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READ IT! Then hand it to your neighbor

THE BULLETIN

Of THE COMMITTEE OF MANUFACTURERS AND MERCHANTS ON FEDERAL TAXATION (Inc.)

EXTRA COPIES of this Bulletin in quantities 3c each

VOL. I. CHICAGO, SEPTEMBER 1922. No. 11.

The City "On a Hill"

Pittsburgh, Pennsylvania, Setting an Example in Sane and Constructive Tax Legislation That Other Municipalities and the Nation Would Do Well to Follow.

By J. H. McGILL

"The quickest way to get rid of a bad law," said a prominent statesman once, "is to enforce it."

That's exactly how the "hard-boiled" city of Pittsburgh, Pennsylvania, got rid of hers.

Up to the year 1913 Pittsburgh had a system of taxation as unequal, as unscientific, and as contrary to sound economic principles as could be found in any city in America. The very things that should be encouraged—business and industry—were **discouraged**; and the very things that should be discouraged — land speculation and landlordism—were distinctly **encouraged.** Those who **used** their ground, whether for merchandizing, manufacturing, residence purposes or what not, were taxed more than those who did **not** use their ground at all. Large tracts of valuable vacant land within the city limits—tracts deliberately held idle for purpose of speculation were assessed as ordinary "agricultural land" and charged only one-half of the regular tax rate; land occupied by "houses surrounded by trees and shrubbery" regardless of location were assessed merely as "rural" and charged just one-third of the regular tax rate; while land upon which modern structures and modern improvements had been or were being built was charged at the full rate! In fact the man who improved or beautified his property was everywhere **punished** by higher levies and higher taxes, while the man who did nothing, but who let his property run to weeds, degenerate into a burial place for dead cats, or become a dumping ground for tin cans and garbage was everywhere **rewarded** by lower levies and lower taxes.

EDITOR'S NOTE: We are delighted to publish in this issue a splendid and timely article by Mr. J. H. McGill, President of the McGill Manufacturing Company at Valparaiso, Indiana, and a thoughtful student of the revenue problem, on the operation of the Graded Tax Law in Pittsburgh.

We urge every reader to study, not merely his article, but the accompanying table on building permits, and the letters from Pittsburgh business men, carefully. The constant swelling of our public debts and the ever-enlarging volume of governmental expenditures are rapidly approaching a point that spells disaster for business and industry and unless a way of escape is soon found, the entire industrial machine, it is not too much to say, may go on the rocks.

We believe—and have said so before—that the so-called "Pittsburgh Plan of Taxation" offers the soundest solution to the problem—not merely as applied to municipal taxation, but as extended to national taxation. It has been tried for eight years in Pittsburgh and found—not wanting.

Every business or professional man who thinks anything at all about his prosperity in the future in these days of turbulence and doubt, should give the closest possible attention and consideration to this very timely article by Mr. McGill.

The result of this topsy-turvy policy of taxation upon the development of the city was bad—very bad. Because of the discrimination against improvement, thrift and enterprise, improvement, thrift and enterprise began to lag. And because of the favoritism shown to land speculators, land values rose to prohibitive heights. So high in fact did the price of land rise as a result of the coddling of the vacant lot speculator that it reached, (in 1910) a point averaging over $19,000 per acre throughout the city—a point that practically prevented new industries and new businesses from locating within the corporate limits of the town.

But this was not all. The same foolish taxation policy of rewarding speculation and idleness and penalizing thrift and industry was slowly but surely playing havoc in other directions. Landlordism—which always thrives upon a scarcity of houses coupled with high land prices—spread like a cancer; rents rose at an abnormal rate; while home ownership for the majority became more and more difficult. The whole social, economic and industrial life of the city, in fact, suffered from the honest enforcement of its own stupid laws.

