

TAX FACTS

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WHAT CAUSES REVOLUTIONS?

If those who fear Socialism would stop crying and give the matter serious thought, they might discover where the Socialist has made his mistake in determining the cause of our economic woes. They would then be able to answer the Socialist intelligently instead of throwing a fit and running up the wall. Hysterics won't solve our social problems. Every strike in the country today is being laid at the door of Moscow. Have we forgotten the serious strikes this country experienced years before Russia dreamed of being Red?

When we were very young and grew restive under the rule of a British tyrant, Edmund Burke explained to that tyrant and to his Parliament how it would be necessary to remove at least some of the causes of restlessness or those thirteen little infants on the other side of the Atlantic might crawl out of the cradle and start life on their own account. As everyone knows, the Colonies did defy their sovereign with as much boldness and independence as if they had been in the pay of the Soviet government and had received orders from Moscow. We honor them for it, but to George III, no doubt, they looked as Red as pickled beets.

Later, when Edmund Burke had gone over to the enemy and was condemning the French Revolution, Thomas Paine reminded him that it is not radicals or agitators, but *conditions* that cause revolutions. It would be well for *The Los Angeles Times*, and others, to keep this in mind. It is conditions that cause revolutions in France and Russia and America. People who find their work congenial, their pay adequate, their homes pleasant and comfortable do not start revolutions. It is those who must tramp the streets hopelessly looking for work, who must watch their families eating at charity soup kitchens, who must sleep in flop houses, or in the gutters, and who read of young people inheriting fortunes of forty and fifty million dollars—these are the ones who strike out blindly against unjust social conditions. They light the fires of revolution, but the fuel is gathered by *The Los Angeles Times* and others.

We mention that publication because it makes

such an ado over its loyalty to the flag and the Constitution and open shop and so on while it supports the interests of the privileged class at every turn, and that is exactly what the Socialist mistakes for the entire capitalistic system. Surely, the staunchest defender of our present system will not contend that it has no faults, and it is only by determining what those faults are and correcting them that we can hope to prevent revolution, and perhaps Socialism. Millions living on charity; millions more existing on starvation wages; many still on their feet, but fearful of losing their jobs and haunted always by the spectre of poverty; a handful of men drawing salaries of a hundred thousand a year and more; another handful counting their dollars by millions—there is something very wrong, indeed, with a system that creates such a situation as that.

The Socialist, seeing that the social system is out of balance, and having very vague ideas about wealth and capital, believes these wrongs could be righted by taking capital and industry out of private hands entirely. He comes to the conclusion that all competition is ruinous. Such publications as *The Los Angeles Times* cannot correct him, even if they know how, without committing themselves to the interests of the people as a whole, instead of to the privileged class. They consider it much safer to print considerable hooey about Communists in the pay of Russia, in the hopes that we will content ourselves with somehow banishing these agitators, but America is quite capable of starting a revolution without any suggestions from outsiders. She did so once, and a very successful revolution it turned out to be.

Therefore, it behooves us to meet this problem by removing as many causes of dissatisfaction as possible from our economic life. President Roosevelt has made two moves that illustrate good and bad changes that might be made in our present system. For instance, the Socialist wants all production, as well as all social service put in the hands of the government. The majority of those opposed to Socialism believe that government activities should be limited to a few departments of service, such as fire and police protection,

schools and libraries, sewage disposal, in most cases water supply, postal service, national defense and a few other little items.

We are so accustomed to having these services performed by the government that it causes no comment, save when the Socialist points to this fact as an argument for government ownership of all lines of business and industry. Well, if the government can handle the fire department and water supply, why shouldn't it go into the grocery, dry goods, and hardware business? If it is all right for President Roosevelt to sign bills placing Muscle Shoals and the Tennessee Valley Project in the hands of the government, why isn't it equally wise to regulate all business through codes or other means?

