"With public sentiment nothing can fail. Without public sentiment nothing can succeed. Hence, he who moulds public sentiment goes deeper than he who enacts statutes or pronounces decisions."

THE BULLETIN

OF THE MANUFACTURERS AND MERCHANTS FEDERAL TAX LEAGUE

VOL. II. CHICAGO, SEPTEMBER, 1923. No. 10.

SMOOT TO INTRODUCE "EXPENDITURE TAX"

An "expenditure" tax will be introduced into the coming session of Congress by the new chairman of the Finance Committee, Senator Reed Smoot.

This expenditure tax is designed as a substitute for the much hated sales tax which was decisively defeated in the last congress. Smoot believes that the new name will do much to reduce opposition from the farming groups as well as from merchants and manufacturers operating on a small margin of profit.

BUSINESS EARNINGS NEAR DANGER LINE

"About 10 per cent of the capital invested in manufacturing enterprises earning less than 6 per cent—which spells failure unless improvement is achieved. About half of the capital invested in manufacturing is making around 6 and 8 per cent, which is enough to go on, but affords little chance for expansion—certainly not out of earnings. About 40 per cent of manufacturing capital is earning over 12 per cent—big profits and assured growth. . . . In nearly every year since the corporation excise tax was first levied by the federal government, something like a third of the total number of corporations reported losses, or at any rate no taxable income. This does not include stacks of paper corporations, which have died or were still born."—Scrutator, in Chicago Tribune.

SEES MENACE TO ALL IN FARM SITUATION

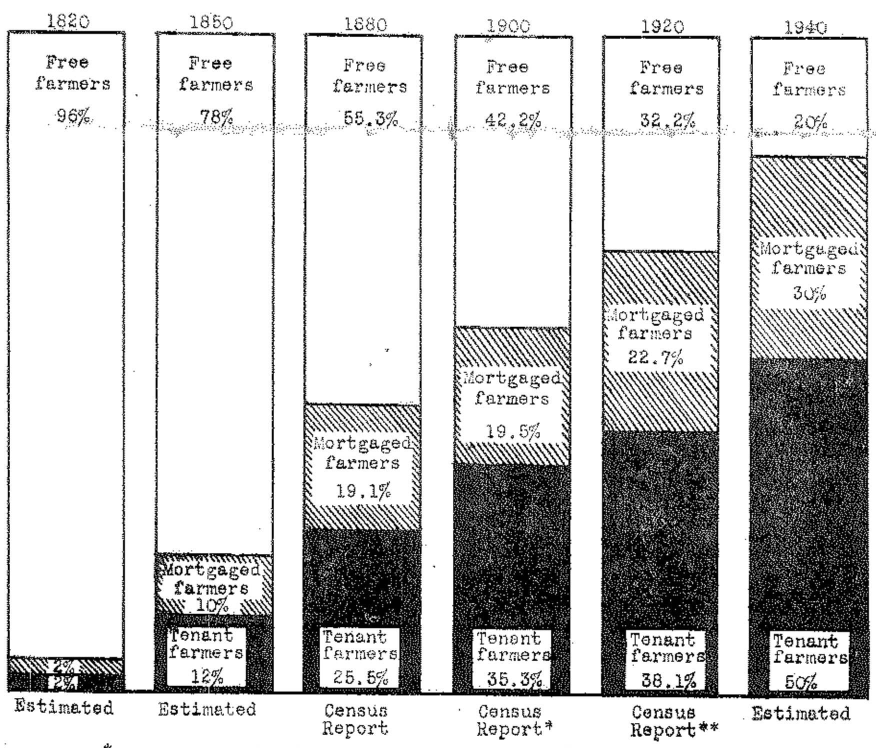
Speaking recently before the Chicago Association of Commerce on the problems of the farmer in relation to the retail merhant, Mr. A. R. Kroh of the Goodyear Rubber Company said:

"It is high time for those of us in the mercantile business, those of us who have something to sell, to stop and seriously consider who has furnished your customers in the past, and who is going to furnish them in the future. Unless those in the manufacturing and retailing business do give more serious consideration to this subject the probabilities are that the mortality rate in the mercantile business will be greater than it has been in the past. . . . "

"We are becoming a nation of rich absentee landlords, poor tenants and large estates. . . . And permit me to say here, before I forget it, that the United States is slipping faster in that direction than any other nation in the history of mankind. . . . I say again, let every farmer own the land he tills. I say let us take the tariff out of politics. No political party has yet proved itself sufficiently American to adopt the right kind of a tariff to protect the American people."

