

TAX FACTS

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THIS DEMOCRACY

"The king is dead. Long live the king!" About the time the guns stopped barking at the Kaiser, the situation in Europe didn't look too hopeful for gentlemen claiming Divine Rights. Tired of the old order, the war-worn people of several countries persuaded their monarchs, peacefully or otherwise, to seek a livelihood elsewhere.

Alas, we are all modeled from the same clay. After some fifteen years, the presidency of Germany has merged into the dictatorship of Herr Hitler. Mussolini seized the power relinquished by Victor Emmanuel, and frankly set out to out-Herod Herod. King George of Greece is about to open for business at the old stand. Austria has dusted off the throne and keeps the lamps trimmed and the cooky jar filled in anticipation of the return of the royal family. Popular government in Spain is neither so successful nor so secure that King Alfonso is warranted in selling his crown for old gold. Speaking of the revival of industry, add the king business.

And the United States? After all, a king merely represents the privileged groups in any nation, and we have privileged groups without the king. Having rather vague ideas about the factors that constitute privilege and oppression and individualism, we blamed the party in power for our economic muddle and decided to trade our elephant for a donkey. Then, that inimitable creature proceeded to go haywire on us.

As long as the true nature of democracy is not understood, we will gain little by turning out crowned heads or reactionary presidents. The world-old evils that permit powerful privileged groups and make tyranny and oppression possible must be rooted out if a New Deal in any country is to be effective in establishing justice, or successful in maintaining its hold on the reins of government.

As the presidential year approaches, it is natural that the party in power should come in for some severe criticism from the opposition—criticism that is not without foundation. Either the conservatives are more adroit at concealing their plays, or conditions have so changed that dis-

simulation is more difficult. The autocratic and dictatorial measures of the present government are far more obvious than the schemes of previous administrations.

Whether the men in power do not understand what they are doing, or whether they are perfectly aware of the nature of their acts, but do not wish to call attention to it, is not clear. Obviously, the Republicans dare not go into details. That would necessitate some plain and fancy explaining on their own part. It is much easier and safer to keep public attention directed toward the mistakes or foul play or whatever it is that the New Deal is giving us.

The truth is, that President Roosevelt and his brain trust are merely perpetuating and augmenting the evils that were inaugurated and fondly cherished by preceding administrations. And in all the accusations and defence that have been battledored and shuttlecocked between Republicans and Democrats, no one has had the courage—or the intelligence, we're not sure which—to state frankly why the acts of the Agricultural Adjustment Administration are quite in keeping with the policy of the government in its dealing with economic problems ever since we have been a nation.

The first man in the judiciary to call attention to this point, so far as we know, is United States District Judge Yankwich, in Los Angeles. The Coast Packing Company asked for an injunction to prevent the Collector of Internal Revenue from collection of the A.A.A. hog processing tax. The Company maintained that the statute was unconstitutional in that it amounted to the taking of its property without due process of law in violation of the Fifth Amendment, and was in violation of the Tenth Amendment as being outside the powers granted the Congress, that it delegated legislative functions to the Secretary of Agriculture and attempted to regulate intrastate commerce, and finally that the administration of the act was in violation of its provision. Judge Yankwich, in ruling with the government's position, cited the following reasons:

"The Agricultural Adjustment Act in so far as it provides for taxation of one group in order to assist others is in line with established American governmental policy illustrated in many tax measures such as the protective tariff.

"The promotion of agriculture has always been recognized as a proper object of American governmental policy and dates back to 1837.

"The Agricultural Adjustment Act is frankly an attempt to aid through bounties and subsidies a depressed industry which did not share even in post-war prosperity.

"The act as amended on August 24, 1935, has provided for a complete scheme of recovery of taxes should the law be declared unconstitutional or its enforcement illegal. This remedy is adequate and exclusive.

"The provision in the amendment of August 24, 1935, to the effect that no suits for injunction or actions for declaratory judgment shall be instituted has been an established principle in tax matters for many years, the validity of which has been recognized by the supreme court of the United States as far back as 1875."

Now, the Republicans and anti-New Deal Democrats, in criticising the administration for an attempt to raise prices by limiting production, and for taxing one group to aid another, are very careful not to mention the protective tariff, which has been doing that very thing ever since it was born. The Republicans, who are professedly high tariff advocates, cannot link these two policies and condemn one without condemning the other. For years, the farmer has been forced to pay higher prices than was necessary when he bought goods, in order to help a smaller group of manufacturers. The general public, also, has contributed without a murmur to this price raising policy for the benefit of the industrialist. The housewife pays an extra price every time she buys a pound of sugar, just as a tribute to American sugar barons. The mass of people are paying their bit every day to subsidize certain privileged groups who stand within that sacred circle of the "protective" tariff. Mr. Hoover doesn't say anything about that when he speaks of regimentation and individualism.