We might say here that we recognize the present situation as a crisis, calling for emergency measures that may help us recover, but would not do for a steady diet for the rest of our natural lives. In order to understand the difference between the Muscle Shoals proposition and the Blue Eagle, or better yet the demands of the Socialist, it is necessary to understand what is meant by "monopoly."

Funk and Wagnalls Standard Dictionary gives a very good definition. We print the last words in italics because they tell the important point in the story. "The exclusive right, power or privilege of engaging in a particular traffic or business, or the resulting absolute possession or control; especially in political economy, such control of a special thing, as a commodity, *as enables the person or persons exercising it to raise the price of it above its real value, or above the price it would bring under competition.*"

It is not difficult to see that some lines of business are natural monopolies. They can't be anything else. For instance, there might be anywhere from one to several hundred grocery stores in a community according to the population, but it wouldn't do to have several hundred, or even a dozen telephone companies stringing their wires along the streets. We once lived in a town where there were two phone companies, and it was heck. In other words, a telephone system is a natural monopoly, and therefore does not admit of competition. The Funk and Wagnalls Dictionary tells what to expect in the matter of rates.

The business of supplying a community with gas and electricity is another natural monopoly. On the other hand, the hardware business isn't. You can sell ten-penny nails in as many stores as you like, but we can't have our streets filled with gas mains belonging to a dozen different gas companies. Transportation lines, water power, such as that obtained at Muscle Shoals, constitute natural monopolies, a privilege which "enables the person or persons exercising it to raise the price of it above its real value, or above the price it would bring under competition." Since competition is out of the question, com-

panies holding such privileges have it pretty much their own way. Yes, there are laws and regulations and commissions and so forth, but special privilege wasn't born yesterday. It has had thousands of years of experience, and today its lobbyists are a far worse menace to the happiness and well-being of the United States than all the "agitators" that Moscow can send.

We might deport every foreign-born person from the United States and every other person who espoused the cause of Socialism or Communism, yet we would not have touched the real cause of our economic troubles, it is not capital, itself, that makes trouble, but that which constitutes the monopolies. It is their robbery and pillage which the Socialists have mistaken for the faulty functioning of this "capitalistic" system.

It is not competition, but the lack of it, that is hurting business. There is no "competition" in a horse race when it is decided beforehand which horse shall win. There is no real competition in business when some capital enjoys privileges that are denied the rest. The race is fixed. Nothing has ever given the public utilities such a fit of heebe jeebes as the proposed Tennessee Valley Project. *The Literary Digest* says of this great undertaking: "the hydro-electric plants will serve two other great missions. First, they will lay the basis for experiments with fertilizers never before afforded American scientists. Next, the cheap power produced in a non-profit-making plant will furnish a yard-stick for measuring the cost of electricity throughout the country. Without this yard-stick there is nothing except the books and testimony of the privately-owned public utilities. Already the experts of the Tennessee Valley Authority have thrown a bomb-shell into the utilities field by their preliminary estimates of the prices at which they can supply electricity in wholesale quantities. On the day their announcement was made the stocks of the larger electric utilities listed on the New York Stock Exchange registered a sensational decline." *The Los Angeles Times*, which is so afraid of the "Red Menace" is even more afraid of this yard-stick which will mean so much to the American people—and to the public utilities in a different way.

The grocers, the hardware merchants, the department store owners don't keep lobbyists at Washington or at the state capitals. They don't need to. They are not asking for nor expecting special privileges from the government. Anybody who wants to can sell a pound of sugar or a monkey wrench or a spool of thread. Such lines of business are not in any way monopolies and should be free to function as they please. That is the place for this much talked-of private initiative. Codes regulating prices and wages and hours of labor may help us in our present hour of need, but they should not be adopted as a permanent institution. Labor must be free and cap-

ital must be free. Neither must be hampered by arbitrary code restrictions nor by special privilege which is, and can be, granted to only a few. Wherever a service is a natural monopoly, it should be in the hands of the people, but public ownership should not go farther than that.

