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THE PRESIDENT'S PROBLEM

In the first of a series of articles on current affairs, Walter Lippman gives us a clear exposition of President Roosevelt's problem—the twofold nature of his task: "To raise the country out of the depression and to inaugurate a new deal." The task is a difficult one, but it may not be impossible of accomplishment. That remains to be seen. The very method of trying to bring back prosperity through the N.R.A.—and perhaps this is the most important function of the movement—brings into focus the various phases of our social relations. It shows clearly the unwieldy nature of this paternalistic form of government; the distaste that the majority of Americans have for any government approaching socialism; the desire that all men have to exercise their own initiative.

As our population has increased and our natural resources have fallen into private hands, our freedom has gradually slipped from us. It is not the signing of present industrial codes that has curbed individualism, but the growth of monopolies and privileges that give some an advantage over their fellows. If we had ever enjoyed in our palmiest days the individualism, real individualism, of which we prate, we could never have come to our present predicament. We never have experienced honest and open competition. The race has always been "fixed"—in favor of individuals or small groups who held franchises, or who sat on the tariff walls and stole from both the foreigner and their fellow countrymen with equal equanimity, or who maintained lobbies at Congress and legislatures to obtain laws to guard their special interests.

One privilege was demanded to offset another, but the great mass of workers were not, and are not, included in these privileged groups. They are the ones who pay the price, who make it possible for the big industrialist or manufacturer to reap the benefit of the tariff. The laborer has found himself pushed farther and farther from the feast that he has helped to prepare. His answer is the labor union which is absolutely dictatorial in its nature. Surely, no one seriously claims that real individualism can flourish when the hours and conditions of labor are arbitrarily

fixed even by a labor organization. True liberty would give every man the right to decide for himself whether he wished to labor long hours and secure more wealth, or shorter hours and have more time to play. As long as some one else decides this for him, whether it is a labor organization, a dictator or a paternalistic government, he is not really free to exercise his own initiative.

The N.R.A. is merely extending these rules and regulations to include more, and non-union, workers and employers as well as employees. It is shedding light on more than one defect in our time-honored economic system. Now it is the farmers of Wisconsin who rise in protest at the unfairness with which the N.R.A. works against their interests at a time when they can ill afford to make further sacrifices to the gods of shipwreck. The N.R.A., they declare, "has raised prices they must pay for manufactured commodities and failed to increase proportionately the money they receive for their products." In making this declaration, they are merely protesting against a new phase of an old evil. Ever since we have had any tariffs, the farmer has been buying in a protected market and selling in a world market. He has always paid "raised prices" for manufactured goods while the price of his own products failed to increase proportionately. If the farmers of Wisconsin, and of forty-seven other states, can go on from this specific protest and do a little original thinking on the tariff question and the land problem, the Blue Eagle will not have screamed in vain.

These farmers contend, "that unless the Federal government fixes prices on farm produce with a view to providing cost of production plus a margin of profit, there will be a flood of bankruptcies and foreclosures." Trying to adjust economic conditions with utter disregard for natural law is very much like telling a lie. It isn't the first lie that makes so much trouble, it's the multitude that have to be told to substantiate that first one. So it seems to be with this arbitrary fixing of hours and wages and prices. You can't fix the price of one man's product without injuring his customers unless you raise the price

of their products, too, and so on like the house that Jack built, until you come to the point where you discover that you are madly endeavoring to raise yourself by your own bootstraps. It would be so much simpler and easier to begin at the bottom and make the first, fundamental adjustment and let the other things find their own places.

If President Roosevelt could do this, begin at the bottom instead of at the top, he would find himself fairly launched on his new deal, or rather, he could not proceed in this fundamental manner without first inaugurating a new deal. There is his difficulty. His word, after all, is that of one man against millions, the most powerful of whom don't want a new deal that promises a fair distribution of wealth. They gained their power and amassed their fortunes through an *unequal* distribution of wealth. The vast majority of people do so little thinking for themselves, and are so easily swayed by the press and elaborate propaganda, that it is hopeless to expect help from them.

Yet a new deal means relinquishing old ideals, abandoning long-established precedents, resigning some of our most cherished beliefs. For this reason, it cannot be launched too abruptly nor carried on too vigorously. Too many interests would be thrown into conflict, too much needless suffering would result. A revolt against any such procedure would be certain, and the country would be thrown back into chaos in utter hopelessness and helplessness.

However, it is not possible to regulate the distribution of wealth by legislation *after* the wealth has been produced. The first step in establishing economic justice *must* be the abolition of land monopoly. Land is the storehouse from which all wealth is produced, and until that storehouse is made accessible to every man, it is useless to expect liberty and justice to come from passing around jobs like trinkets from a Christmas tree.

Destroy the monopoly of land, and the distribution of wealth will take care of itself. Will those who are criticising the efforts of the President please bear in mind that the majority would be just as much opposed to this fundamental and necessary change in our economic system as they are to the methods the President is now employing.