That the officials, themselves, are not sure of their ground, or have not the courage of their convictions, is evident from their own statements. At the outset, the A.A.A. proposed to limit crop production, hog raising, and so forth, in order to raise prices. Yet, when complaints began to come in that housewives couldn't balance their budgets, Mr. Hopkins hastened to assure them that there was no limitation and no processing tax on most of the articles named. In the first place, why was he so anxious to convince us that food prices had *not* been raised by the Adjustment Act? We were given to understand that that was its purpose. In the second

place, if the limitation of, and processing tax on, hogs raises the price of pork, customers will naturally choose other meats, and the increased demand for beef and veal and mutton will raise the prices of those meats. The same thing holds true with other commodities. Raise the price of a few, artificially, and you will raise the price of all.

As for bounties and subsidies—my eye! What about the railroads and steamship companies and air lines? They've been wallowing in subsidies for years. In 1933, when Senator Black, of Alabama, was chairman of the Senate committee investigating ocean mail contracts, he found that the Export line had bought twenty-three Shipping Board vessels for \$1,351,307 that had cost the government \$42,114,117. Black said that under the ten year contract awarded in the previous administration, the Export line would receive \$18,397,000 in ocean mail subsidies. Reports showed that the line 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.

John E. Lamiell, director of International Postal Service, submitted figures showing that the Postoffice Department had paid \$119,257,756 to forty-four contract holders under the subsidy law, whereas the cost for carrying the mail on a poundage basis would have been \$15,534,509.

Last spring, that grand old man of the sea, Andrew Furuseth, president of the International Seamen's Union, renewed his fight for the passage of the King-Schulte bill, which is designed to end the wholesale bootlegging of undesirable aliens into this country in the guise of seamen. The lobby of shipowners has succeeded in blocking this legislation for years—the same shipowners who are pocketing the subsidies paid with our tax money.

In January of 1933, *Labor*, of Washington, D. C., said: "When the Dollar Steamship Lines, Inc.—one of the wealthiest and most powerful shipping companies in America—wants a few million dollars it comes to the U. S. Treasury for the money—and gets it! But when it needs seamen—at a time when thousands of American sailors are jobless and destitute—the company goes to China for its labor!

"And when, a little more than a year ago, the firm built two new vessels—'President Coolidge' and 'President Harding'—it received a 'construction loan' of approximately \$12,000,000 of the taxpayers' money at a ridiculously low interest rate. But when the ships were ready for service, crews were imported from China to sail them. . . .

"In addition to receiving this 'easy money', the company enjoys fat subsidies for carrying small quantities of U. S. mail. According to

figures recently submitted to Congress, the firm, during 1931, was paid \$363,022.50 for carrying 74 pounds of mail! On six trans-Atlantic trips in 1932, the company handled 12 pounds of mail and was paid \$59,620 for the 'task.' Uncle Sam received \$5.28 in postage on the shipment."

There is not space enough to continue this story of subsidies. The railroads have received millions of dollars in money and millions of acres of land from the government. The air lines are young, but not at all backward in asking government aid. And no transportation line is at all hesitant when it wants legislation to strangle a competitor. No industrialist complains of government in business when he wants a tariff that will enable him to boost the price of his wares.

At the closing session of the American Bankers Association, which has been in convention in New Orleans, a committee, composed of eighteen of the nation's leading bankers, recommended, among other things, the retirement of the government from business and banking, withdrawal of postal savings competition for deposits and *continued Federal aid for railroads.*

Just what *do* the Republicans mean when they say that they want the government to get out of business? We can't imagine. Can it be possible that Mr. Hoover and his friends want the government to get out of any business that is interfering with their interests, but want it to stay in far enough to protect their privileges? Why, Mr. Hoover!

From what has transpired, both here and abroad, in the last fifteen or twenty years, we may conclude that kings and dictators are back in style because so-called democratic governments are not truly democratic. They have retained too much of the old special privilege that keeps the great mass of people paying tribute to private monopolies.

In his recent book, "Public and Private Property," John Z. White says: "Force, thus firmly established, is able for a time to resist the installation of demonstrated science in social matters. Nevertheless, free competition among people unhampered by any form of tribute is genuine democracy, and is the goal toward which civilization has blindly struggled throughout the whole period of modern history. The gradual disappearance of serfdom, the elimination of feudal tenures, the abolition of chattel slavery, were but steps in this mighty march."

Long live the king—His Majesty, the American citizen!

Nature evens things. Oil settles troubled waters and unsettles troubled lands.—Richmond (Va.) News-Ledger.

The chief trouble with this country is too darned many ways to steal.—*Atlanta Constitution.*

Conquest

Speaking of expansion, *The Porcupine*, Manchester, England, says: "Colonization has not provided jobs for our own people, but it has provided influential and lucrative jobs for British administrators, officials, traders and soldiers. Both in the countries that have expanded and in those which desire to expand there is room for internal expansion. But Land Monopoly in all countries prevents the people from freely using the natural resources of their own countries, and tariff barriers make it difficult or impossible for each country to obtain necessary raw materials from others by selling its own products.

"The Taxation of Land Values and Free Trade would solve these economic problems by making the natural resources within each country available to the people, and by pooling the natural advantages of the world through the medium of an unfettered exchange of goods and services. This would remove the most fruitful cause of national poverty and international strife."