But one day the turning point came. Murmurings began to be heard—faintly at first, then louder and louder. The murmurings grew into open protests. Meetings were held. Speakers—a little bolder than the rest—rose and said:

"Our unsound tax policy is crippling the city. We are strangling business and retarding development by penalizing the man who **MAKES** an improvement and rewarding the man who makes **NO** improvement. Worse than that, by taxing the enterprising citizen who properly **USES** his land heavier than the slothful citizen who holds his land **IDLE** we are checking construction; forcing up rents to an abnormal height; boosting unnecessarily the cost of living; creating a class of landlords and tenants; and in general destroying the prosperity and the welfare of the whole people. If this goes on for another twenty years our city will be wrecked.

"Let's reverse the process. Let's **REWARD** the man who does something **USEFUL**, and **PENALIZE** the man who does **NOTHING** useful. Let's **CUT DOWN** the taxes on the property owner who builds, improves or develops, and **RAISE** the taxes on the property owner who refuses to build, or develop. Then we'll soon have more buildings and finer improvements; business will be encouraged instead of discouraged; land speculation will be knocked on the head; home ownership will increase and we will, within another decade or two, have a city that will be the envy of the entire nation."

(Turn to Page 2, Col. 4)

BUILDING PERMITS IN PITTSBURGH AS COMPARED WITH EIGHTEEN OTHER LEADING CITIES

7 years—1914 to 1920 inclusive

Source: The American Contractor

U. S. Census Report

City	Total valuation of building permits (1914-1920 inclusive)	Valuation of building permits (Per capita of increased population)	Per cent of building permits that other cities had LESS than Pittsburgh. (Per capita of increased population)
Pittsburgh	$ 96,347,484	$2,528	(Basis 100%)
New York	1,223,344,777	2,048	19% less per capita than Pittsburgh
San Francisco	126,129,352	2,007	21% " " " " "
Minneapolis	101,798,765	1,837	27% " " " " "
Chicago	576,606,090	1,598	37% " " " " "
Philadelphia	303,614,284	1,578	38% " " " " "
St. Louis	94,087,112	1,565	38% " " " " "
Cleveland	252,270,155	1,526	40% " " " " "
Kansas City	75,252,367	1,414	44% " " " " "
Atlanta	45,201,269	1,410	44% " " " " "
Seattle	75,350,351	1,378	45% " " " " "
Buffalo	80,054,000	1,376	46% " " " " "
Indianapolis	63,662,075	1,129	52% " " " " "
Milwaukee	95,227,543	1,119	56% " " " " "
Dallas	46,176,567	963	62% " " " " "
New Orleans	31,172,039	925	63% " " " " "
Detroit	326,279,332	883	66% " " " " "
Los Angeles	158,968,514	882	66% " " " " "
Baltimore	92,545,977	754	70% " " " " "

THE BULLETIN

of the Committee of Manufacturers and Merchants on Federal Taxation (Inc.)

Published Monthly
at 1346 Altgeld St., Chicago, Ill.

Subscription price, $1.00 per year.

Vol I. SEPTEMBER 1922. No. 11.

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Our "Prosperity Taxation" Program

Introduced into the House of Representatives June 2, 1921, by Hon. Oscar E. Keller of Minnesota.

Congressional Bill No. 6767

This bill repeals all existing sales and commodity taxes except those on tobacco, distilled spirits, oleomargarine, habit forming drugs and products of child labor. The bill also repeals the present tax on the incomes of corporations.

Congressional Bill No. 6769

This bill amends the income tax law so as to distinguish between "earned" and "unearned" income. The tax on "unearned" incomes together with the super-taxes is retained, but the tax on "earned" incomes is cut in two. All salaries, wages, etc., together with all profits derived from businesses personally conducted or in partnership are classed as "earned" incomes.

Congressional Bill No. 6768

This bill amends the inheritance tax. Beginning with estates of $20,000 to $35,000 there is a tax of one per cent; $35,000 to $50,000 two per cent; $50,000 to $100,000 four per cent; $150,000 to $250,000 six per cent, and so on until the point of $100,000,000 is reached after which the tax is about 75% of the entire estate. This bill will raise approximately $750,000,000 annually.

