nor the Brain Trust nor the Supreme Court could approximate. Nature knows about other things besides coyotes and jackrabbits.

### Indians

William H. Hay, land committee Chairman of the Board of Water and Power Commissioners is considering a report, "recommending a solution to the problem of caring for the scattered, homeless Indian families in Owens Valley and Mono Basin . . . The scheme provides for the removal of scattered and indigent Indians to four compact and segregated areas in the vicinity of Bishop, Independence and Lone Pine, and make available to the Indian Service arable land and water supply sufficient to support the government's charges.

"Should such a proposal prove acceptable to all parties it is agreed that the homesite lands deeded to the Federal government by the city shall be operated and maintained for the benefit of homeless Owens Valley and Mono Basin Indians."—*Los Angeles Times*.

It might be the source of some kind of satisfaction to the Indians if they could understand what a mess we have made of our land policy after moving in on them as we did. We have our indigents, too, right here in Los Angeles, and we have plenty of homesites, but we won't allow one of these homeless wanderers to set up so much as a tent on a lot that he doesn't own—and the price of ownership is prohibitive to these children of misfortune, for real estate is "looking up."

"The nation behaves well if it treats the natural resources as assets which it must turn over to the next generation increased, and not impaired, in value."—*Theodore Roosevelt*.

### BORAH SPEAKS

Senator Borah, in a radio address last month "heralded the approach of a new Presidential campaign." He called monopoly the great evil lurking in our system.

"We all feel that the coming election is to be one of uncommon interest and of very deep significance. We are discussing constitutional government and the preservation of liberty.

"I ask tonight whose liberty? What liberty? The man or group of men who hedge about or control my right to engage in or remain in business are my masters and the masters of my children.

"The power which fixes the price of the things I must have that I may live and clothe and educate my family shapes my course in life and delimits my possibilities as completely as if I were its indentured servant.

"If we are going into a fight where the battle swings, let us fight for free enterprise, free economic system, free America, free from monopoly control, free from bureaucratic control. The times will not permit of a sham fight. If the trumpet gives an uncertain sound, who shall prepare himself for the battle?"

"When it is proposed to curtail or limit the rights of the citizen and control his judgment as to how he shall direct his business you are not changing our form of government—you are destroying it.

"Under-consumption is the harsh, accusing term but that has been our problem and that, under any monopoly-ridden system, will be our problem as long as this system prevails.

"There is great comfort to be had in reading this part of these reports. (Brookings Institute reports). It is encouraging to know that after all industry is not an evil; that plenty is not a curse; that it is more blessed to distribute than to destroy."

### Taxation of Land Values

"The taxation of land values rather than incomes, commodities and capital is not communistic, as is a part of our present tax system. Land-value taxation does not penalize the efficient. It provides no royal road to wealth for the lazy and the thriftless. It does not attempt to reduce all to a common level. It is essentially individualistic. It leaves to the individual all that he can acquire by labor and saving. It takes for society a value which is in a peculiar sense a social product. But no system of taxing commodities, incomes, and property in general can possibly be so good for the common man, do so much to encourage ownership as against tenancy, make the opportunities of getting a start in life so hopeful, as a system of relying chiefly on the rental value of land for the provision of public revenues."—*Prof. Harry Gunnison Brown, "The Economic Basis of Tax Reform."*

President Quezon starts out with a severe handicap. He cannot blame anything on a previous administration.—*Buffalo Courier-Express*.

Civilization is the condition in which one generation pays the last generation's debts by issuing bonds for the next generation to pay.—*Troy Record*.

# TAX FACTS

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## TAX MADNESS

The news of the week brings out several angles of the tax problem, and the picture, as a whole, is confusing and disappointing. The State Chamber of Commerce informs us that there are 5042 separate units of government in the State with power to tax and levy assessments. If any hapless citizen hopes to slip through this cordon of officials, he will have to do it as the prisoner did last week who left the escape-proof prison on Alcatraz Island. He went out through the narrow gate called Death.

The California Newspaper Publishers' Association met at Santa Monica for its forty-eighth annual session. No group or association can meet these days without discussing the tax question. Col. Samuel G. McClure of the Santa Monica Evening Outlook said, in his address: "We can look for an era of increasing taxation. Business is being retarded by this outlook, which threatens our industry, alone, with advertising taxes, social security taxes and more surtaxes."

Col. McClure said that the new State and national social security levy, now in effect, constitutes an additional 5.4 per cent tax on an average business, and that by 1938 this will have gone up to 21.4 per cent, and a few years later to 50 per cent. "We are all going to come out of the small end of the horn unless we fight this increasing tax madness."

In addressing the same organization, J. R. Knowland, president of the State Chamber of Commerce, called for "Definite action on the part of publishers and the people generally to correct the problem of mounting taxes. The cost of government in California is increasing twice as fast as is the population. The increase is three times as great as the rate increase in basic income."

Whatever the figures and percentages may be, we know, or ought to know, that we cannot pay the necessary expenses of modern government and also provide billions of dollars to feed millions of people. With an estimated State deficit of \$80,000,000 for the close of the present biennium, and a national debt that has already passed the \$30,000,000,000 mark, the outlook is not encouraging.

If what Mr. Knowland says is true, and no

doubt it is, that "the cost of government in California is increasing twice as fast as the population," something is fundamentally wrong with our method of levying taxes. The needs of any community or state or nation increase in proportion to the growth of population. Like individuals, governments may "run up" their bills through sheer extravagance. Usually, men are not over-careful about spending other people's money. This, however, is another matter and has nothing to do with the principles of taxation. If all expenses were cut to the bone, yet taxes were levied on the products of labor, our problem would not be solved.

A large part of our tax burden is made up of funds collected to care for the unemployed. All of those who are interested in "real estate"—and who is not—work indefatigably to keep these taxes from being levied on the land. Thus, people are encouraged to hold land idle, that is, vacant or poorly improved, and so men are robbed of the opportunity to labor. It is like the Danaides, trying to fill the bottomless cask. As long as we have unemployed, we must keep increasing our taxes; and as long as we levy our taxes on industry and allow land values to pass into private instead of public hands, we will have the unemployed. There will be no break in the circle until we recognize land value as a community-created value and collect it to pay our government expenses.

The assessors, themselves, are all in a dither because this would mean "confiscation of real property of the citizens of our State." As no ownership, possession, title or occupancy of land would be disturbed; and as full public service would be rendered for every dollar of land value paid into the public treasury, it is difficult to see where the "confiscation" would come in. We can only conclude that these gentlemen have not studied the matter.

Mr. Knowland, in recommending against any change in the tax structure, said, "The taxes are part of the revenue program enacted by the Legislature for this biennium, as a result of recommendations of the joint taxation committee of the Senate and Assembly." Governments have a way of committing themselves to certain expenditures and then trying to collect the taxes where and as they can. They make out their program first, then try to finance it. If the value of the land were recognized as the basis for taxation, there should be little difficulty in determining how much tax money would be available for any given year. The "fluctuation values" of land are not true values. Discourage speculation and you won't find your lot valued at five thousand dollars today, and at two thousand dollars two or three years from now. Our first and most difficult task is to change our mental attitude toward the whole subject of taxation.