Our Submerging Farmer

A Fruit of Our Unjust Tax System



*Three per cent of the farms in 1900 were "not specified."
**Six per cent of the farms in 1920 were "not specified" - most of which, however, it is supposed, were "mortgaged."

THE APPALLING COST OF GOVERNMENT

"In the year 1921 the people of Massachusetts were obliged to contribute one day's service out of every five for the sole purpose of paying their share of the cost of government, while for the people of the country as a unit the corresponding figure was one day out of six. . . . And the most vicious factor in the situation appears to be the continued tendency for the total volume of taxation to increase."—Col. Charles R. Gow in the "Manufacturers News," Chicago.

PREDICTS DROP IN U. S. TAX RECEIPTS

A net reduction in government receipts of $151,894,397 during the next fiscal year is predicted by Herbert M. Lord, Director of the Budget in his annual report covering the operation of the federal budget during its second year. Estimates of expenditures have not been completed. The income for the year is estimated in the report at $3,486,959,086, compared with an estimated collection of $3,638,489,483 in the present fiscal year which will end June 30, 1924.

A TAX PROGRAM WORTHY OF NOTICE—"MONITOR"

"In any problem as complicated as that of federal taxation, every effort to bring order and system to bear upon its solution is praiseworthy, even though the actual plan proposed may not meet with complete or universal approval. The reason for this is the fundamental issue is so much more important than the details of any proposed scheme, that these latter may temporarily be overlooked in the expectation that mature judgment will insure a wise final determination of the subject, provided that a real attempt be made to institute the reform. From this standpoint the program of the Manufacturers' and Merchants' Federal Tax League of Chicago is worthy of some notice, and its efforts to popularize the bills which are to be introduced into the House of Representatives in December are commendable. . . . It is refreshing to see concrete efforts being made to solve the American federal tax problem." — Christian Science Monitor.

$100,000,000 IN TAXES TO BE REPAID

Repayments of taxes illegally collected, aggregating as high as $100,000,000, during the coming fiscal year are forecast by Government financial experts in Washington. The Income Tax Bureau of the Bureau of Internal Revenue, it is stated, does not believe that the refunds from taxes next year will approach the present figure, although conceding considerable payments will probably have to be made. The rush of payments at the end of the statutory period, it is asserted, has piled up in the Bureau a large number of cases upon which refunds will have to be made in the near future.

LOW INTEREST AIDS LAND SPECULATION

"From Texas comes a most interesting comment on how the issue of tax exempt bonds and the piling up of debt is reacting on the farmer in a most unpleasant way. 'Go into any county in this state,' says the Austin Statesman, 'where money is being loaned most freely through active agencies of the farm loan system, and you will find the most rapid inflation in land values. The expected benefit to be derived from low interest is being already absorbed by the increased selling price of lands.

'The worst feature, however, of inflated land values is the fact that the man who continues to cultivate his farm gets no profits from the rise in land prices. In order to realize his profit he must sell'."—Chicago Tribune.

THE BULLETIN

of the Manufacturers and Merchants Federal Tax League

Published Monthly, except August, In the Interest of Lower Taxes on Industry by the Manufacturers and Merchants Federal Tax League

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Vol. II September 1923 No. 10

OUR CONVENTION SPEAKERS

Among the speakers who will address our Tax Convention in Chicago on November 9 and 10 are:

Warren S. Blauvelt, President, Indiana Coke & Gas Co., Terre Haute.

Professor H. G. Brown, University of Missouri.

J. H. Kauffman, Secretary Ohio State Tax Commission.

Henry A. Perry, Editor and farm writer, Menominee, Michigan.

Henry H. Hardinge, Mechanical Engineer, Chicago.

Harry H. Willock, V. P., Waverly Oil Works, Pittsburgh.

Archibald Harris, Tax Counsellor, Illinois and Indiana Bankers' Association.

Professor John R. Commons, University of Wisconsin.

C. J. Buell, Sec'y, Minnesota Tax Reform Association, St. Paul.

John Z. White, Tax Lecturer, Henry George Lecture Association.

Edward Nordman, Wisconsin State Commissioner of Markets.

James R. Brown, President, Manhattan Singletax Club, New York.

Otto Cullman, President, Cullman Wheel Company, Chicago.

Several others also have already written us that they will attend provided their time will in any way permit. Judging from the prominence and quality of the speakers that are being secured, the Convention promises to be a big success.

"CAPITALISM" IS FRIEND, NOT ENEMY OF SOCIETY

Former President Woodrow Wilson writes in the Atlantic Monthly for August: "It was against capitalism that the Russian leaders directed their attack, . . . and it is against capitalism under one name or another that the discontented classes everywhere draw their indictment."

