

H. B. Smith Company exhibit at the New Products Exposition in Boston. Here this 100 year old New England Manufacturer of Westfield, Mass. displays one of its latest designs in boilers for industrial, commercial, institutional use.

### CORRECTS FALSE IMPRESSION GIVEN IN "BULLETIN"

Following is a letter from one of our members, Lexington Corporation, 10 Milk Street, Boston, giving an interesting slant on Direct and Indirect Taxes.

March 14, 1956

Mr. Joseph D. Noonan, Editor  
SPANE Bulletin  
581 Boylston Street  
Boston 16, Massachusetts

Dear Mr. Noonan:

There is a reprint on page 8 of the January 1956 issue of SPANE of an article which appeared in The New York Times, December 10, 1955, entitled "Direct, vs. Indirect, Taxes."

The writer has a paragraph which reads as follows:

"Henry George, whose classic study 'Progress and Poverty,' published in 1879, was a plea for a single tax on land, would have been surprised could he have known that before the middle of the twentieth century the central Government of

the United States would be nearer than any other important nation to financing itself by reliance on a single tax—the direct tax on individual and corporate income. . . ."

I am writing to you to correct a false impression given by this quotation. George was neither primarily interested in taxes, nor was he primarily interested in limiting the number of taxes to one. The "single tax" is actually a misnomer, an unfortunate choice of words, because George's remedy was the collection of the rental value of natural resources by the community. The collection of the rental value is not a tax but a quid pro quo. It is a payment by the owners of natural resources, to the community, for the benefits accruing to the owner by reason of the activity of the community. A tax is an arbitrary, capricious penalty having no necessary relation to value received. The collection of rent is not an arbitrary charge. Rental values are determined in the market place and the rental value of natural resources (which are not man-made) is now being collected in large part by private owners instead of by the community, the proper recipient. It costs the tenant no more to pay all the ground rent to the community rather than to the private landholder. But the collection of ground rent by the community would reduce taxes which have become a fine, a penalty, a confiscation of the products of labor and are an inequitable burden on producers, both employers and employees.

I'd like to add that many people feel they have missed a good deal by not having a college education. With or without it, any person who will read Henry George's classic book "Progress

and Poverty" will find himself far more educated, in the basic sense of the word, than most of the college graduates around him.

Although I am the chief executive officer of a substantial accounts receivable finance company, I write this in my avocational role of President of the Henry George School of Boston, Massachusetts, a school devoted to the study of "Progress and Poverty" by Henry George offered free of charge in classes or by correspondence as a public service by the friends, faculty and graduates of the school.

Yours very truly,

M. S. Lurio, President  
Henry George School

### GOVERNMENT PROCUREMENT

(Continued from Page 8)

The procedures and practices surrounding the Government's transactions with private firms are vastly complex. It was largely for this reason that the programs of the Small Business Administration were established. In instituting these programs, Congress created an agent to stay on the job constantly, to work continuously at finding ways to carry out our public policy on safeguarding small business in these procurement and disposal matters, and to provide certain technical and informational assistance to small business of all kinds, so as to build up the Nation's economic strength. These programs have now been in operation for many years. They were created in World War II as an emergency measure.

In 1953, when the RFC was abolished, Congress enacted a new law providing for Government lending operations to be continued for small business, as part of the small business program, the name of which was then changed to the Small Business Administration. On June 30th of this year the legal authority for the Small Business Administration will expire. Consequently, this Agency will be first on our list of programs for review. We are, therefore, scheduling a hearing in Washington to commence March 1, 1955. That hearing will deal with the Small Business Administration and all its operations and it will develop whether the Agency should be continued after June 30th, and if so, under what form of organization and law. We expect to make a full appraisal of these programs and to try to find methods to improve them if improvements are needed, so that we can make appropriate recommendations to the House.

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## RUTLAND (VT.) HERALD EDITORIAL FOR GRADUATED TAX

The proposal to apply a system of graduated Federal tax rates to corporate earnings should find warm support in Vermont.

A bill to that end is before Congress, sponsored by Rep. Patman of Texas. It has been endorsed by the Smaller Business Association of New England as an aid to the beginning and smaller concerns in competing with industrial giants and in their efforts to grow.

Nearly all Vermont business and industry is "small" by national standards. The size of our state, geographically and in population, makes it likely that much of our hope for industrial development lies in attracting more small businesses, as measured by the national scale.