Congressional Bill No. 6773

This bill provides for a federal tax of one per cent on the privilege of holding lands and natural resources worth over $10 000, after deducting the value of all buildings, personal property and improvements. In the case of farms, cost of clearing, draining, plowing and cultivation, together with soil fertility are classed as improvement values. This bill will exempt over 98% of all actual farmers. It also exempts standing timber from taxation whether naturally or artificially grown.

This bill aims to relieve business, industry and agriculture by taxing monopoly holders of vacant natural resources, valuable "sites" in cities and the holding of land in general out of use. The revenue raised under this bill will be about one billion dollars annually.

This revenue program would relieve producing business of about $2,000,000 000 annually, and the people of from three to five times this amount in inflated living costs.

THE SOLDIERS' BONUS

The soldiers' bonus bill has passed the Senate. Will it pass the president? That is hardly likely. The president will, by all accounts, veto the bill, and Congress will uphold the veto.

But a defeat for the bonus bill at this time is only temporary at best. It will come up again. Soldiers' bonus bills have a habit of doing this. And sooner or later it will pass—even the president.

Will the war never end?

ALL IN THE SAME BOAT

New Jersey's state and local taxes alone, according to the annual report just issued by the New Jersey Board of Taxes and Assessments, aggregate $163,944,939 for 1922. This is some $17,000,000 above the previous high water mark. It represents a per capita tax of $51 for every man, woman and child in the state or over $250 for each family of five.

These figures are not those of an isolated jump in taxation. They represent a trend and next year's taxes will be still higher. New Jersey business men, it is said, are appalled. We have no doubt. If it gives them any consolation however, they may bear in mind that the taxes in other states are ascending at the same rate!

DENMARK STEPS FORWARD

While the politicians in the United States are lying awake nights figuring out how they can pile more taxes on business and industry, the statesmen in Denmark are doing all they can—and with gratifying success—to take taxes off.

On August 4th last the Danish Parliament passed an Act levying a universal tax of two-thirds of a cent on the selling value of all land, apart from improvements, and remitting the old fixed property tax on all improvements not exceeding $2,000 in value. The government has further announced its intention to legislate for local taxation on land value and the corresponding relief of taxation on improvements and personal incomes.

The Danes, we fear, will beat us yet.

DEBTS, DEBTS, AND MORE DEBTS

The Bank of America (New York) has just made public some figures that cast a significant light on the rapid increase of our public indebtedness. According to its survey the state governments of the United States have now a total bonded debt of $1,071,506,981, or $10.18 per capita. This is a sum approximately equal to what our per capita federal debt was in 1913. The present public debt of the federal government is $23,922,000,000 or about $226 per capita. What the public debt of towns, municipalities, school districts and other local units are, the Bank of America does not say. Enough however has been said to show, as President Harding also pointed out not long since, that "the rapidly mounting indebtedness of our various governments is the greatest menace confronting the American people."

THE CITY "ON A HILL"

(Continued from page 1)

It sounded good. It looked right. So with the aid of the mayor, the backing of the business interests, and the approval of the people generally, the said-to-be reactionary and hard-boiled city of Pittsburgh adopted in 1913 what is locally known as the "Graded Tax Law." This law provides that the rate of taxation on buildings and improvements in Pittsburgh, as compared with that on land, shall be reduced 10% for the years 1914 and 1915, and an additional 10% each third year thereafter, until by 1925 and thereafter the tax rate on buildings and improvements will be only 50% of that charged on land.

The law adopted (see Pennsylvania laws of 1913, page 209, No. 147) reads as follows:

Sec. 1. Be it enacted, etc.

