

The business banks hold untold millions of government bonds. In my opinion there will be no repudiation of those bonds, but when they fall due they will be called in and paid off with new bonds, perhaps at a lower rate of interest. This is a lesson the "brain trust" have learned from the railroads and utility corporations.

In the sale of the bonds for defense it is stipulated that they are redeemable in ten years and, in order to avoid a fall in the prices, they may be redeemed only by the purchaser. This is a point in favor of the New Deal. It was done to avoid a repetition of what happened after the last war, when government bonds fell to around eighty. There was speculation and millions were made at the expense of the poor man, who from patriotic impulses bought bonds to help defeat our enemy.

Another point in favor of the present administration is the effort to prevent "wildcat" speculation in Wall Street, such as occurred during the easy money days of the Harding and Coolidge administrations. The "boom" exploded in 1929 during the incumbency of President Hoover. The public lost heavily, "paper millionaires" had to go to work, and the conservative political party was practically wiped out.

The investigations of the railroads and holding companies lead in one direction only—they will eventually be taken over by the government, since they will be unable to finance the improvements needed to meet modern methods of transportation.

We are witnessing the steady growth of "control from the top" in other ways. A sermon recently prepared by Mayor LaGuardia, Director of Civilian Defense, and sent to ministers of various denominations for delivery in their churches, is only a beginner. (Later on the newspapers and magazines will be told what to print and when.) The sermon in itself was excellent, but the idea behind it is control of the pulpit and the press.

That we are leaning towards regimentation is becoming more evident every day. Regimentation is nothing more than control of groups who will support the administration.

The farmers are getting subsidies, likewise the cotton growers. Labor unions are organizing everywhere and under the Wagner Act have certain advantages when it comes to strikes. The poor are being controlled through relief and modern charity housing.

Statisticians who deal with governmental finances say the cost of the federal government is now ten times what it was in 1940 and the interest-bearing national debt is fifty times what it was then. The cost of government in cities and states is increasing, and before long the bulk of incomes will have to go to the support of government. Excessive taxation has ruined many nations and will ruin ours if the cost of government is not reduced and the people be not allowed to retain their incomes instead of turning them over to the government.

This is not to say that the people should not be called upon to support the defense program. In a period of emergency

like the present the people have demonstrated beyond doubt their willingness to sacrifice for their country. When called upon to reduce their own expenses, to tighten their belts, and pull together for the defense effort, they respond. But should not the government be expected to do the same? There is no tightening of the belt of the federal government. Governmental employees are on the increase constantly. There is no attempt whatsoever made to reduce national expenses. And when the world disturbance comes to an end, if it does in our own time, and we move from a war period into one of peace, the employees in the federal government will make every attempt to hang on to their jobs. There is nothing unnatural in this, for if they are let out they will be unable to secure work that will provide for themselves and their families.

The longer the excessive cost of government and the high taxes continue, the more difficult will be the solution. Every effort should be made by the people as a whole to at once impress upon Congress that the cost of government must be materially reduced.

The American people have never yet opposed supporting the government, physically or financially, when there is need. They have willingly stripped themselves of nearly everything they possessed for the successful outcome of any difficulty the government has engaged in, but the administration must do something too, and that is to reduce the cost of government by cutting out all non-defense expenditures, and to cut taxes to a minimum.

A continuance of the present methods indulged in by the federal government will undermine and destroy the democracy which we have built and lead us straight to state socialism and slavery.

Congress in a Tax Dilemma

By J. RUPERT MASON

CAREFUL students of Political Economy who had forebodings about the 16th Amendment to our Constitution, predicting that it would tend to open the door for special privilege and extravagant spending, would perhaps be listened to today, as they were not at the enactment of that legislation.

Although we had conflicts of interest aplenty before the passage of the Income Tax Amendment, there was no opportunity for conflict then between those who believed government should be supported according to "benefits received" and our latter-day "ability to pay" saints.

In the feverish search by the Congress for any sources that still may be suspected of having left any "ability to pay," we have witnessed the swing of the pendulum to the point where currency inflation is rearing its ugly head. The one ray of hope that the President will make some serious effort to stay this growing tempo of inflation was his veto of the

\$325,000,000 Road Bill, and the Bill to prevent the government from selling certain crops it has acquired under one of its AAA experiments. This is good, but does not involve the *source* of government revenues.