Like us, the editor of the Christian Science Monitor is "disappointed to find this confusion of thought, or misuse of terms, in an otherwise clear and concise appeal to the heart and conscience of mankind for an earnest effort to eradiate the discontent that leads to revolution, by abolishing its causes. There is nothing in society as it exists in the civilized world today that can properly be termed 'capitalism'."

"What the Socialist and Communistic followers of Karl Marx call the 'capitalistic system'," the editor of the Monitor goes on to say, "nowhere exists. What Marx described in 'Das Kapital' is the system of legalized privilege that enables one set of men to absorb an ever-increasing share of the wealth produced by other men. He did not, and could not, establish his contention that these conditions were due to the private ownership of capital. Capital is simply wealth—labor products—devoted to the production of more wealth. It is an inert thing that is essential to efficient production. It does not, and cannot, oppress the workers or any other class. Law-created special privileges work to the injury of the wealth producers, but it is folly to speak of them as 'capitalism.' As well say 'propertyism,' and blame the instituion of private property for the evils and abuses arising out of foolish laws. There can be no progress toward a wiser and juster social order until the leaders of thought abandon the strange idea that 'capitalism' is the enemy. There is no such thing."

Our Tax Relief Program

The following tax program to raise revenue and to relieve business, industry and agriculture of about $1,250,000,000 of the intolerable burden it now carries, will be introduced into the House of Representatives in December by the Hon. Oscar E. Keller of Minnesota:

Congressional Bill No. ——

This bill repeals all existing sales, commodity and excise 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. ——

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. ——

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 $150,000 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 50% of the excess to that amount or about 38% of the entire estate.

Congressional Bill No. ——

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.

The above revenue program will relieve producing business of about $1,250,000,000 annually, and the people of from three to five times this amount in inflated living costs.

NEWS NOTES

The net profit of the Ford Motor Company for the year ending June 30, 1923, amounted to $124,-193,862.

* * *

In 1917 the Chicago taxpayer paid a tax of $1.51 on every $100 worth of property; in 1922 a rate of $4.11 for every $100 worth of property had been established.

* * *

"The leaders of conventional trade unionism seem to have gotten into a kind of squirrel's cage; when some one alarms them, they move much more rapidly than before, but it is not noticeable that they are making any great progress."—The Freeman.

* * *

"The national bonus or adjusted compensation bill," says Alvin M. Owsley, national commander of the American Legion, "can be compared to a mighty locomotive coming down the track at full speed. And the wise men of the nation, who wish to stop the engine, but are powerless, will step out of the way."

* * *

Remember: Tax Convention, Congress Hotel, Chicago, November 9 and 10.

* * *

Why is a land speculator? A manufacturer makes shoes for the money we give him. The merchant distributes them. The workman performs labor for what he receives. But what does the owner of idle land do for the riches he gets?

* * *

"The city of Cleveland has, in round numbers, a land valuation of $900,000,000 and a population of 886,642—roughly, $1,000 a head. But the property is held by 85,000. Just about one in ten. Moreover, half the total of $900,-000,000 is owned by 500 people. And the colossal amount of $300,-000,000, one-third of the whole, is in the hands of just 129 families—and they possess the cream of the business section and reap a third of the interest fund, or $15,000,000. There's one of the world's greatest problems in a nutshell."—Collier's Weekly.

"ACCOUNT YOURSELF HAPPY,

if it be your lot to espouse, in the beginning, some noble and unpopular cause, to stand by its cradle, to throw yourself upon its broad altar, to see it grow, to help it grow, to see it first arouse curiosity, then attention, then contempt, then hatred, then fear, then respect, always growing and growing, until at last, over prejudice and hate and laws and old customs and vested interests, the irresistible current makes its way."—Senator George Frisbie Hoar, to the Students of Harvard University.

A HEAVY ONE

It was the witching hour when all was hushed and dark. Suddenly the midnight stillness was broken by a crash from upstairs.

"G-g-g-good Lord, what was that, dud-dud-darling?" exclaimed the timid young Adonis.

"Merely father dropping a hint," she replied, snuggling closer.—Yale Record.

Meet us in Chicago November 9 and 10 at the Congress Hotel.

HEAVY TAX LOAD ON AGRICULTURE

According to the best calculations that can be made the minimum "unseen" tax burden borne by farmers amounts to an average of sixty dollars per capita, or $300 per family of five. Adding this to the direct tax on farms—which is $105 for state, county and local purposes—makes the total average tax burden on farmers over $400 per year for each family.

