

TAX FACTS

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THE BARON RETURNS

A radio star recently revived an old literary character, the Baron Munchausen. Both the original and his modern imitator endeavored to amuse and astonish their audiences by exaggeration and the extravagant use of large numbers. If the purpose of the President and the members of the Seventy-fourth Congress is to astonish us with their talk of billions, they have certainly succeeded, and the picture of these duly elected representatives of this great Republic appropriating billions of dollars to aid millions of able bodied men and women, adding to an already enormous national debt, piling Pelion on Ossa as naively as children playing with blocks—all this would be highly amusing if we, the represented, didn't have to pay the piper. Heretofore, only astronomers were supposed to use numbers too big for the laymen to grasp, now it is the men who control the purse strings of the nation. It is becoming a little too personal for comfort.

Trying to follow and comprehend the changing attitude of the President toward the unbalanced budget; striving to understand the nature of a government that has assumed the duties and functions of a united charities; attempting to visualize a situation where wealth is forcibly taken from the producers and dispensed among the non-producers and a growing horde of public officials, is utterly bewildering.

The most astounding thing about the whole performance is the mental attitude of millions of people who believe that it is the duty of the government to give them bread, and even cake, and the government's unquestioning acceptance of this strange idea. Our boasted American pride and independence has gone by the board. The pension idea used to be a racket. Now it is a national disease. What is basically wrong behind so much of the proposed legislation, back of most of the demands of the labor unions?

There is no reason why any government, local, state or Federal should become an institution of charity; and that is exactly what it does become when it provides a living for the unemployed by means of pensions, cash doles, public works instituted for the express purpose of providing jobs,

or through any other form of public aid. The whole thing has become so enormous that most people, not being very imaginative, are unable to visualize the true state of affairs. They have lost their sense of proportion.

When a man who is able to work asks for help, he admits one of three things: that he is lazy; that he is mentally incompetent; or that he is prevented from working by some individual or by the unjust laws of organized society. The problems of the lazy and the mentally deficient belong to the disciplinarian and to the physician. Our problem is to discover and to remove whatever obstacle stands in his way and hinders him from exercising his right to labor. Charity can relieve individual suffering temporarily, but it does nothing to correct the injustice that is the cause of this deplorable situation. We want justice, not charity.

If it is true that millions of people are, and always will be, incapable of managing their own affairs, the logical thing for us to do is to gradually retrace our steps down the stairs, up which civilization has toiled through the centuries with so much suffering and sacrifice, down through all the forms of feudalism, back to chattel slavery, back to our cave days and ways and men of little gods. If we are to hold fast to all we have gained with so much pain and loss, if we are to climb a little higher from the jungle to the stars, we must rid our minds of some medieval notions about human relations.

A mother hen scratches the ground to assist her baby chicks. When they become mature hens, they scratch the ground for themselves. Who ever saw a hen roosting in the sun with one eye closed while another hen caught worms for her? It isn't done. However, each chicken must have equal access to the ground in order to scratch for her own living. The word "hog" has become a term of opprobrium because men shut hogs up in pens and give them a limited supply of food. Each one, afraid that he won't get his share, tries to crowd the others from the trough. Go down South, or somewhere where hogs are running wild in the woods. You won't

find any "hoggishness" among them. Each one has an equal opportunity to root for himself, and root he does. There is no shoving or pushing or crowding there. Hoggishness is no more a natural characteristic of hogs than it is of men, but deprive either of them of their natural rights to produce a living for themselves, and the crowding will begin.

Every bird, beast and fish ought to forage for himself and not expect another to do it for him. The same thing applies to man. No man should be obliged to work for another if he doesn't want to. No man should be obliged to *employ* another if he doesn't want to. Employers should be seeking labor, not labor seeking employment. The present attitude of labor, especially noticeable in the activities of the American Federation of Labor, is the idea that employers must be *forced* to pay certain wages, to limit the number of working hours and days, to contribute toward unemployment and old age pensions. Yes, they should *if* their employees in any sense belong to them, if the employers have any natural claim to the bodies and souls of the men and women who work for them—otherwise not.

If we in America are freeborn, we have a right to remain free. We have a right to labor on this earth and to possess inviolate the product of our labor. No power of government or guild should compel us to work for wages that do not satisfy us nor to pay more for labor than is necessary in a free labor market. When natural opportunities have become tied up so tightly that men cannot employ themselves as Robinson Crusoe did, jobs become scarce and wages fall. That part of wages which an employer pays above the market level is not wages, but charity.

There are millions of people seeking work and millions of people needing the things that labor produces. Human labor is the only thing that can produce these wanted articles. Pumpkin pies and parasols and rocking-chairs don't grow all over the place in spite of you like pusley. You have to work for them, but how can you if somebody else has possession of all the raw material? Farmers, orchardists and stockmen are not the only ones who use land. We all use land. We are land animals and we couldn't live without it. As we are fenced off from it, the opportunity to labor diminishes, jobs become scarce and we have the absurd situation of some able-bodied men and women trying to support themselves and feed millions of other able-bodied men and women who should be perfectly able to support themselves.