All too many have forgotten that ours is a form of government unique in history. The thing that made it unique is the "dual sovereignty." The states were each a sovereign, and the federal government possesses only such sovereign powers as were surrendered by the states to it.

The power to lay import tariffs and excise or indirect taxes belongs to the Congress. But such restrictions were inserted in the Constitution that Congress has only levied direct taxes on "property" a few times. The rule of apportionment all but prevents Congress from levying such taxes. In fact, the first federal income tax law was held void in the famous Pollock case, because it attempted to tax ground rent the same as earned incomes. The court held it to be unconstitutional. Although the 16th Amendment corrected that, it gave Congress no power to tax the rental value of land not actually rented and yielding an income. All such land is now wholly federally tax exempt.

The untaxed rental value of unused land has been "capitalized" by the title-deed holders at many billions of dollars, and the holders are becoming increasingly loath to build on their land, or otherwise develop or improve it, or to sell it, due to the uncertainty over taxation. They have come to regard it as better business to leave land idle, than to risk capital in buildings, mining or mill equipment, knowing that they will be permitted to keep very little of any profits that hard work might produce. Many are holding valuable land idle, as a hedge against inflation.

But idle land gives neither guns nor butter, and Congress is now seeking to justify its new nuisance and sales taxes on the theory that consumers have too much purchasing power—that if it is not curtailed by taxation, there won't be enough guns or butter. It was only yesterday that these same Congressmen were shouting to high heaven that Congress must borrow money to "spread around" because consumer purchasing power was less than our ability to produce. Now our ability to produce is suddenly found to be below our so-called "purchasing power."

The perfectly obvious fact that no matter how complex our industrial system may seem, it is still as true as ever that access to the natural resources found in or on land is essential, before we can have guns or butter or anything else, is never even mentioned by our present leaders.

A good example of self-confessed ignorance on the part of politicians appears in the printed Hearings on August 8, 1941, before the Senate Finance Committee on H.R. 5417, during the testimony by Secretary of the Treasury Morgenthau. On page 4, Senator Barkley interrupts Secretary Morgenthau with the remark: "That is partly due to the fact that the experts have written most of these bills."

Secretary Morgenthau: "That is right. If they left it to you and me, it would be different."

Senator LaFollette: "I think it is hardly fair, if I may interject, to the experts. They did not invent this 10 per cent. defense tax."

Senator Vandenburg: "It is hardly fair to the Secretary, because he is supposed to be an expert too."

Senator Barkley: "No member of the committee will lay claim to such distinction."

Secretary Morgenthau: "I am sure Senator Vandenburg will."

Senator Vandenburg: "I will not."

On August 20, 1941, before this same Committee, Mr. Benjamin C. Marsh of the People's Lobby offered his opinions for a just tax program. On page 989 of the Hearings, Mr. Marsh suggested a tax on land values, to raise \$495,000,000 a year, pointing out that such a tax can't be shifted. No member of the Senate Finance Committee attempted to argue the point or even comment on the suggestion. The only remark by any member of the Committee shown in the printed copy of these Hearings, was by the Chairman, who soon after Mr. Marsh made the suggestion above, interposed and said: "Your time is over." Spokesmen for the big industrial and financial groups were given unlimited time to testify when they advocated sales taxes, and compelling lower income groups to pay an income tax. If any other witness except Mr. Marsh suggested collecting any part of the cost of National Defense from the holders of title deed to land, this writer missed their testimony, although he has tried to study all suggestions.

No one even appeared to recommend that the law be amended to stop the privilege now given landlords of deducting any taxes paid to the state or local government from their federal income tax return. In cases where the owner of land is a person with large taxable income, this privilege is tantamount to getting the federal government to pay as much as 79 per cent. of any state or local taxes paid by the title holder. The deduction is from the highest surtax bracket, under present law.

Not since 1861 (12 U. S. Statutes at Large 292) has the Congress put any tax on the annual rental value of land. Only since the 16th Amendment has Congress gotten revenue from rent actually collected by landlords. The huge amount of mineral, timber, urban and other lands now idle, no matter how valuable, are not helping National Defense with guns, butter or revenue. Perhaps Justice Marshall had such a state of affairs in mind, when he wrote: "The power to tax is not only the power to destroy, but it is also the power to keep alive."

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