Art. VI. Department of Assessors. They shall classify all real estate in the city in such a manner, and upon such testimony as may be adduced before them, so as to distinguish between buildings on land and the land exclusive of buildings, and to certify to the councils of said city the aggregate valuation of city property subject to taxation. It shall be the duty of said councils, in determining the rate—for the years 1914 and 1915 to assess a tax upon the buildings equal to nine-tenths of the highest rate of tax required for said years; and for the years 1916, 1917 and 1918, to assess a tax upon the buildings equal to eight-tenths of the highest rate of tax required to be assessed for those years; and for the years 1919, 1920 and 1921, to assess a tax upon buildings equal to seven-tenths of the highest rate of tax required to be assessed for those years and for the years 1922, 1923 and 1924 to assess a tax upon buildings equal to six-tenths of the highest rate of tax required to be assessed for those years; and for the year 1925 and for each year thereafter, to assess a tax upon buildings equal to five-tenths of the highest rate of tax required to be assessed for the year 1925, and for each year thereafter, respectively, so that upon the said classes of real estate of said city there shall, in every year, be two rates of taxation. Approved May 15, 1913.

What has been the result of the enactment of the above law? In the eight years that it has been in force has it been a success?

Yes; very much so.

It hasn't yet accomplished, of course, all that its proponents claimed for it, but if we may judge the future by the results that have already been secured, it is not unlikely that it will do so within another decade.

The wild speculation in land and the consequent inflation of ground values that has afflicted other cities during the past eight years has been absent in Pittsburgh since the passage of the Graded Tax Law. Indeed while the value of desirable building lots in other municipalities has been rapidly rising to a point beyond the reach of the average man, the value of the same building lots in Pittsburgh has remained practically stationary and in many instances has even declined. Many large landed estates held intact for several generations, with a fixed "no sale" policy, are now glad, in fact, to sell their lots at reasonable prices. To a man contemplating the building of a home, the erection of a factory, or the establishment of a business of any kind the price of the land is a big item—a VERY BIG item—and so in the matter of land cost alone Pittsburgh already enjoys a moderate advantage over most other large cities, and is destined to enjoy a much greater advantage in the years to come.

The benefit of the Graded Tax Law however is most clearly demonstrated by the stimulation that it has given building operations. There has been no sporadic building boom in Pittsburgh at any time; nevertheless as a result of the policy of rewarding by lower taxes the person who IMPROVES his property, instead of the person who lets it lie IDLE, the amount of building permits issued in Pittsburgh (per capita of increased population) during the preceding eight years, has greatly exceeded the amount of building permits (see table on page 1) issued in eighteen of the largest cities in the nation!

These are but some of the outstanding benefits of the Pittsburgh Graded Tax Law. But they are not the only benefits. That the same law by stimulating building and preventing the inflation of land values has already gone a long ways in keeping down rents as compared with rents in other cities, in checking landlordism, in multiplying homeownership, and in adding to the business and prosperity of the city, is freely admitted by all in a position to know.

So successful in fact has the Graded Tax Law been in Pittsburgh, and so well is it liked there (see letters from representative business men printed herewith) even by many who were among its bitterest opponents in the beginning, that sentiment is fast developing to reduce still more the taxes on business, thrift and enterprise, as compared with that on land speculation and monopoly, when the 50% limit, as provided in the present law, has been reached.

How Pittsburgh Business Men Like the Graded Tax Law

(We recently sent out a letter to a number of representative business men in Pittsburgh, asking (1) if the Graded Tax Law there had proved a success in the eight years that it had been applied, and (2) if they thought it would be a good thing to apply this law, or a similar one, nationally.

It is interesting to know that only in rare instances was there any real opposition to the law encountered; a few business men preferred to wait until the law had had a longer period of trial before committing themselves; while the overwhelming majority affirmed their belief that the law had been a success,—a big success—and that in their opinion it would be a very good thing to have the same law, or one similar to it, applied on a national scale. Following are a few of the letters received, or extracts therefrom.—Editor.)

FOLLANSBEE BROTHERS COMPANY
Manufacturers Hammered Open Hearth Material
Pittsburgh, Pa.

Gentlemen:

We acknowledge receipt of your letter of the 15th instant upon the subject of taxation.

Your understanding of the Pittsburgh plan of grading tax on buildings and improvements is correct and we believe the information that you have reveived from Pittsburgh business men in regard to the operation of the law is also correct. We believe the plan has given general satisfaction for in our opinion it stimulates business and encourages people to build homes, at the same time discouraging the holding of valuable unimproved real estate. The tax plan is in favor of real estate and business people generally.

