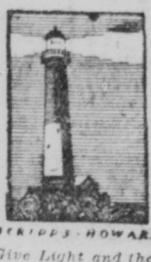


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A HALF-WAY TAX BILL

A BETTER and fairer tax plan can be passed by the senate than the one in the administration bill reported out by the finance committee.

In contrast to other parts of its strong new deal program, the administration's tax plans have been weak from the beginning. None of these official plans has held to the Democratic platform pledge of a tax system based on the principle of ability to pay.

It is true that the President turned thumbs down on the defeated general sales tax when the Republican old guard and certain Democrats tried to revive the fight in the house. For this, Mr. Roosevelt deserves credit.

He has saved us at least from the worst form of an insidious, disguised, and indirect tax which rests heaviest on the poor and which is most difficult to repeal. Once it has been fastened on the country.

Of the four original alternative plans submitted to the house by the administration, the three which did not include the general sales tax were based on an increase in normal income and special consumption taxes.

The normal income tax burden falls with most weight on the salaried middle class. That class should be made to carry a heavier load only after the rich have paid more through surtax increases. The proposed consumption taxes, whether on breakfast necessities or gasoline, of course, hit the poor man hardest, the middle class next, and the rich least.

This system, in other words, is an exact reversal of the platform pledge of taxing on the principle of ability to pay.

Fortunately, the expose of Morgan's failure to pay income taxes provoked so much public resentment that the administration juked most of the house plan in favor of a half way reform now reported out by the senate committee.

This new administration bill would raise \$227,000,000 as follows: Tax of 1-10 of 1 per cent on capital valuation of corporations, plus a 5 per cent tax on profits over 12% per cent, to yield \$80,000,000; a 5 per cent tax on dividends, collected at source, to yield \$70,000,000; addition tax of 1/2 cent a gallon on gasoline, to yield \$62,000,000; administrative changes in income tax laws, to yield \$15,000,000.

The administrative changes to plug some of the holes through which the Morgans and others have escaped all income tax payment are admirable.

The additional tax on gasoline is inexcusable. It is a sales tax already pre-empted by the states and already worked to death, as shown by the house report on double taxation. Automobile taxes of various kinds already amount to more than \$1,000,000,000 a year. State gasoline taxes alone are more than half a billion dollars.

In addition, there are the duplicating city and county gasoline taxes and the triplicating federal gasoline tax of \$138,000,000. The consumer is paying. These combined taxes account for 48 per cent of the retail price of gasoline.

On the wholesale price, these levies amount to a sales tax running in different parts of the country from 135 to 240 per cent. Under these circumstances, to propose additional federal gasoline taxes is absurd.

The provisions for 5 per cent tax on dividends, the 1-10 of 1 per cent tax on corporation capital values and excess profit tax, are all good as far as they go. But to raise enough revenue and to carry out the Democratic platform pledge of taxing according to ability to pay, all those taxes should be graduated upward progressively as in the case of the normal income tax.

Not only should the excess profit tax be graduated, but it should begin with profits of 8 or 9 per cent rather than 12% per cent.

Finally, the surtax on individual incomes, especially in the upper brackets, should be increased.

THE GOVERNMENT AS EDUCATOR

SENATOR CARTER GLASS is one of the scholars of the senate. It is, therefore, all the more surprising that he should insist upon viewing the senate in the guise of a police court and resenting its assumption of the role of a national educational institution.

Mr. Glass holds that the senate is wasting its time because Mr. Morgan has not been, and probably will not be, proved an overt criminal. Unless it can get the results expected by a police magistrate, the investigating committee should, presumably, close its deliberation.

It does not seem to have occurred to Senator Glass that the senate has in its power to give the people of the United States the most cogent and relevant bit of education in economics which it ever has received from the national capital.

This is the real significance of the Morgan investigation, as it is also of the trial of Charles Mitchell. Whether some prominent banker entrains for Atlanta in the company of a United States marshal is of far less fundamental import than the possibility of giving the American people a decisive impression of the menacing character of an economic system dominated by finance, capitalism, and speculative cupidity.