President Roosevelt can go only as far as the people will go with him. He can do little more than make a beginning, but if he does this in the right direction, it is that much gained. That he has made this start is reflected in his attitude toward the Muscle Shoals development and the Tennessee Valley Project. Both of these undertakings with their tremendous possibilities would have been lost to the American people, would have passed into the control of private corporations—another steal from the government, more

special privilege that would have passed as "individualism"—if the preceding administration had been sanctioned and given a new lease on life by an unthinking people.

Very likely we will, in spite of the Blue Eagle, blunder out of this depression as we have blundered out of previous depressions, but it is something to have in the White House a man who is not the willing tool of the big corporations, one who has some conception of what should be done with the things that form natural monopolies, a president who is not afraid of the big, bad bankers and who is doing his part to remember the forgotten man.

Perhaps prosperity will not consent to be restored, but will meander back of its own accord. Its chances of enjoying a long life, however, will depend somewhat on whether President Roosevelt has inaugurated his new deal, and what constitutes that deal.

SPEAKING OF PRIVILEGE

We are all familiar with the pretty stamps issued by the government to commemorate historical events or Centuries of Progress and the like. Wouldn't it be a good idea to commemorate the raising of postal rates by issuing stamps bearing pictures of steamships, railroad trains and airplanes? When the daily press carries headlines about huge subsidies given to these transportation companies, readers say: "Look at the graft!" and promptly forget about it, largely because they have so many troubles of their own and don't recognize this as one of them.

Tax Facts has had much to say about privilege and monopoly. A recent Senate investigation furnishes us an excellent example of what we mean. "Senator Black, Democrat, of Alabama, placed in the record reports showing that the line (Export Steamship Corporation) received more than \$300,000 for carrying four pounds of mail and that in 1929 it was paid at the rate of \$66,000 a pound on ocean mail."

There are fifty steamship lines that have ocean mail contracts, this of the Export Steamship Corporation is the first one to be investigated. "A list of subsidies, totaling \$45,230,151, awarded the Export Steamship Corporation during the Coolidge and Hoover administrations, was placed in the record of the State committee investigating ocean mail contracts by Senator Black, chairman. . . .

"The line was awarded a mail contract by the Postoffice Department in 1928 which called for the payment by the department of \$1,044,000 a year. With the construction of four faster ships for the Atlantic-Mediterranean service, Nevin testified former Postmaster-General Walter Brown amended the contract in 1930 to increase the annual payment to \$2,185,000.

"Naming some of the subsidies, Black said under the ten year contract awarded in the previous administration, the Export line would receive \$18,397,000 in ocean mail subsidies; that the ships were sold to the company for \$3,564,694 less than the world's market value; that about \$7,000,000 was loaned for construction of the four new ships, with \$2,853,000 being granted as the difference in interest rates on the loans, and that the Shipping Board paid \$467,457 for insurance for the line's vessels. (These vessels were originally owned by the government and purchased from the Shipping Board by the Export Steamship Corporation).

"In addition, the Alabaman said, the Shipping Board spent \$1,351,000 in repairing ships sold to the Export corporation, while, he added, the sale price was but \$1,351,307." These quotations are from the *Los Angeles Times*.

And so, children, first class postal rates were raised from two to three cents. What else could we expect when it takes \$66,000 to carry one pound of mail. As Captain Henry says, this is only the beginning, folks, only the beginning! The returns aren't all in yet. There are forty-nine more steamship companies, all the railroads and the airlines to be heard from. No wonder it takes three cents to carry a poor little letter from Los Angeles to San Diego. This ought to give you a rough idea of what Tax Facts means when it talks about special privilege—and what these old line Republicans, Better Americans and so on mean when they babble about private initiative.

WHO PAYS?

One of the smallest parcels of property in downtown Los Angeles, the northwest corner of Fifth and Flower streets, has been leased to the White Log Taverns, Ltd., "for a term of five years, with a total lease consideration of about \$12,000, it was announced

"The White Log Taverns conduct a chain of restaurants extending from Seattle to Los Angeles, . . . the White Log Taverns will immediately improve the property with one of their unique log buildings."

This company must sell enough hot cakes, fried potatoes, etc., in five years, to pay for the raw food stuffs it buys, for wages to its help, for original cost of building and for interest on building and equipment, pay the \$12,000 lease—and all taxes on this property. All this money, of course, is to come out of the pockets of the people who dine at the White Log Tavern. How would this situation be affected if improvements and personal property were relieved of taxes and land rent taken for public expenditures?

In the first place, land speculation would cease when the rent went to the public as a whole instead of to private individuals. Since there would be no object in holding land vacant, more

city lots would be available for use, and the rent would be lower. In the second place, if this rent were paid into the public treasury to take the place of all other taxes—with the very possible exception of the dog tax—the White Log Taverns, Ltd., would be relieved of all taxes now levied on their equipment. In the third place, if more land were made available for those who want to use it, not gamble with it, if rents were lower and industry relieved of its crushing tax burden, jobs would be plentiful, the wheels of industry would hum, wages would be higher and the purchasing power of the community increased. More people could afford to dine at attractive taverns, and the White Log Tavern Company would find an increased income and a decreased outgo. You don't see this? Well, just keep reading Tax Facts and maybe you will.