FOLLANSBEE BROTHERS COMPANY,
(s) Wm. D. Reid,
Secretary and Auditor.

THE ROSENBAUM COMPANY
Department Store
Pittsburgh, Pa.

Gentlemen:

I am in receipt of your favor of the 21st inst., and desire to say that the "Graded Tax Law" adopted here in 1913 has rather been a success. Of course, the viewpoint of success depends on whether you are the owner of improved property or a vacant lot. Naturally, the first element are much pleased with the act while the second element claim we are getting back to the single tax theory, and therefore are using every effort to have the act changed by legislature.

Personally, I think it would be a great thing for business and industry to have this law or a similar law applied nationally.

Respectfully,
THE ROSENBAUM COMPANY,
(s) M. Rothchild.

WILLIAM N. McNAIR
Attorney at Law
Pittsburgh, Pa.

Gentlemen:

In reply to your letter would say that the Graded Tax law has been a success and it should be applied nationally. I am attorney for several building and loan associations, building companies and other corporatins and any attempt to repeal it would be strongly opposed by my clients.

I am a candidate for congress on the Democratic and Prohibition ticket in the 34th Congressional District and intend to favor this proposition in my campaign this summer and if elected will give the national plan my support.

Yours very truly,
(s) WILLIAM N. McNAIR.

ARKANSAS NATURAL GAS CO.
1612 Benedum-Trees Bldg.
Pittsburgh, Pa.

Gentlemen:

Yes, the Graded Tax Law has been a success in Pittsburgh since its adoption in 1913—very much so.

It would in our opinion be a good thing for business and industry to have a similar law applied nationally.

ARKANSAS NATURAL GAS COMPANY.

FAIRCHANCE LUMBER COMPANY
Industrial Housing
Fairchance, Pa.
Pittsburgh, Pa.

Gentlemen:

Replying to your letter of July 6th. I can say that the Pittsburgh Plan has been a decided success in this city and has been the cause of one of the greatest building booms this City has ever experienced. The number of building permits granted during the past few years has exceeded those of any other city of its size in this country. Furthermore, it has made it possible to purchase vacant lots and desirable locations at reasonable prices and has forced much vacant land on the market which had hitherto been held for speculation. I could mention a number of large pieces of vacant land which are located in closely built up sections that are now being split up into building lots, the owners being forced to sell on account of the increase of taxes on vacant land. It has particularly acted in favor of the small home owners, having made a very decided reduction in taxes of small houses, valued up to $7,000.00.

I might say that I am the owner of considerable real estate in this City, having built more than 500 houses here during the past 20 years and am in position to know the real effect of the plan.

FAIRCHANCE LUMBER COMPANY.
(s) George E. Evans.

AMERICAN WAREHOUSEMEN'S ASSOCIATION
1110 Bessemer Building
Pittsburgh, Pa.

Gentlemen:

Your inquiry of the 13th inst., in regard to the "Pittsburgh Plan" of taxation, has been received. In reply I would say:

1.—The graded tax law has been generally very satisfactory and I believe successful in an equitable collection of taxes since its adoption here in 1913.

2.—I believe the general theory and principles followed in this law could be applid very broadly, with advantage and complete satisfaction.

In the writer's estimation the law has been especially beneficial in respect of its curbing effect on real estate speculation and particularly that it does not permit, as formerly, the penalizing of a property owner for the slight improvements or the good order in which he may keep his property; it has unquestionably permitted a better up-keep of property and, in fact, an extended construction.

(s) C. L. CRISS,
General Secretary.

RETAIL MERCHANTS' ASSOCIATION
Office of the Secretary
504 Commonwealth Building
Pittsburgh, Pa.

Gentlemen:

Relative to your letter of June 14th bearing upon the Pittsburgh "graded tax" law.