PREACHER ADVERTISES LAND VALUE TAXATION

Preachers are usually not well paid. Therefore when at least one of them will dig down into his jeans and pay good money for an advertisement in behalf of the land value tax, without expecting any material returns from his act, there must be something deep and fundamentally religious in it. The following advertisement was inserted and paid for in the National Grange Monthly by the Rev. A. W. Littlefield of Middleborough, Mass.:

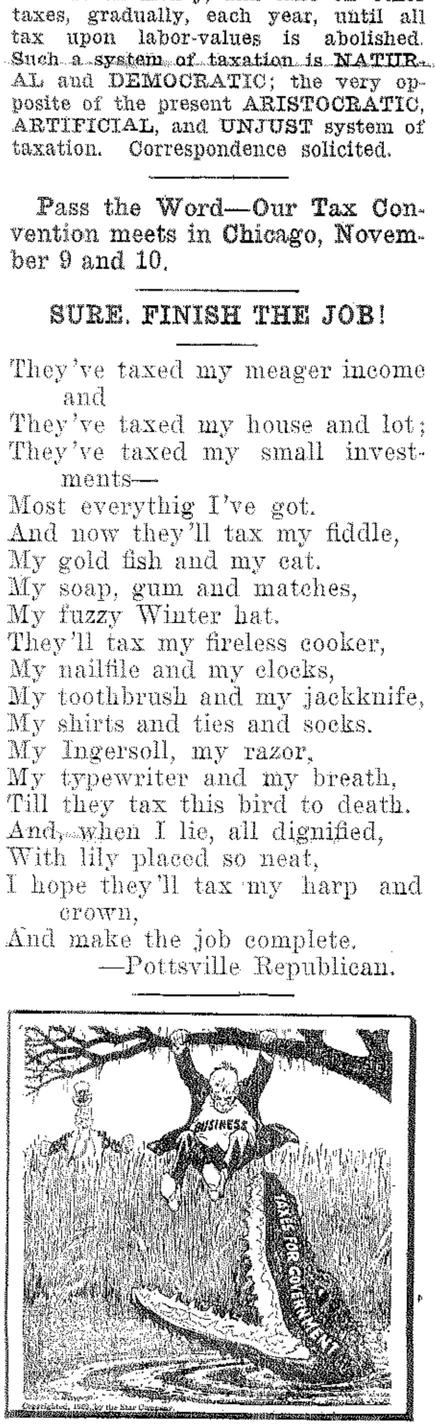
NATURAL TAXATION

The present tax system, taxing all property proportionally, derives from the mediaeval and aristocratic past. It robs labor; enriches the landlord; and creates monopoly. The remedy: Establish NATURAL TAXATION. To do this, simply place the tax upon land-values, at the prevailing rate of interest on money, and take off other taxes, gradually, each year, until all tax upon labor-values is abolished. Such a system of taxation is NATURAL and DEMOCRATIC; the very opposite of the present ARISTOCRATIC, ARTIFICIAL, and UNJUST system of taxation. Correspondence solicited.

Pass the Word—Our Tax Convention meets in Chicago, November 9 and 10.

SURE. FINISH THE JOB!

They've taxed my meager income and
They've taxed my house and lot;
They've taxed my small investments—
Most everythig I've got.
And now they'll tax my fiddle,
My gold fish and my cat.
My soap, gum and matches,
My fuzzy Winter hat.
They'll tax my fireless cooker,
My nailfile and my clocks,
My toothbrush and my jackknife,
My shirts and ties and socks.
My Ingersoll, my razor,
My typewriter and my breath,
Till they tax this bird to death.
And, when I lie, all dignified,
With lily placed so neat,
I hope they'll tax my harp and crown,
And make the job complete.
—Pottsville Republican.



—McCay in N. Y. American

Taxation in Western Canada

"Saskatchewan's taxation assessments trend towards straight land tax, for, as intimated on many occasions, our municipal law does not lend itself to the penalizing of a man's thrift by making him pay taxes on his personal property, his herds, his barns, or his home. Throughout our 295 rural municipalities the land alone is assessed at its value, while no buildings in hamlets are at all assessable with the exception of elevators situated on non-assessable property such as a railroad right-of-way. In that case the assessment is more like a fee than a tax, as the owners of the elevator will simply pay $25 school taxes and $50 municipal taxes to the secretary-treasurer's office. Otherwise the credit of the municipality, as well as its security, is on the land alone. This fact means much for the solidarity of our rural municipalities and helps to account for the good price so often received for their debentures."—From report recently issued by the Department of Municipal Affairs, Province of Saskatchewan.

