

COMPRISING OVER 35,000 FIRMS

Committee of
Manufacturers and Merchants
on Federal Taxation Inc.

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CHICAGO

SEPTEMBER
BULLETIN

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PERHAPS WISE POLITICALLY BUT . . .

Editorial, Chicago Tribune, August 29, 1921.

Tax revision, as the house ways and means committee has devised it and given it to the senate, affords relief at the bottom of the pyramid and at the top. Both at the bottom and the top of incomes there are organizations, communities of interest, groups and solidarity of interest.

At the top are organizations of money; at the bottom organizations of labor. The house has granted reductions in taxation to heads of families with incomes under \$3,900.

The revision thereupon jumps from this classification over a great middle classification and resumes its functions when it reaches incomes of \$66,000 and over. From that point upward there is a reduction of surtaxes which will cut down the wealthy man's burden with increasing reduction as his income increases.

At the top of the income classification there are organizations of men with money.

These organizations, loose or tight, are capable of acting together just as the organizations of low salaried men are capable of working together.

At the top are the organizations which finance political campaigns, the men of comfortable incomes who take alarm at ideas and

To Our Members:—
On Wednesday, August 24th, the House of Representatives passed the Forney Revenue bill and adjourned to reconvene September 21st.

The Revenue bill is now in the hands of the Senate Finance Committee which Committee will remain in session during the recess for the purpose of PRIVATE HEARINGS and the reporting of a revised revenue bill to the Senate when that body shall have convened.

The Senate has the power to revise the Revenue bill and may do so.

THE NEW REVENUE BILL

Let us now analyze the main features of the House Revenue bill. The House adopted one of the reforms for which this organization has persistently agitated,—the removal of the Transportation Tax. On and after January 1, 1922, there will be no more taxes on passenger or Pullman tickets and no taxes on freight. Ours was the first organization of business men in America to demand the removal of this tax. It came first in Mr. Keller's tax program. Scarcely a word was said about the removal of the Transportation Tax until Mr. Keller's bills were introduced into the House. The Secretary of the Treasury has said that it was a bad tax, but that he did not see how it could be removed. The way to remove a tax is to remove it. The Transportation Tax is now in the discard and its removal will benefit the members of our organization in most cases, more than all moneys which they have paid for our support. But the repeal of the Transportation Tax is about the only good feature of the new Revenue bill.

THE EXCESS PROFITS TAX

The Excess Profits Tax is to be removed next year. The Senate may make this removal retroactive so that it will apply for 1921. In place of the Excess Profits Tax, we are to have the flat Corporation Income Tax of 12 1/2% on the net earnings of all corporations,—large and small. Our organization has consistently asserted that the Excess Profits Tax is a bad tax, because it is a tax on industry and production, the burden of which is probably carried by the public in the form of greatly increased prices. The first of the Keller bill repeals this tax, BUT MR. KELLEY'S BILL ALSO REPEALS THE CORPORATION INCOME TAX. BOTH ARE BAD TAXES. When your

Committee found that Congress was about to repeal the Excess Profits Tax and substitute the Corporation Income Tax, we protested and objected to the ground that such substitution constituted an injustice. In other words, we advocated the repeal of the Excess Profits Tax only on condition that other, more scientific, and more just, forms of taxation should be substituted.

The theory on which the Income Tax rests is ABILITY TO PAY. If ability to pay is a sound foundation for taxes on personal incomes, then it is a sound foundation for taxes on corporation incomes. If the individual be forced to pay a graduated income tax, why should not corporations be also forced to pay a graduated tax on THEIR incomes? If one principle is sound, then the other is sound. The removal of the Profits Tax and the substitution of a flat corporation income tax is a direct step away from the "Ability to pay" principle. It is a move directly beneficial to monopolies and trusts who alone of all business institutions, are certain of being able to make excess profits as soon as business revives. All restraint in the making of profits is now taken off the monopolies and trusts while competitive business is forced to pay the same tax as the monopolies. "This tax will," says the Manufacturer's News of Chicago, "hit thousands of small manufacturers below the belt."

REDUCTION OF SURTAXES

The next important change made in the Revenue law is the reduction of the Income Taxes of about 15,000 millionaires and semi-millionaires. These favored gentlemen receive a tax cut of about 30% and a reduction on their taxes of a sum variously estimated from a hundred to three hundred million dollars. The excuse for this cut in the surtaxes is, that the millionaires are investing their money in tax exempt securities and that the only way to persuade them against such practices, is to cut down their tax rate.

THAT'S THE EXCUSE. The real facts are, that the gentleman whose income taxes are to be shaved down to the extent of several hundred million dollars paid the campaign expenses last fall. The reduction of their taxes constitutes a return of their campaign contributions in full measure heaped over and several measures besides.