* * * * *

The proponents of this law asserted that prior to its enactment the enterprising land owner who improved his property by erecting a building on it and thereby helping the community to grow, was immediately punished for his enterprise by having his building taxed, while owners of vacant land were rewarded for not building by paying at the same rate on vacant property. One of the advocates of this law once stated that "when we want to get rid of dogs we put a tax on them"; that is the same thing we are doing on buildings. Let a man erect a fine structure and he is immediately punished for it by having to pay taxes on it.

* * * * *

There is no doubt but that the operation of this law for eight years in Pittsburgh has resulted in the putting to use of great parcels of land, chiefly in the building of homes, which in many cases would not otherwise have been built upon. Because as the tax on buildings gradually goes down, the tax on land must go up, and it soon becomes unprofitable to hold land vacant for an increase in value in the future. The added taxes on vacant land makes it imperative that the owner do something to get some revenue from it.

* * * * *

Let me add in closing that I am strongly of the opinion that the graded tax law in Pittsburgh is a success as far as it has gone and I would help to prevent its repeal at least until a few years after 1925, when it will be in full effect and its real success or failure can be more properly judged.

RETAIL MERCHANTS' ASSOCIATION OF PITTSBURGH.
(s) W. M. Jacoby, Secretary.

KAUFMANN'S
"The Big Store"
Pittsburgh, Pa.

Gentlemen:

I have not been a resident of this city very long, and have not had the opportunity to study the Pittsburgh Graded Tax law or its effects, but the proposition as explained by Mr. Jacoby (above) seems logical and worth while.

Very truly yours,
(s) SAMUEL MUNDHEIM,
President.

CORNELIUS D. SCULLY
Attorney at Law
Frick Building
Pittsburgh, Pa.

Gentlemen:

I have your letter of July 6th and in answer to your two questions I beg to say—

(1) In my opinion, the "Graded Tax Law" has been a success in the City of Pittsburgh, and its operations have been extremely beneficial and promise to be increasingly so.

(2) In my opinion, it would be a good thing to have National Legislation of this same tenor enacted.

Yours very sincerely,
(s) C. D. SCULLY.

CONROY-PRUGH COMPANY
Manufacturers of Mirrors
N. S., Pittsburgh, Pa.

Gentlemen:

Your favor of July 1st pertaining to the Pittsburgh Graded Tax Law duly received, and we are heartily in accord with it. This with the three year assessment plan has proven a most satisfactory method. We believe it would have practically the unanimous approval of all business houses, and in our experience, have not heard of one objection. We believe that nationally considered, a similar law would be most satisfactory.

CONROY-PRUGH COMPANY,
(s) Gorge Lunz,
Treasurer.

DEMMLER & SCHENK COMPANY
Kitchen and Cafeteria Equipment
Pittsburgh, Pa.

Gentlemen:

We firmly believe that the "Graded Tax Law" has been a success in Pittsburgh and every year tends towards further success.

A similar law applied nationally would encourage business and industry everywhere.

DEMMLER & SCHENK COMPANY.
(s) Walter R. Demmler.

McKENNA BRASS AND MANUFACTURING CO., INC.
Pittsburgh, Pa.

Gentlemen:

We wish to acknowledge receipt of your favor of the 5th inst. relative to the federal tax problem.

We believe the system of graded taxation as applied by the City of Pittsburgh is an ideal plan.

In principle it ought to work our nationally as well.

McKENNA BRASS & MANUFACTURING CO., INC.
(s) Otto Harix,
President and General Manager.

THE RISING TIDE OF TAXATION

By Senator W. E. Borah

(From a Speech Delivered in the Senate on July 6, 1922)

(EDITOR'S NOTE: Senator Borah often says things with which we do not agree. His utterances on the increasing gravity of the tax question made recently on the floor of the Senate, however, is certainly not one of them. To make a speech of that character, in the face of all the bunk and piffle shelled out for public consumption from the Capitol Building in Washington required rare courage and a high sense of duty. It is a speech that should be read and studied by every man and woman who gives a moment's thought to the national prosperity and national welfare of the future.)

Mr. President, we know that there is already great discontent throughout this country, and when discontent is widespread it is never without justification. That condition is apparent in the United States and it exists throughout the world.