ALABAMA PAPER ASKS LOGICAL QUESTION

If it is a good plan to exempt from taxation industries abundantly able to pay taxes, why would it not also be a good plan to exempt from taxation the new house of the man of limited means merely as an inducement to encourage him to build? If we can locate new industries by refraining from taxing them, by the same method why can we not locate new homes? New homes are just as desirable and just as much of an asset to a city as are new industries. No good reason can be advanced as to why we should not encourage the man of small financial ability to build a house, no more than can a good reason be advanced for not encouraging the locating of new industries. If exempting them from taxation will secure new industries, why won't the same plan secure new homes? We can readily find out by putting the measure in operation. If it fails to get the anticipated results we will be none the worse off for giving the idea a trial. —Jacksonville Argus.

VACANT FARM LAND BRINGS GOOD PRICES

Mason City, Iowa, Aug. 21.—A farm of 3,200 acres which has been kept in natural grass for nearly forty years has been sold here for a sum approximating $635,000. The tract will be split into small farms. The price paid gives an indication of midwest farm land values.—Chicago Daily News.

A MERRY OLD WORLD

Oh, it's a merry world; but we are making progress by proving futile one after another the proposals for bettering our condition. If we keep at it long enough there won't be any thing left to try but plain common sense. Then we'll just have to try that—just to show ourselves good sports, willing to try anything, once.—Stockton Forum.

A FAITHFUL FRIEND WRITES US A LETTER

In a letter to the Manufacturers and Merchants Federal Tax League advising that he is sending to us free of charge, 10,000 copies of his excellent little pamphlet entitled "Taxes," Mr. James A. Bell, printer of Elkhart, Indiana, among other things says:

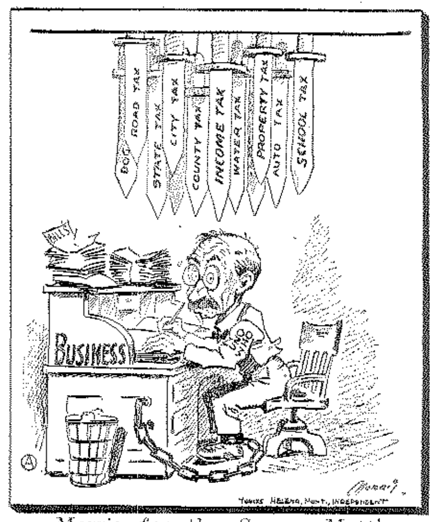
"Am pleased to note in the July Bulletin, the announcement of the Second Biennial Tax Relief Convention to be held in Chicago at the Congress Hotel, November 9th and 10th, which I surely hope to be able to attend, as conditions seem to be shaping very rapidly in the direction of favorable consideration for our program of taxation; in other words, the pendulum seems to have gone as far as it could in the wrong direction, and public sentiment is growing stronger each day for a change in our tax system.

"With the object lesson of practical bankruptcy for twenty-five per cent of our business firms in '21 and '22, with the noticeable certainty that there will be a great many more this year, and more to follow next year, the net result of these conditions should awaken business men to the fact that their problem is one that can only be remedied by our program of tax reform.

"Your current issue of "The Bulletin" is exceedingly interesting, the article entitled "Should the American Wheat Grower, etc.," is very timely and certainly should go a long way toward teaching our American farmers what the real trouble is that confronts them."

THE FARMERS DEBT

The census bureau's survey of farm mortgage conditions, now complete up to Jan. 1, 1920, shows that on that date the total mortgage debt on farms in the United States was $7,857,000.00. Figured at 6 per cent, this total would mean that three years ago the farmer was paying interest at the rate of $471,462,000 annually.



—Morris for the George Matthew Adams Service

BOOK REVIEWS

Occasionally, out of the stream of books that appear upon the market, there comes one that is worth reading. Such a book is that from the pen of William J. Flacy (lock box No. 65, Kansas City, Mo.), entitled "Constructive Democracy and Science of Political Ethics," just published.

As the title indicates this book deals with the great economic problems with which our whole civilization is now wrestling, and it gives the answer in no uncertain terms—namely the exemption of industry and the taxation of lands and natural resources according to their value. While not ignoring the utilitarian point of view the strongest appeal of the book is made to the inherent sense of justice in the human breast.

This book is especially recommended for those who are seeking the road to liberty through the avenues of religion—more than that, it is a work that ought to be on every library shelf and in the hands of every thinking man and woman. It is well printed, beautifully bound, and sells, cloth copy for $1.25.