Scientific farming and modernized factory methods have made it possible to produce such a quantity of food and other commodities that each laborer should be able to produce what he needs (there is no such thing as all that a man wants, fortunately) however, he should be able

to earn enough for his own comfort and some besides for Grampa and Gramma and Uncle Jim who lost his right arm in the Spanish-American War. There is no reason why anybody—blind, lame or halt—should become a public charge. Caring for the disabled and the born-shorts should be strictly a private and personal affair.

Billions of dollars have been spent by the government for relief during the past few years. This year in his budget message, the President recommended "that \$4,000,000,000 be appropriated by the Congress in one sum, subject to allocation by the executive principally for giving work to those unemployed on the relief rolls."

In his message to Congress of January 4th, President Roosevelt said: "We find our population suffering from old inequalities, little changed by past sporadic remedies. In spite of our efforts and in spite of our talk, we have not weeded out the over-privileged and we have not effectively lifted up the under-privileged. Both of these manifestations of injustice have retarded happiness." No matter how many billions these Baron Munchausens wring from the taxpayers and spend for relief and recovery, the security and well-being of the nation can never become an actuality until there are no longer any over-privileged or under-privileged among us.

No man is under any obligation to furnish another man with a livelihood, but the social group as a whole, all of us taken collectively, must stand by each other and see that every man has an *opportunity* to work for his own living. If he is lazy and chooses to starve rather than to labor, that is entirely another problem and does not come within the scope of political economy.

The right to life, liberty and the pursuit of happiness *must* mean the right to the use of the earth since all of the things we use are made from the natural materials that are a part of the earth's surface, and we have found to our sorrow that there can be little happiness and contentment when poverty and want stalk the land.

Taking some of the wealth that Mr. Smith produced and giving it to Mr. Jones who didn't produce anything isn't going to increase the sum total of wealth in the community. Charity shifts wealth but doesn't increase it. When we are through handing out dimes, the community will be just as poor as it was before unless somebody gets busy and bakes some more biscuits. The obvious thing would be for these hungry folk to bake their own biscuits.

No permanent and little temporary good can come from spending enormous sums to "provide jobs" for the unemployed. We're here and the earth is here, and that's all the good Lord is going to do about it, so we might as well make

up our minds to play fair and stop bombarding Heaven with our bootless cries and playing the baby act.

Until we stop the buying and selling and leasing of land by individuals as if we, not God, had created it, we are going to have depressions and unemployment and relief rolls and tarnation. It is most unfortunate that not a single voice is raised in Washington to suggest any course that will correct this basic injustice. This cannot be accomplished overnight, but it will never be done unless we make a beginning.

GOOD ADVICE

In a letter to the Bureau of Agricultural Economics, Dr. Charles J. Lavery of Aberdeen, South Dakota, offered some very good suggestions.

"The writer is a real 'Dirt Farmer,' owns and operates 550 acres of good farm land. He believes that farmers, both owners and tenants, and Labor generally, would be helped more by shifting taxes from goods and services, to land values than by any other form of legislation that has been, or can be devised. Congress alone, can perform that much needed adjustment.

"A nation-wide survey of land values and the ownership thereof would be the most useful piece of research work that any department of government could now engage in for the public good. Land monopoly is the daddy of all monopolies."

PRICES

The monthly bulletin of the National City Bank of New York says there is a better relationship between prices of finished goods and prices of raw materials than there was last spring.

"The chief requirement for the free production and consumption of goods of every day use is that they can be priced, allowing for costs and profit, to accord with the ability of consumers to pay. Unquestionably a principal cause of the disruption of trade has been the disparity that developed between the prices of finished goods and those of raw materials, among which the farm products are most important, in view of the extent of the farm market. Until the drouth became a factor on the farm side little progress was made toward overcoming this disparity, the N.R.A. raising goods prices as fast as the A.A.A. raised farm prices. But since last Spring the spread has been closing rapidly."

This "spread" can never close as it should while so many taxes intervene between the producers of raw materials and consumers of finished products. Materials are taxed while they are in the hands of the farmers, they are taxed when in the hands of manufacturers, wholesalers and retailers, and as the goods pass from hand to hand, each additional tax must be figured on the

whole preceding sum, which includes all taxes and profits that went before. This pyramiding of taxes causes a wide gap between the price that the farmer received for hides or beef or cotton and the price paid by consumers for shoes and steaks and calico.

Taxes on labor products always retard trade because no one benefits by those inflated prices—not even the tax gatherer in this country.