The first underlying cause in my judgment of the world-wide unrest, of the almost universal criticism which we hear against governments, is exorbitant and unconscionable governmental expenditures, and particularly the outlook that these expenditures are not being diminished to any appreciable extent. Indeed, I do not believe that the burdens already placed upon the people are so disturbing, so fruitful of dissatisfaction and discontent, as those burdens which present policies indicate are yet to come. The present demands are sufficient to take the people's earnings, but the proposed policies take away their hope for better days.

The protest upon the part of the people is now being manifested in this country and throughout the world. It makes itself known in strikes, through the ballot box, and finally in rioting and in bloodshed. The most prolific source of misery and crime is oppressive taxation, and when you stop to think of the load now carried by the masses, we can not be surprised at the disorder and lawlessness everywhere prevailing.

* * *

We are told from time to time that the situation is encouraging; that we will get relief by reason of the fact that there are large sums of money owing to us from foreign governments, a part of which we may get and the interest of which we will surely get from some of them. These statements make it important for us to examine the conditions in those countries from which we are to get interest or aid, as we are told, to relieve the constantly increasing burdens of this country. I take up first the condition of Great Britain.

GREAT BRITAIN

Some time ago there was a budget committee appointed in England, having for its object the investigation of the expenditures of the Government and the increase of taxes in that country. It was known as the Geddes committee. It would be well for those who are interested in this subject to recur to the report of that committee and read it. The committee present about as gloomy an outlook for the economic and financial future of England as could possibly be conceived this side of absolute bankruptcy. I have not the report upon my table, but I have here a discussion of the subject by one of the leading members of the commission, Lord Inchcape, who was speaking to a conference gathered for the purpose of discussing governmental expenditures and taxation.

* * *

Says Lord Inchcape—

As far as can be seen, the revenue of the current year, even at the present rate of taxation, will not be equal to the expenditure. By juggling with figures and bringing into revenue realizations from the sale of surplus stores and ships, and by annexing the post-office surplus, which ought to be devoted to cheapening communications by letter, telephone, and telegram, the Government may be able to present a balanced budget; but what will happen in 1923-24, when they won't have the proceeds of sales of war materials to help them and when three years of low average of income tax will materially reduce the returns from that source, no one knows.

That is quite similar to the situation in this country. We have been able to make a showing which is somewhat encouraging by reason, I will not say of juggling of figures, as he says here, but, as the report of the Treasury Department itself says, by heroic effort, and by having at hand the proceeds of sales of war supplies, and so forth; but when we face the future those things must be eliminated, and within a short time we must face the proposition of meeting our indebtedness and our expenditures not by surplus war sales but by actual burdens upon the people.

* * *

Let me quote one more paragraph from this discussion:

At present we are slithering down an incline plane of prodigality and indebtedness that will land us, unless we act promptly and resolutely, in the ditch. * * * If this goes on, our whole social and industrial fabric will go to pieces.

The report bears out the unhappy statement of this English statesman. I suppose some English politician might regard him as pessimistic, but my opinion is he was both wise and brave and also a patriot.

Mr. President that is not the only feature of the tax situation in England which is of moment to us who are inclined to rely upon the interest upon the indebtedness which Great Britain owes us to help us out. I find here a statement from the Outlook, of London, of May 7, 1922, which says:

On March 31, 1919, there were arrears of income tax * * * amounting to £55,000,000. In 1920 the figure had risen to £73,000,000. By 1921 it was £86,000,000, and this year it had reached the gigantic total of £110,000,000.

The condition of Great Britain is no different from that in many other leading countries. In other words, while expenditures increase, while outlays increase, the sources of taxes are drying up. Who is there that can say to the people of this country as we begin to legislate on this program which is to follow the tariff bill that a part of it will be taken care of by collecting from Great Britain her debt to us, or the interest upon it. The fact is that every dollar which we lay upon the people of this country for the next 10 or 15 years will in all probability be met by the people of this country alone, and there is no use blinking the proposition.