We have just secured from the publishers a liberal supply of paper bound copies of John S. Codman's book "Unemployment and Our Revenue Problem." Mr. John S. Codman needs no introduction to our readers. Nor does his book, the chapters of which first appeared serially in "The Freeman" a few months ago. Mr. Codman always wields a powerful pen and unusually so in this treatment of the revenue question. In clinching business man's language and in masterly English he drives home the inevitable lesson that relief to hard-pressed capital and labor can only come through the taxation of the unearned increment of land values. As a contribution to fundamental economic literature Mr. Codman's book easily ranks with the best. Price, paper bound copies, 50c; cloth, $1.00.

WANTS CARTOON REPRINTED

Gentlemen:

Could you not print and sell at so much per, your cartoon which came out in the June Bulletin? Plenty of people would learn from that more than they would or could get from sermons on the land value tax.

Josie Thorpe Price.

YES, IT DOES LOOK THAT WAY

It is becoming apparent to thoughtful men that if the present method of procedure goes on we shall be driven to the Single Tax idea, whether we like it or not.—Thomas Marshall, former Vice-President of the United States, in Washington Star, March 18, 1923.

If you miss our Biennial Tax Convention in Chicago, November 9 and 10, you will regret it.

GRATUITIES

Diner—Hey, waiter, this asparagus hasn't any tips.

Waiter—Oh, those are for the waiter.—Amherst Lord Jeff.

Don't forget: Tax Convention, Chicago, November 9 and 10. A big program is assured.

The Solution of Our Tax Problem — Illustrated

By Emil O. Jorgensen.

Some folks still think it doesn't matter much how the government gets its revenue. They say, "Oh, what's the difference? You have to raise so much money by taxation anyhow, and one method of getting it is just as bad as another."

Is it? Suppose a mule-driver thought the same way and strapped his load on the mule's left hind leg instead of on the mule's back. How far would the mule get?

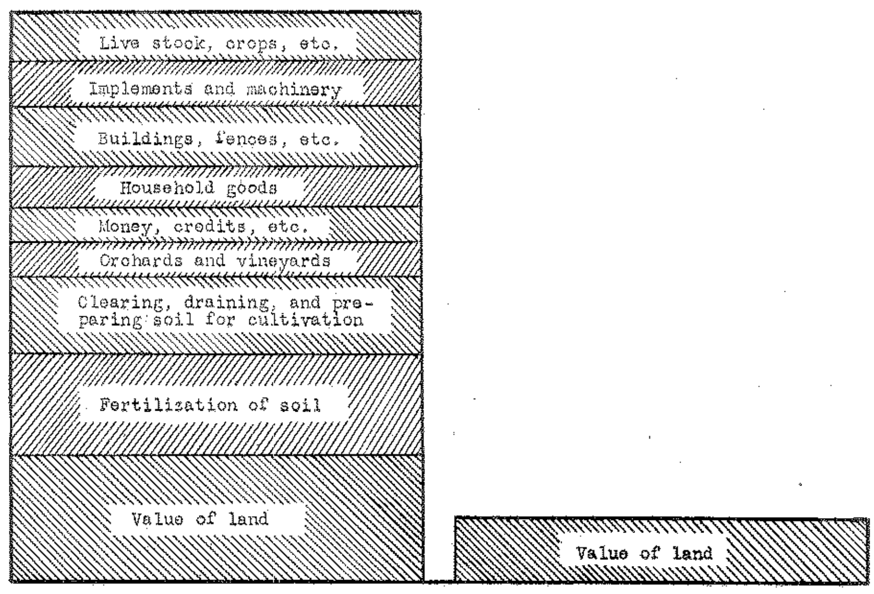
That's just the way it is with taxation. "Taxation," says one economist, "may create monopolies, or it may prevent them; it may diffuse wealth, or it may concentrate it; it may promote liberty and equality of rights, or it may tend to the establishment of tyranny and despotism; it may be so controlled by the skillful hand as to give free scope to every opportunity for the creation of wealth, or it may be so shaped by ignoramuses as to place a dead weight on a community in the race for industrial supremacy."

Since most people think in pictures, we present herewith four charts—two showing our tax system as it is **now** arranged and two showing how it **ought** to be arranged. These charts, it should be said, will shortly be published along with a number of others, in "Our Submerging Farmer"—a pamphlet now being prepared by the Manufacturers and Merchants Federal Tax League.

Study these charts and the arguments printed below them. They tell a story for economic peace and freedom that sermons cannot adequately portray!