In order to camouflage this return of campaign contributions, the Congress took a small slice off the taxes of those who receive moderate incomes. The

give to campaign funds which will be devoted to what they hope will be sound, conservative government.
The very wise tax revisionists, very wise politically, have given the contributors reason to rejoice that the surtax is down from a possible 63 to a maximum of 32 and have given the "vote" reason to think that a considerate government has lifted the burden. The "vote" may look at its own \$20 reduction and not glare at the reduction in the surtax on the top incomes.
But what of the tax payers who earn more than \$4,000 and less than \$66,000? Nothing of them. They go on as before, partly because of the three classifications they are the least important politically. They do not kick into campaign funds heavily and they do not kick over tickets.

They are not organized except politically and politically they are supposed to be set in their ways and habits of thought. Sometimes they are called the bone and sinew of the nation, but sometimes we think the bone is chieffy in the head. Anyway, they will stand for it and they will have to stand for it if the present scheme of revision is considered sound and foolproof by the revisionists.
The man with an income of over \$70,000 is as able to stand the prevailing high taxation as the man with an income between \$4,000 and \$66,000. More able, but he gets relief and the other does not. Proportionately the latter is stingy. He remains the substance of the nation and the bone.

reduction of the Income Tax to the small salaried man does not amount to much when compared to the reduction in the taxes of the millionaires. It will take the total reduction of the income taxes of about 25,000 small salaried people to equal the reduction in the present tax of one billionaire.

MORE DEBT

But Congress is more blameworthy even for the thing it did not do than for the things which it did do. The Ways and Means Committee knew perfectly well when reporting the tax bill to the House that the bill as reported will not raise sufficient money to meet the Government budget. Congress was bound by its pledges to Big Business to reduce the taxes on the rich. Congress was afraid to increase the taxes on the poor because an election is coming on next year. Congress deliberately chose to do a cowardly thing. This cowardly thing is to knowingly let the Treasury of the United States run into debt and pay the deficit with interest bearing treasury certificates. The Secretary of the Treasury has blanket authority to use certificates of debt in total volume of \$7,500,000,000. Whatever sum is not raised by taxation will be met by the Secretary of the Treasury with certificates of debt. These certificates of debt bear interest and are sold to the banks. Congressman Keller estimates that the Revenue bill enacted by the House will fall short of meeting the Government budget by at least five hundred million dollars which sum may be expanded to a billion dollars. This is an act of political cowardice, performed we suspect, on the assumption that there are so many people in America whose heads are boned that they would never find out or understand how the thing was done. They did not, however, reckon with Mr. Keller's determination nor the efficiency of our press bureau. Mr. Keller promptly issued a statement pointing out these facts. This statement was put into the Congressional Record by Senator Harrison of Mississippi and our Washington Bureau broadcasted it to the country where it has been printed in thousands of newspapers.

U. S. TREASURY STATEMENT

Washington, D. C., August 31.—The following is a statement of the condition of the United States treasury on August 29th:

Income to date this year	\$ 843,945,013
Income to date last year	1,667,677,433
Decrease	723,912,580
Outgo over income this year	154,288,120
Outgo over income last year	104,264,805
Increase	49,723,315

The Treasury statement is based on figures which begin with the fiscal year, July 1, 1921. The above figures show for the first 53 days (Sunday's omitted) of the fiscal year 1921-22 receipts have decreased over the same period last year \$723,912,589. At the same rate of decrease for the 313 days of the fiscal year the loss in revenue will be more than three billion dollars. Increase of taxation or increase of the public debt,—one or the other is inevitable.

MILLIONAIRES FAVORED

The peridy of the whole tax program is well told in an editorial which appeared in the Chicago Tribune on August 29th, which we reproduce. This editorial has striking application to the more than 35,000 members of this organization, few if any of whom are millionaires, but practically all of whom, fall under the classification of incomes which are not reduced by the House Revenue bill at all. The Tribune's editorial is sarcastic wherein it refers to the average American business man of whom it says: "SOMETIMES THEY ARE CALLED THE BONE AND SINIEW OF THE NATION BUT SOMETIMES WE THINK THE BONE IS CHIEFFLY IN THE HEAD." The Tribune goes on to say of these business men, "They are not organized except politically and politically they are supposed to be set in their ways and habits of thought."

THE TRIBUNE HAS ABLY ANALYZED THE SITUATION. The average American business men are not organized. One of the prime purposes of this Committee is organization of the business men, without regard to trade or industry, so that these business men will be able to function together. There are more than three million of them. When organized as Big Business is organized at the top and as labor is organized at the bottom, these business men will function powerfully. Without such organization, they are helpless and let us add HOPELESS.