### Especially Welcome in Vermont

Anything which encourages small business should be especially welcome in Vermont, therefore. And even within Vermont, a tax "break" for the little businessman or industrialist could give further impetus to development efforts in our medium-to-smaller communities.

Unlike the personal income tax, the Federal levy on corporations gives only token recognition to size of income as a measure of ability to pay. All corporate enterprises pay a Federal levy of 30 per cent on net income; corporations don't have personal exemptions, dependents or additional exemptions for age or blindness. The 30 per cent is levied on every dollar of net profit.

Uncle Sam's small concession to size of business operation comes in the form of a \$25,000 exemption from surtax. Above that level of profit, a surtax at the flat rate of 22 per cent is levied. It can be argued that this makes the tax a graduated one, with a rate of 30 per cent on the first \$25,000 and of 52 per cent on all above that figure.

It is true that to many of us in Vermont an annual profit of as much as \$25,000 looks, and in fact, is, like a big one. In 1954, for example, 92 per cent of the corporations in Vermont that filed returns with our state Tax department had profits of under \$25,000. Businesses and industries of that under-\$25,000-profit size are obviously the big majority in our economy. Only six-tenths of 1 per cent of the firms filing that year showed profits of \$500,000 or more—the size regarded by some as indicating "big" as compared to "small" business.

We are a state, then, of small business, small industry—at least by the

standards presumably contemplated in the Patman legislation. Establishment of a graduated scale of taxation which would relieve the really small corporations of a part of their present tax obligation or at least provide a substantially larger earning margin before the full surtax was imposed would thus be of direct aid to most Vermont concerns.

More than that, by not taking away in taxes more than half of everything earned above \$25,000, a graduated levy should substantially encourage the growth and development of small con-

cerns—and hence of Vermont's whole industrial economy. As things stand now, the net after-tax earnings available to a typical Vermont industrial corporation are seldom big enough to encourage the once-standard practice of "plowing back" earnings into more equipment.

Our present corporate tax structure acts to discourage the "small" from trying to expand; the tendency, in fact, is to encourage him to take his profits and stay small unless or until he can sell out to some big company.

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### WHAT ARE THE "ODDS" ON SMALL BUSINESS VS. MANAGEMENT KNOW-HOW?

What are your odds on succeeding as a small businessman? Can your business weather any storm? Are your management policies geared to present day competition? It may be worth the next ten minutes of your time to check these facts relative to small business and learn about the four ways to combat any situation which threatens the success of your business.

More than 90 per cent of the 4,200,000 businesses in the United States are small businesses, that is over 3,800,000 businesses. Less than one-tenth of one per cent employ 1000 people or more!

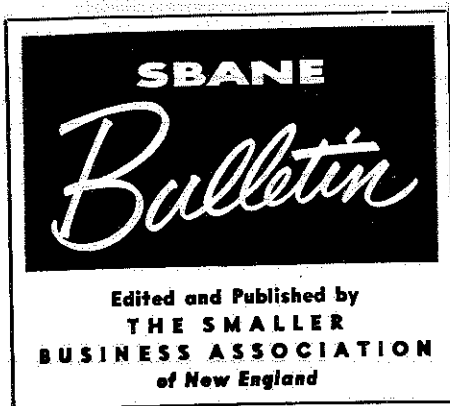
There is no safety in numbers for small business because their mortality rate is high. Half of the businesses which were newly established, or transferred ownership, between 1945 and 1955 were sold or liquidated within two years. This fact indicates that a newly acquired firm has a 50-50 chance to live for two years.

For a new firm to achieve a longer life, the odds are small. It has only one chance out of three that it will live to the age of four, and only one out of five that it will attain the age of ten years.

This information on the impermanence of small businesses should make in the community think, as well as all businesses themselves. While individually many of the businesses are "small", their total number is large and this makes their welfare economically important to the community. This is especially true in New England where there is a great concentration of small businesses.

The fundamental question that arises when considering this data is: Why do small businesses have such a short life expectancy? There are many answers to the question because the reasons are many; however, most of them fall under the heading of insufficient management know-how. There are many other significant causes also, such as government purchasing policies and tax laws which put small business operation at a competitive disadvantage with large business, but most people who have studied small business agree that its basic problem is management.

Further evidence substantiating the management problem of small businesses comes from Dun & Bradstreet reports of business failures. They have shown that the chief cause has been



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