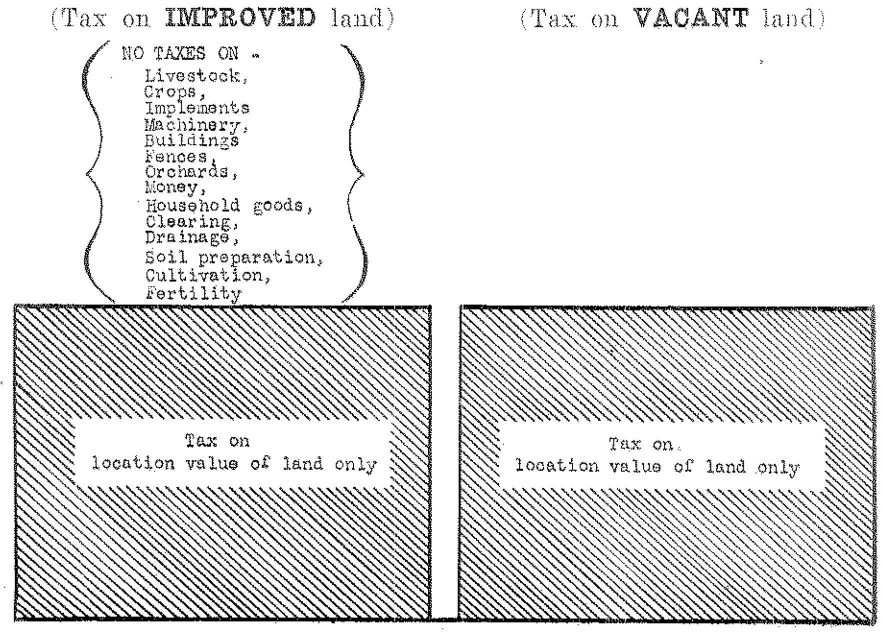
Farm Taxation — As It Is

(Taxes on **IMPROVED** land) (Tax on **VACANT** land)



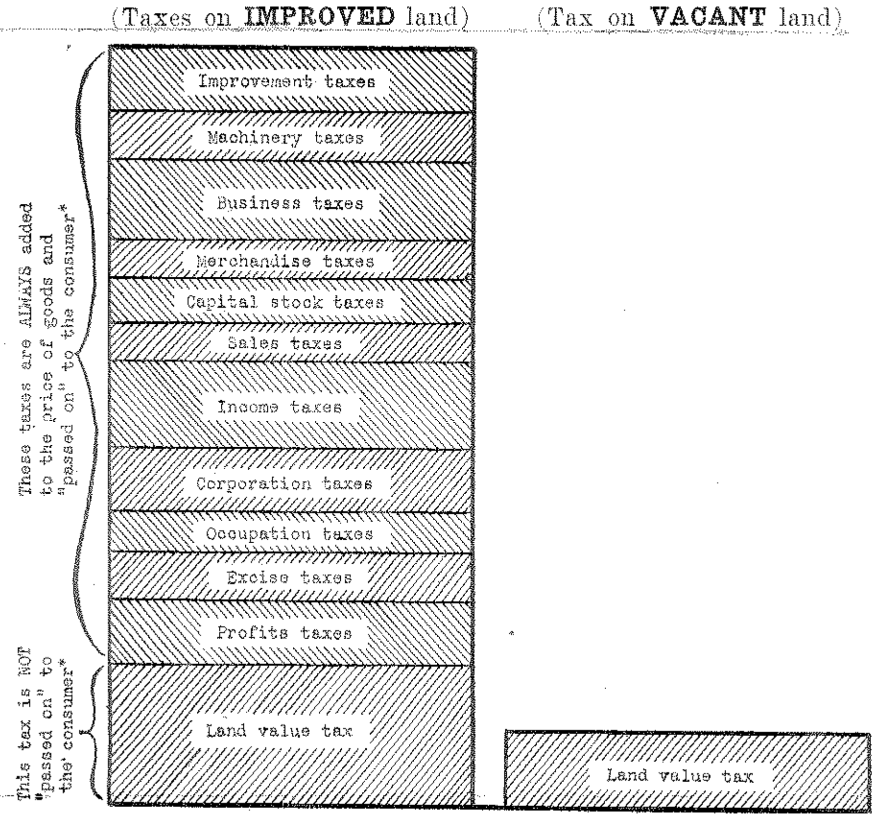
Farm Taxation — As It Ought to Be

(Tax on **IMPROVED** land) (Tax on **VACANT** land)



Taxation of City and Mining Property — As It Is

(Taxes on **IMPROVED** land) (Tax on **VACANT** land)