The City Sales Tax

The Los Angeles City Council is now considering amendments to the business license tax Ordinance No. 56600. They wish to include all lines of business not now affected by the ordinance. Says the Chamber of Commerce Bulletin: "The number of lines of business which may be affected by this ordinance is only limited by the ability of the Council to find out who they are." Indeed, that is all that has caused this pause in the whole taxing machinery—the government is looking for new things to tax, but it's getting harder all the time to find them.

Boom Days Coming!

* During the past thirty days, according to J. Mortimore Clark, Real Estate Commissioner, five residential subdivisions, five agricultural subdivisions, and seven oil and gas projects have been filed in the State Real Estate Department. "Gentlemen, make your game and back your own opinions."

Too Many Taxes

"The ever-increasing burden of civic, State and Federal Taxes is reaching the place where they are unbearable," says A. V. MacDonald, secretary of the California Furniture Manufacturers' Association. The processing tax plays an important part in the price of bedding. "With cotton and wool both soaring due to the increasing levies, winter nights promise to be cold unless the pocketbook may still be stretched." Taxes have such a disconcerting way of forcing prices up when incomes are down.

What business needs is more orders from customers and fewer from the Government.—*Mobile Press-Register.*

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THE FARMER IN THE DELL

From many sources comes the assurance that we are, at last, on the upgrade. Some attribute the hopeful signs to the New Deal, and some claim that natural causes are turning us toward brighter times. However that may be, there is considerable food for thought in a recent address delivered by Henry A. Wallace, Secretary of Agriculture, at the Tenth Annual Broadcast of the Farm Bureau.

Mr. Wallace was speaking of the farm problem, but his words are applicable to the problems of city folks, as well, especially land speculators, both professional and amateur. Farmers, he says, are speaking hopefully "of rising prices, fatter incomes, higher land values," and may soon be talking about a New Era. He reminds us of the excitement of previous booms, and of the disaster that followed. "Everyone will now admit, I think, that the city prosperity of 1929 and the farm prosperity of 1920 carried the seeds of their own destruction. . . .

"Perhaps I can illustrate the nature of the problem by referring to farm land prices. Again and again during the past year I have noticed city people display a rather unusual interest in the purchase of farm land. Many people in Washington have bought farms, as have residents of New York, Chicago and Kansas City. Some of them say it is a hedge against inflation. I know, however, that if this kind of thing keeps up, and spreads, it will not be many years before the farmers again get excited about land. If that happens, untold harm will be done, because neither land bank loans, low interest rates, nor an agricultural adjustment program can cure the evils of land prices which are out of line with the earning power of land."

This is just as true of urban land as it is of farm land. Speculation pushes the price of town lots up, out of all proportion to the "earning power" of the lot. "Sometimes," says Mr. Wallace, "I think land speculation is a plague more terrible than drought or insect pests, and almost as bad as war itself. With it go high taxes, thoughts of moving to California, and delusions of grandeur. It has been 16 years since the last land disaster hit us, and only now are we beginning to recover. Doubtless farm land will be and should be somewhat higher in price than

it is today. But if anything in the nature of a land boom comes during the next three or four years, the men on the land will be the ones ultimately to suffer. Unusually high land values never did help real farmers."

Mr. Wallace might have added that high land values, meaning speculative, not true value, never helped any group of people as a whole. Only the few lucky ones who "got there first" reaped any benefit from that game. In referring to the days of rising land prices between 1910 and 1920, Mr. Wallace quotes from his own article in an Iowa farm paper:

"Since the war began in 1914, farm land in Iowa has been pushed up enough in price so as to place an extra 30 cents a bushel overhead charge against the average bushel of corn raised. This extra 30 cents land charge, combined with the increased labor and machinery charges, means that the price of corn on the average Iowa farm, one year with another, will have to run close to \$1 a bushel. If corn sells for less than 90 cents a bushel, one year with another on the basis of December farm valuation, it is reasonable to anticipate either reduction in farm labor wages, in farm land values, or in both."

Farmers in Iowa and Nebraska and other parts ought to know by this time that the price they can get for their wheat and corn is fixed in the world market, and that the value of the land on which it is grown has nothing to do with it. Argentine weather has much to do with it, Iowa land values have not.

"The majority of mature farmers in 1920, however," says Mr. Wallace, "had been schooled by the men who had bought farms in the 1890's, and who had seen only rising values since. They had no experience to make them realize that the war-time rise in land values was as impermanent as the war-time rise in the demand for farm products. It seemed to them then, as it seemed to their city brethren in 1929, the dawn of a New Era. They seemed to feel that a time had come when farmers would always be more prosperous than they had been, that there was only so much good land in the world and that if they did not come into ownership of it right then and there, they would never have another opportunity. Many a young couple harnessed their ambition to a mortgage, and lived to regret it."

True enough, there is only so much good land in the world. By what Divine right do some claim exclusive possession of it and charge the rest of humanity for using it? All eras of high land values carry "the seeds of their own destruction." Doubtless, we are headed for another period of comparative good times, but unless we recognize the evils of land speculation and take some measures to check it, we will rise only to sink into a more hopeless condition.