True, the business men have plenty of organizations. But existing or

ganizations tend more to divide the business men than to unite them.

THE BUSINESS SITUATION

A close analysis of the economic situation in America is not comforting. It must be faced, however. Wise people always face facts. What are the facts? In the summer of 1920 the Federal Reserve Banks began a policy of deflation. These banks first issued orders to their member banks to deflate credit by collecting loans. Where loans could not be forced, the banks were instructed to renew obligations at a higher rate of interest. The Reserve Banks began also to withdraw reserve notes from circulation. Up to August 1, 1921, a total of eight hundred million dollars of bank currency had been retired,—a sum equal to 25% of all the bank currency outstanding in October 1920.

The effect of deflation first fell on the farmers. In a period of seven weeks, or from September 9th to November 27th, 1920, the value of farm products on the farm had shrunk a total of 40%, or, expressed in terms of money, nearly ten billions of dollars. The farmer ceased to be a purchaser at once and he has remained out of the market ever since. A special correspondent of the Chicago Tribune writing of date August 30th paints a gloomy picture of the agricultural situation. He states that millions of bushels of corn will be burned as fuel. "Cash corn in Nebraska is now twenty-eight cents a bushel," states this correspondent, "and it is generally expected to fall to twenty-five cents when the new crop becomes available." Corn at twenty-five cents a bushel and soft coal at \$14 a ton, hard coal at \$26 a ton, means that corn will be burned instead of coal.

IF CORN IS BURNED, IT MEANS THAT COAL MINERS WILL BE IDLE. RAILROADS WILL LOSE FREIGHT AND MERCHANTS WILL LOSE BUSINESS. THE BURNING OF CORN WELLS ALL THE WORLD IS HUNGRY IS A CRIME. THE BLAME FOR WHICH CANNOT BE PLACED ON THE FARMERS. THE BLAME MUST BE PLACED ON THOSE WHO CONTROL MONEY AND CREDIT. AND THE BLAME MUST ALSO REST ON THOSE CONGRESSMEN AND SENATORS WHO BY COURTESY WE CALL STATESMEN, BUT WHO ARE IN REALITY BUT RUBBER STAMPS FOR THE INTERESTS."

WAGES AND FAILURES

The sudden destruction of the purchasing power of the farmers slowed down all of the manufacturing plants and stopped many of them entirely. But the policy of deflation went ruthlessly on. Prices of wages rose during the war. One of the purposes of deflation was to reduce wage costs. The only way to get at the worker is through his employer. While business men have orders, they will employ labor at current prices. When there are no more orders, there is of course no more employment. Commercial failures are 300% in excess of those of 1920 and commercial failures will probably increase in volume during the next six months. It is maintained by financial experts that the only way to get back to normal is to continue deflation until the weak factors in business and industry are eliminated, in other words, until the small industries are crushed out while the strong are of course thereby put in a better position. It is the old law of the survival of the fittest, only that the Federal Reserve Board has taken the place of God in the direction of the law.

INTEREST AND RENT RISE

Everything and everybody have been deflated to some extent, except two industries. Interest has not been deflated. Interest has been increased, but more important than interest, is RENT. Rent has not only not been deflated, but on the contrary, vastly inflated.

Sixty-five millions of American people pay rent. The annual rent bill is said to exceed six billions of dollars which is an average of \$500 per family for the sixty-five millions of people who pay rent. Rents have steadily risen since 1914. The rise in rent probably approximates 300%.

Why is it that rents are not deflated? How can wages be reduced when rents are rising, or at least not falling. The answer is, that you cannot reduce wages or reduce prices when rents either rise or will not come down. Ninety-seven percent of the people of New York pay rent. Eighty percent of the people of Chicago pay rent.

THE FORDNEY TAX BILL IMPOSSIBLE

The following has just been received from our Washington Press Bureau.

Washington, D. C., Aug. 29, 1921.

The situation is looking better for us than ever before. Here are the latest facts.

Senator Smoot, next to Peurose on the Senate finance committee, has just announced that the House bill must be increased between \$400,000,000 and \$500,000,000 to avoid a deficit of this amount. This is EXACTLY what Keller said in his statement of a week ago.

The White House announces that the President is out of sympathy with the House bill making the repeal of excess profits and reduction of higher income surtaxes effective Jan. 1, 1922, and baldly states the President will "bring pressure to bear to have the Senate restore the original provision."

On the same day Uncle Joe Fordney, way back in Michigan, gives out a statement declaring the soldiers will be given a bonus, but that a sales tax is necessary to pay it.

Obviously, the scheme is to make the excess profits tax retroactive, which will reduce the government's income \$450,000,000 more, and then to give the soldiers a small fake bonus and to make up the deficiency by a sales tax. The sales tax idea has a few strong supporters in the Senate and Smoot is pulling every wire to put it over.