The greatest monopoly, the foundation of them all, is the privilege that we grant to individuals to collect land rent for their own private use. The fact that those who enjoy this privilege constitute rather a large number does not lessen the evil. The number is still a small proportion of the population. Practically all of the good land in the United States is now in private hands. If you want to use any, and do not already own it, you must pay some individual for the privilege of doing so. Every baby born into the world today is born with this handicap. Most of them are beaten in the race of life before they start. If they are to live at all, they must live on land, they must eat the food and wear the clothes and play with the toys that are made from natural materials found on the earth, and those who got here first and took possession of the earth will make those babies pay for the privilege all the way from the cradle to the grave.

The government, local, state and federal, should collect the rent that attaches to land. There would not, then, be any speculation in land. There would not be choice building lots or fertile farm lands held out of use. Taxes on industry would be unnecessary. Business would not be first drained by the landlord and then by the tax collector. Industrial codes would be unnecessary, and a well-fed, well-housed contented people would only smile tolerantly at the suggestion of Red Russia. *The Los Angeles Times* is doing what it can to perpetuate the conditions that cause revolutions, but maybe we're not as dumb as we look. Think it over.

BONNIE SCOTLAND

"The demand for small holdings will remain unsatisfied," says the *Commonweal*, London, "while the country is held in the manner of today; in 'The Great Robbery' will be found a list of 25 Scots Land Lords who between them hold no less than 6,287,287 acres—one-third of the whole country."

BEQUESTS

While we are on the subject of revolutions, and the word crops up constantly these days, we wish to call attention to an editorial in this week's *Labor*, Washington. Many of our rich have left liberal bequests to museums and libraries and art galleries. As they couldn't take this wealth with them to the other world, they were willing to give back a part of it to the people from whom they had stolen it.

Labor speaks of the will of Mrs. Emma T. Gary, widow of Judge Elbert H. Gary of the

steel trust. It seems that Mrs. Gary left generous sums to her personal servants totaling \$170,000. Her art collection and the bulk of her estate, about \$10,000,000, to the Metropolitan Museum of New York. "Of social consciousness," says *Labor*, "the will does not show a trace. Her personal servants have reason to praise her. But what of the steel workers, whose lives, ground into dividends in the 12-hour day and the 24-hour turn at change of shifts, piled up the Gary fortune?"

"'To hell with wages!' said a steel worker at the long turn, after working for twenty hours straight, with four more stretching age-long ahead of him. 'No can live!'

"He was right. Men could not live in the steel mill under the Gary regime; they could only exist; and Elbert H. Gary defended this infamy almost to the end of his life. Bequests to art museums and personal servants are good; but they are small compensation to society for the human price."

Red Russia, Moscow, Communists? Let us not get excited about them until we have cleaned our own house—in Gary, Indiana, and other places.

BUT HOW?

"Whatever mistakes the President, Congress and the people may make in their efforts to reconstruct American life on a saner, happier foundation, the important factor of the whole project is the determination to find and follow the path of political, social, moral and spiritual progress."—Dr. Edward H. Griggs, president of the department of philosophy of the Brooklyn Institute of Arts and Sciences.

YOU PAY AND PAY

It is strange that people have given so little thought to the subject of taxation. The idea still persists that non-property owners pay no taxes because their names do not appear on the assessor's books. In an article, "Who Pays the Piper," *The Tax Digest* lists a part of the indirect taxes that are passed on to consumers and are not recognized because they are not set aside and labeled. "Many people recognize the effect of direct taxation. They mail their remittances directly into federal, state, and local treasuries. . . .

There are others, however, who feel that they pay no taxes. That is the insidious feature of indirect taxation. Such people fail to realize that numerous indirect taxes are passed on to the consumer by the manufacturer or distributor. Moreover, direct taxes levied on producers are presumably included in the price the consumer pays."

For cost of state government in 1931, California stood fourth in the list with a total of \$119,952,000.