RECOVERY

The American Federation of Labor reported in its annual review that the nation moved unevenly forward toward recovery during the past year. According to the Federation, there are now 11,000,000 unemployed, an increase of 429,000 over 1933. "The average worker's standard of living was below that of 1933 because his yearly wage increased only 6.7 per cent while food rose 11.3 per cent and clothing and house furnishings 15.3 per cent;

"The average worker's income of \$813 was 43 per cent below the minimum necessary to support a family of five in health and decency." The report stated that President Roosevelt's proposed \$4,000,000,000 works program offers the only hope of new jobs in 1935. The President gave 5,000,000 as the number of unemployed. To the man who can't get a job, perhaps it doesn't matter much whether he is one of 5,000,000 or one of 11,000,000. Meanwhile, this is the same country it was when the Pilgrims landed and then everybody had a job and there weren't any millionaires or paupers or land speculators.

RATIONAL TAXES

Prof. Alfred G. Buehler of the University of Vermont, writing in *The Tax Digest*, says: "If American taxes were purely rational, they might all be administered by the federal government. The nation might even go so far as to rely exclusively upon a single system of personal income taxes adjusted to ability to pay according to the most modern standards, with complete exemption of a minimum of subsistence and the proper scale of progressive rates. But governments still require diversified revenues and no single tax is adequate. Tax systems are not founded upon any one principle; they include both logical and illogical revenues; they are the outgrowth of evolution rather than the product of purely rational action."

Professor Buehler is somewhat confused in his ideas on taxation, but he is groping in the right direction when he suggests that if our taxes were rational, which they certainly are not, they would be greatly simplified, even to the extent of becoming one tax administered by the federal government.

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THE GOVERNOR SPEAKS

Governor Merriam of California is in an unenviable position. He must realize that many of the votes that put him in office were not votes for him, but votes against Upton Sinclair. If that thought can act as an incentive and prompt him to greater endeavors, so much the better, for his task is not an easy one.

In his inaugural address to the Fifty-first Assembly, Governor Merriam laid a splendid foundation for constructive legislation—if he only knew it. "We must not come here," said Governor Merriam, "as Republicans or as Democrats, the representatives of any political party, but as Californians—charged with the responsibility and inspired by the opportunity to serve our people and our State. . . ."

"The next three or four months will mark an epoch in California's history. It is your opportunity, and mine, to labor so diligently, to attain results so effectively, to serve so faithfully, that this epochal period shall hereafter be regarded as a milestone in the progress and in the development of good government. . . ."

"Before we shall attain complete balance, however, we must eliminate the evils which aggravated, and which, in fact, contributed to the collapse of the old economic order from which we now are emerging."

With a deficit of \$30,000,000 which may grow to \$100,000,000 during the next biennial period, it will take more than wishing to get us out of the hole. We quote from the Governor's address because it forms an excellent background for legislative measures that would start us definitely on the upward path. "In this era of unprecedented dislocation of ordinary economic forces, the people have been required by necessity to look to national, State and local government for a co-ordination and the effective use of all their resources. . . ."

"California is a fertile and a fruitful land. Our natural resources are abundant, and sufficient for many generations to come if wisely utilized and properly conserved. As a people, we are industrious, progressive and enlightened. Our public and private institutions are sound. Our well being is assured as long as we act for

the common good and with an understanding of our common needs."

What more need be said? Only this, perhaps. The clouds will begin to lift if the Governor and the Fifty-first Assembly will center their attention on ways and means to make these abundant natural resources available to these "industrious, progressive and enlightened" people. From the serrated skyline of the high Sierras to desert dust and tawny beach, this state is rich in the raw materials from which we may fashion almost anything that takes our fancy. We, ourselves, constitute the labor element, how absurd that being here we can't turn these materials into the things that we want and need, but as long as these natural resources are monopolized, some of the children of Adam are going to come off short. They can build houses, but they can't build lots to put them on.

Wouldn't it be nice if we didn't have to work so hard digging gold out of the ground? God might just as well have finished the job and scattered it around over the landscape in the shape of gold coins, but that wouldn't do you any good if you didn't own any of the landscape. Suppose God had put another cup of coffee or another piece of pie on every rock and boulder in California. If you didn't own any of the rocks, you'd be right where you are now, wouldn't you? If you wanted to buy any gold covered acres or pie-and-coffee rocks, child, you'd pay for them! That's the way we play the game now. We tell you what a wonderful soil, climate and everything else God put here, but we won't let you even look at it unless you pay for the privilege. It's dangerous to stand in the middle of the street; if you hang around our public parks too long, we'll run you in for vagrancy; and all the rest of the land is privately owned.

Absurd? Of course it is, and all the land owners, actual and potential, are going to do everything in their power to keep the Governor and legislators from collecting any of our land value to help balance that poor budget. In closing his address, Governor Merriam said: "Here in this historic State Capitol you are the independent representatives of the people, to whom alone you owe your allegiance and your duty."

"Let no special interest, no selfish pleader, no secret influence intrude."

This is excellent advice, but no matter how honest and disinterested our law makers are, they cannot "eliminate the evils which aggravated, and which, in fact, contributed to the collapse of the old economic order" when the Governor, legislators and the general public are still ignorant of the nature of the evil that brings on business depressions and causes honest, industrious people to go hungry and houseless in the midst of plenty.