FRANCE

Let us look for a moment at the condition in France. France has her immense indebtedness and she is increasing it from day to day. Her sources of taxes are drying even more rapidly than those of Great Britain. I read here a statement from an ex-member of the French Assembly in which he says:

The new French budget, presented to Parliament by Mr. Charles de Lasteyrie, minister of finance, brings interesting precisions on one side of the problem. On the German side intelligent explanations are presented by Mr. Georg Bernhard, editor of the Vossische Zeitung.

French taxes amounted to 5,000,000,000 francs in 1913. In 1919 they reached 9,700,000,000; these grew to 15,000,000,000 in the following year. For 1923 they will reach over 19,000,000,000 francs.

Five years after the war has closed, and after our antagonists have been reduced to practical helplessness, and after the signing of the four-power treaty, and after every appearance of peace, they have increased their expenditures from 15,000,000,000 francs to 19,000,000,000 francs for 1923.

Thus we see, Mr. President, in these two great leading countries, whose indebtedness to us is very large, the constantly increasing expenditure, the constant increase of taxes, the constant decrease of returns of taxes or the drying up of taxes, and in all instances the rise in the cost of living and the constant increase of the burden of armaments.

WORLD FACING BANKRUPTCY

I do not pause to survey the financial and economic conditions in other parts of Europe. Russia is in collapse; famine stalks her streets. In Germany the assassin's face haunts her public men and reparations dull the energy and blast the hopes of the people. Austria, Hungary, Roumania—why recount them, for we must know that bankruptcy is everywhere threatened.

Who could doubt what effect these conditions have upon the great mass of the people? Is there any surprise that there is discontent, not only throughout those countries but spreading into all other countries adjacent thereto? The fact is that the constant increase of governmental expenditure has reached the point where it breeds revolution. Everywhere men are denouncing or criticizing their governments—here and elsewhere. The people's faith and the peoples' patience are nearing exhaustion.

UNITED STATES

Now, Mr. President, let us look for a few moments at our own country.

We have at this time an indebtedness of about $22,000,000,000. Our Budget is running from $3,500,000,000 upward. According to the report of Mr. Mellon, the Secretary of the Treasury, the sources of taxes in this country are drying quite as rapidly as in Great Britain. We have a deficit for 1923 estimated at $500,000,000. That is the situation presented to us, not as a speculative proposition but by actual figures. At the close of the Civil War we had an indebtedness of about $2,674,815,356. By 1915 we had reduced the indebtedness of the Government to $1,090,148,006. In other words, during the space of 50 years we had reduced our public indebtedness something over a billion dollars. If we are to judge the future by the past, we now have an indebtedness which it will take us more than a thousand years to lift, to say nothing of the constantly increasing taxes from year to year by reason of the increased budgets.

* * *

The people are resentful of the fact that the promises to lift the burden have not been kept. They are striking at men in office, in power, in order to reach systems and policies and programs. Business men are borrowing money to pay their taxes. I have examined the lists in 10 of the great agricultural States of the Union and thousands of farms are for sale for taxes. While this condition confronts us, and while labor is dissatisfied and the farmer is discontented and business discouraged, we propose without hesitation, it seems, to lay upon the American people an additional burden of from $4,000,000,000 to $6,000,000,000.

* * *

PREPARE FOR THE FUTURE

Mr. President, the time may come, and in my opinion it is very likely to come, when the United States will have to stand, as it were, at the Marne on this question of preserving financial civilization. The time may come when our reserves, economic and financial, will have to be called upon as our reserve of man power was called upon in 1917, and it behooves the American people and the American Congress to prepare for that as we prepared for the great conflict which confronted us in 1917.

Food For Thought—Senator Borah

"Indeed, I do not believe that the burdens already placed upon the people are so disturbing, so fruitful of dissatisfaction and discontent, as those burdens which present policies indicate are yet to come. The present demands are sufficient to take the peoples' earnings, but the proposed policies take away their hope for better days."

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Apply the "Pittsburgh Plan of Taxation" Nationally!