TO THE YOUTHS

John Steven McGroarty, poet laureate of California, has called upon the youths of today "to clean up the tremendous mess made by my generation." Professor Harry Gunnison Brown, of the University of Missouri, says that no matter what a student studies in his class of political economy, nor how well he is convinced that certain changes, or reforms of certain types should be made in public affairs, when he leaves college he must abandon these ideas and form his opinions to please the older men who have the jobs to give. Now that the older men, having persisted in their bullheaded ideas, have no jobs to give, it is an excellent time for the youths, college boys and all, to do exactly what Mr. McGroarty suggests—clean up the tremendous mess made by his generation.

OPPORTUNITY

Nature still offers her bounty, and human efforts have multiplied it. Plenty is at our doorstep, but a generous use of it languishes in the very sight of supply. Primarily this is because the rulers of the exchange of mankind's goods have failed through their own stubbornness and their own incompetence.—President Franklin D. Roosevelt.

FOOD FOR THOUGHT

Merchants and manufacturers have been urged to raise prices in order to increase their earnings. That would make it possible to pay higher wages or employ more men or both. The Gillette Safety Razor Company reduced the price of blades and the Company has been forced to increase the number of its employees by more than 100 per cent. After all, it is increased sales that the merchants want. When Los Angeles merchants decide to lure buyers in droves, they have Dollar Days. It would seem that people do want to buy, and will do so without any urging when they are able.

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DR. MUNRO TRIES TO GUESS

To these professors of political economy, one guess seems to be as good as another. In addressing the students of the California Institute of Technology, Dr. William B. Munro made some curious statements. In offering an explanation of the depression, he said it was largely due "to the fact that recently 50 per cent of the population was engaged in production of luxuries, or things that could be done without, and that when the public lost confidence and stopped buying luxuries most of these people were thrown out of work."

Here, then, is the situation. According to Dr. Munro, 50 per cent of the people were producing luxuries and had no time to raise their own food-stuffs or grow cotton for their own clothes. On the other hand, large numbers of people were busily at work raising grains and meats, cotton and wool, and had no time and no equipment for producing the luxuries that Dr. Munro speaks of. Wouldn't it be natural for these people to trade the surplus of their product for the things they wanted more? If the farmer had more wheat than he and his family could consume, why didn't he trade it for a radio and an electric ice box and the machinery to generate the electricity and an electric curling iron for his wife and so on? Why didn't people who were making electric curling irons and avocado cold cream and costume jewelry trade these articles for food and cotton goods? Dr. Munro has not answered these questions—he hasn't even asked them!

Trying to stimulate trade is a waste of time unless we know what is blocking it. The right of ownership comes from production: that is, the article produced belongs rightfully to the man who made it. If he made only a part of it in cooperation with others, then that part, however small, is his property, and the use of money to represent the article makes it a simple matter for him to receive his share without taking the articles apart, for dollars are easily divided into dimes and pennies. Because of this medium of exchange, trading should be as easily accomplished in our highly organized state of society as it was, and still is, in some communities where this exchange of wealth is actually done "in kind."

As long as this right of possession is recognized, the laborer is free to acquire as much of this world's goods as he desires—limited only by his own powers of production. When this right of ownership is denied him, when he is forced to turn over to some one else the larger part of his production, he has nothing to trade with. When a man makes more coats than he and his family need and trades the extra ones for bread and butter or theater tickets, these extra coats are his purchasing power. When a farmer raises more grain and hogs than he and his family can consume, the extra food stuff is *his* purchasing power.

As long as there are no arbitrary rules or restrictions, there cannot be much trouble in bargaining. I will not exchange the thing that I have made for the thing that you have made unless I feel that your article is worth the time and energy that has gone into the production of my own. If I find that some one in England can make the thing I want for just the amount of my goods that I wish to exchange for it, we'll both be happy. When American manufacturers come along and say: "Here, we can't let our Americans make this even exchange with the English nor with anyone. We must get up some scheme by which we can force our people to give more of their labor and labor products to us than we give to them." So they devise a cock-and-bull story about protecting the American working man, keeping up his wages and so forth, all of which the laboring people believe and heartily support. Through this unequal exchange of goods, some of the purchasing power of the vast majority of Americans passes into the hands of a comparatively small group that enjoys the benefits of the tariff.

When a power company enjoys the privilege of being the sole distributor of gas and electricity in a community, it has no competition and can charge all that the community can pay and still live. There goes some more of the public's purchasing power into the hands of a small group, for the more you have to pay for electricity above what it actually costs to produce it, the less you have to trade at the stores that are loyally displaying the Blue Eagle and trying to stimulate trade.

When all the others have taken their toll and forced you to give more than you receive in exchange, the owners of the land will take, in rent and selling price, all that is left above what is actually necessary for your subsistence. That finishes the game of coralling the wealth of the nation into the hands of a minority. Dr. Munro's makers of luxuries cannot exchange them for food stuffs and clothing because they cannot claim what they have actually produced. Their purchasing power has passed into the hands of someone else who cannot eat all of the food that these millions of workers could if they had a chance.