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CURTAILING PRODUCTION

Whether or not the results will justify the recovery plans of the administration remains to be seen. Senator Borah of Idaho thinks not. The plans do look a little odd, beginning at the top instead of the bottom, trying to abolish poverty by destroying wealth.

"If we cannot raise purchasing power and build up consumption, then our system of economics and our capitalistic system as a whole are doomed," said Senator Borah in a recent radio address. "I am not contemplating a revolution, but it may be well to remember that in France they taxed and taxed the producer and curtailed and curtailed the purchasing power of the people until they were driven from their homes into the cellars and hiding places of Paris where the French revolution was born."

Instead of curtailing production, Senator Borah thinks we should expand our foreign markets, rehabilitate our monetary, banking and credit systems, restore the anti-trust laws and break "the stranglehold of monopoly which holds the purchasing power of the people to the lowest point, and consumption, in many respects to starvation level. These are difficult problems, but in their proper solution is to be found our permanent recovery." Senator Borah recognizes one element that the majority of economists ignore—human nature. Our customs and opinions change, but fundamentally we are pretty much what our ancestors were thousands of years ago. Senator Borah says: "the same appetites and passions, the same hopes and aspirations, the same desire to own and possess, the same love of liberty, and, above all, the same instinctive determination to carry on will continue to assert themselves."

Senator Borah said that in this country, alone, forty million people are living below the poverty line. "Is it sound to say there are millions and millions of people in our country and in the world in want of food and illy clad, so let's destroy food, let's destroy the stuff of which clothes are made? The less able the people are to buy, the more difficult we will make it for them to buy."

If it is true that the recovery plans of the administration are running contrary to natural

forces and human nature, we cannot hope to gain more than temporary relief, and perhaps not that. Less than a month after Senator Borah voiced these opinions over the radio, Earl E. Crowe, writing in *The Los Angeles Times* headed his article with these words: "Weather and Greed Arise." Mother Nature doesn't always show proper respect for the plans of mice and men—or it seems so. Let the purchasing power of a community fall so low that many people can't afford to have fried eggs for breakfast, and the hens will start to lay like all tarnation. When people haven't enough money to buy all the clothes they want, the cotton crop is sure to boom. Really it's embarrassing.

"Nature," says Mr. Crowe, "as represented by the weather, and human nature, reflected in the instinctive desire for profits, are the twin forces that are likely to ring down the curtain one of these days on the Washington experiments and retire the brain trust clique to the small-time circuits." Mr. Crowe suggests that two of the ruling forces in economics have been in hibernation. "But once the weather vane starts to point to crop shortages, the people responsible for crop-reduction orders will be hard to find. The enraged farmers and the protesting consumers will be looking for victims.

"Or let the American public again sense the possibilities of profits in business or in speculation, and nothing in the world will stop the scramble in Main street or in Wall Street. People will be back at work, each individual sweating and planning for his share, and too busy to listen to the sophistry of those who would redistribute wealth by legislation and government fiat."

Senator Borah is right in one thing, at least. There has been no fundamental change in human nature through the centuries, and as Mr. Crowe points out, personal advantages soon blind people to any plans for the general good. We talk much about the redistribution of wealth when the other fellow has it. When it flows in our direction, we don't ask anybody whether it ought to or not.

Mr. Crowe quotes from a weather report which predicts crop shortages. If we reduce our crop acreage by governmental edict and then Mother Nature further reduces it by drought, locusts, mealy bugs, boll weavils and so on and so on, we may wish that we had thought of such contingencies and taken them into consideration. Small crops will so raise prices that each grower will curse his luck because he didn't put in more seed on the sly, and all but the most affluent consumers will bemoan their fate because they cannot afford to pay the high prices. Nobody is going to be very happy.

Let's try cutting out land speculation and see what that will do. Who wants to give up the idea of getting something for nothing? Well, nobody wants to, but it would help mightily if we did give it up so far as land is concerned.