Taxation of City and Mining Property — As It Ought to Be

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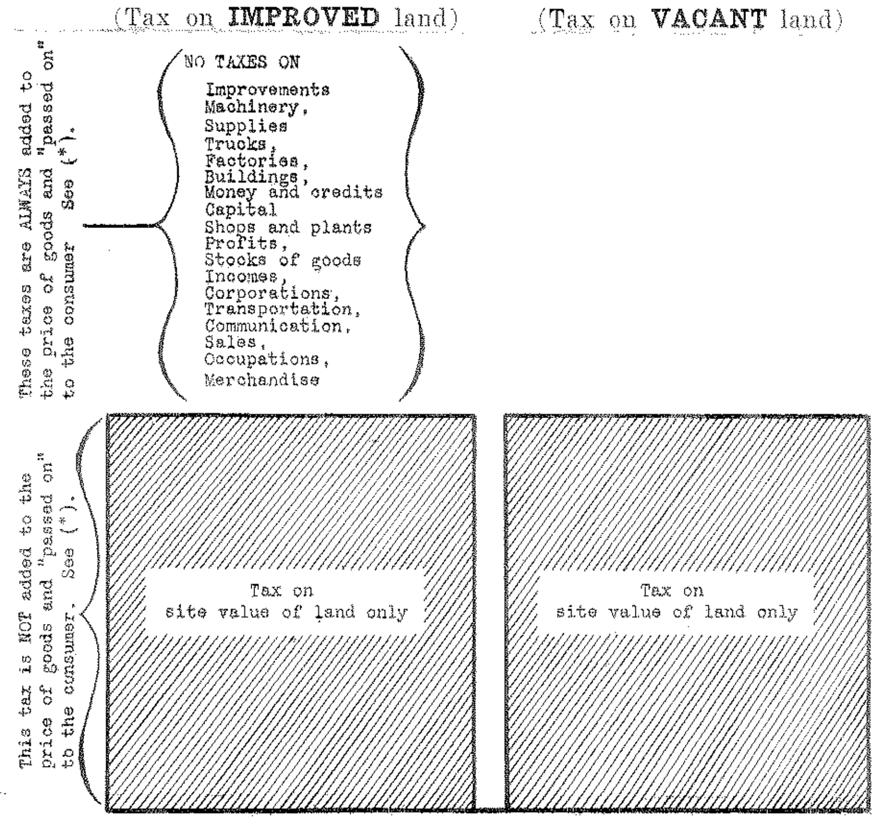

Following are eight reasons why our present tax system, as shown in the two charts above, should be gradually abolished—

1. It **REWARDS** land speculation and **PENALIZES** land utilization.

2. It imposes a **CRUSHING** tax on the producer—the **FARMER** and **BUSINESS MAN**, and only a **LIGHT** tax on the non-producer—the **LAND SPECULATOR** and **MONOPOLIST OF NATURAL RESOURCES.**

3. It makes the collection of public revenue **DIFFICULT** and **COSTLY**, instead of **EASY** and **INEXPENSIVE.**

4. It causes a **MAXIMUM** amount of dishonesty in the reporting of taxes, instead of a **MINIMUM** amount.

5. It **DISCOURAGES** thrift and enterprise and **ENCOURAGES** idleness and waste.

6. It taxes **HEAVILY** the values that are **PRIVATELY** created and only **SLIGHTLY** the values that are **PUBLICLY** created.

7. It **HOLDS UP** the high cost of living by compelling the major part of the taxburden to be **SHIFTED** to consumers in the **HIGHER PRICE OF GOODS.**

8. It is **UNEQUAL, UNSOUND, UNWISE** and **UNJUST**—contrary to all principles of good **ECONOMICS**, good **MORALS**, and good **GOVERNMENT.**

Following are eight reasons why the tax system proposed in the two charts above, should be gradually adopted—

1. It will **REWARD** land utilization and **PENALIZE** land speculation.

2. It will impose as **LIGHT** a tax on the producer—the **FARMER** and **BUSINESS MAN**, as it does on the non-producer—the **LAND SPECULATOR** and **MONOPOLIST OF NATURAL RESOURCES.**

3. It will make the collection of public revenue **EASY** and **INEXPENSIVE**, instead of **DIFFICULT** and **COSTLY.**

4. It will cause a **MINIMUM** amount of dishonesty in the reporting of taxes, instead of a **MAXIMUM** amount.

5. It will **DISCOURAGE** idleness and waste and **ENCOURAGE** thrift and enterprise.

6. It will tax only the values that are **PUBLICLY** created and leave free to individuals the values that are **PRIVATELY** created.

7. It will **REDUCE** the cost of living by getting rid of all taxes that are now **SHIFTED** to consumers in the higher price of goods.

8. It will be **EQUAL, SOUND, WISE** and **JUST**—in perfect harmony with all principles of good **ECONOMICS**, good **MORALS**, and good **GOVERNMENT.**

Pass the Word: Our Tax Convention, Congress Hotel, Chicago, November 9 and 10.