Senator Walsh of Massachusetts will introduce the Keller Bills in the Senate when that body reconvenes. One real fight is in the Senate where unlike the House the rules permit of debate.

Our publicity has been enormous, but could be vastly increased if our budget appropriation could be raised.

WALTER W. LIGGETT,
Manager.

Probably seventy-five percent of all the people in all the cities of America pay rent. Rent is a fixed charge. It must be paid first, and whatever economy is practiced must be practiced after the rent is paid. The wages and incomes of the people of our cities are so absorbed by rent that little remains with which to purchase food, clothing and other commodities. The effect of this iron law of rent is to slow up shops and factories everywhere.

THE LANDLORD NOT DEFLATED

Is there something peculiar about the landlord class that they may not be reached by the processes of deflation? There is. The landlord has his feet on the ground and a fence built around his feet. The earth's surface is a fixed quantity. The ownership of the ground constitutes a paramount monopoly.

The landlord may be reached only by the powers of taxation. Tax the landlord adequately and rents will fall. But, you say, if you tax the landlord, will he not add the tax to his rent? The answer is, "HE WILL, if you tax his building, but he will NOT if you tax his land values and exempt his buildings." The reason is simple and absolute. Tax land values and the tax will fall on the idle lots and the idle land as well as the used land. The tax will deflate the selling price of the idle land and the idle lots. Land on which to build is the first consideration in all construction. It is now the largest item of cost. Take the taxes off the buildings and place them on the land values and you will make both the land and the buildings cheaper. Find the answer to this in New York, Jersey City and a few other places where, in order to encourage building, taxes have been taken off new buildings for a period of years.

seven are from the middle west where our organization has its headquarters and from where it is conducting the fight for just and scientific taxation.

Mr. Keller will introduce another tax program into the Congress when that body convenes in regular session in December and in THE SUCCESSFUL SESSIONS of the Congress. Keller if he is in Congress, or someone else if he is not, will continue to introduce our bills. We propose to place our bills before the Congress and more important than this, before the country from session to session until we finally achieve our purpose.

THE FARMERS' MOVEMENT

Alongside of our organization is growing another one, small as yet, but growing vigorously. This is the Farmers' Federal Tax League which is doing splendid work, teaching the farmers that they have as much to gain by land value taxation as any other element of the population. The great land values of this country are in the cities and in the mining, oil and gas regions. In the cities the landlord class own the inflated land values and in the mineral, oil and timber regions, it is the great monopolies and trusts which own the land values and it is the ownership of these land values that constitutes the chief foundation on which every monopoly and trust rests. These are the facts which are being brought to the attention of the farmers through the Farmers' Federal Tax League. Our organization has given such assistance as was possible to the Farmers' organization and will continue to give assistance until the farmers are able to take care of their own movement which they will be at no distant day.

LABOR FAVORS PROGRAM

The annual convention of the American Federation of Labor at Denver adopted a resolution unanimously favoring the principle of land value taxation and the whole Keller program with the exception of the repeal of the profits tax and the Corporation Income Tax. Five state federations of labor have already gone on record favoring the principle of taxation of land values and there will be many more as these conventions are held. The entire labor press of the United States has given most favorable consideration to the Keller program. A writer in a current newspaper recently pointed these significant words: "When business men, farmers and labor begin to see alike on economic questions, the time is not far off when there will be something doing really worth while."

OUR BUDGET

The funds to maintain this organization have until quite recently been raised entirely by mail order solicitation. The real budget of this organization has been subscribed by devoted business men who have thought themselves into clarity on the taxation question. Subscriptions have been on a monthly basis in part and range from \$1 per month up to \$100 per month. Our budget is adequately subscribed up to October 1st when a good many of our subscriptions expire. It is highly desirable that these subscriptions be renewed and that others subscribe on a monthly basis for the months of October, November and December at which time our year's business will end and we will arrange a new budget for the year 1922. A subscription blank covering the three months mentioned is printed below and you are urgently requested to subscribe a reasonable sum for the three months in question, payment to begin in October.

If you are a Monthly Subscriber this Blank does not apply to YOU

Fenton Lawson, Treas.,
Committee of Manufacturers and Merchants on Federal Taxation, Inc.,
1346 Altgeld St., Chicago, Ill.

Dear Sir:

Fully appreciating the good work which our Committee has done in the Lower House of Congress and desiring to help make a harder battle for equalization of The Federal Tax Burden in the

Senate,—we subscribe herewith \$..... to be paid monthly during the months of October, November and December, 1921.

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Our Members are urged to distribute Extra Copies of this Bulletin — which will be furnished free on request — tell us how many?