The dominion of speculative finance was the core of the "old deal" which threw us to the dogs. It is the primary obstacle to the realization of a "new deal" which possesses any promise of adequacy and permanence. The question at issue is whether the United States will be governed from the White House or from 23 Wall street.

If Mr. Roosevelt actually is supporting the investigation of the financial barons, this shows that he is a realist, on whom we may pin some substantial hope.

If the investigation of Mr. Morgan and the

other moguls of the speculative hierarchy is to be fully educational and ultimately ameliorative, it is necessary that the country shall not miss the main point because of dramatic and colorful details.

We resolutely must avoid the personal devil interpretation. Neither Mr. Morgan nor his partners are friends. They are, at worse, no more than the custodians of a dastardly economic system. And most of them probably are profoundly unconscious of its malevolent character.

Such revelations as Mr. Morgan's failure to pay an income tax, the list of favored individuals on his stock-bargain list, the concentration of financial control, and the dominion of the private bankers over our basic public utilities are all of real significance. As much should be made of them as their intrinsic merits warrant.

But the real core of the whole matter is the fact that Mr. Morgan and his like have achieved a directive control over the American economic order and that their ideals and practices are more fatal to any successful continuance of the capitalistic order than the assaults of a dozen Moscows from the outside.

If capitalism is to survive primary attention must be devoted to assuming a large and adequately remunerated consuming public, to giving permanence and stability to productive enterprise, to adjusting production to consumptive needs and abilities, and to guaranteeing the mercantile classes a sufficient and relatively steady market.

The service of human needs for a reasonable profit to the entrepreneur must give the dominating motivation.

Unless a sufficient quantity of needed goods can be sold steadily to the masses, the capitalistic system must, sooner or later, fold up, even though there be not so much as a revolutionary whisper abroad in the land. Finance must be reduced to its logical position as the humble but essential adjunct of sound business.

It is because the system of control which Mr. Morgan symbolizes either ignores or fiercely opposes every tenet and practice upon which the rehabilitation and perpetuation of a chastened capitalism depends that it must be rooted out, if we are to have any new deal this side of collapse and disorder.

Mr. Roosevelt asserts that his "new deal" is based upon the notion of the co-partnership of all economic affairs. A regime conceived in instability and dedicated to the speculative profits of the few at the expense of all the rest of human society offers no hospitality at any point to the conceptions and practices of a co-partnership in industry and prosperity.

This is the real import of the Morgan inquiry, and this is what must be driven home if it is to possess any true educational significance for American citizens.

ABSURDITIES OF OUR PROBLEMS

ONE of the most encouraging things about the world's present difficulty is the fact that all its major problems are in the highest degree irrational.

They need only to be stated to have their inherent absurdity made obvious; and the more they are stated and examined, the more likely it becomes that mankind will recognize their absurdity and do away with them.

There never was a time before when natural forces operated to make nations neighborly as strongly as they do now. World-wide communication is an accomplished fact. Distances have shrunk to mere fractions of their old length.

The increasing complications of world trade and commerce have made all countries inter-dependent. A new network of treaties has been set up to preserve peace. Events have compelled the dullest men to realize that war costs more than it can be worth.

Yet in the face of all these facts, one of our very greatest problems is the problem of keeping the peace. The world is drifting toward war in spite of the fact that it has more reasons for staying at peace than it ever had before.

It is the same in the economic field. We have developed the art of production to the point where poverty need no longer exist. We can make more of everything than we possibly need.

The masses of mankind can enjoy more luxuries than the wealthy could have a few generations ago.

Yet, poverty is increasing and we suffer from a shortage of nearly everything; and as Edward A. Filene, the Boston merchant, has pointed out, poverty has increased most rapidly in those nations whose ability to produce wealth has been augmented most.

Similarly, world trade today ought to thrive never before. The facilities for it never were so great; the need of the various nations for the things produced by their neighbors never was so great; the financial arrangements whereby the flow of goods is made easy never were so well developed.

But world trade dwindles, year by year, and most nations have been busy cutting it down still further by means of tariffs, import restrictions, quota laws and the like.

These problems, when examined carefully, simply don't make sense. It is too much to expect that we shall presently find a way to start moving with the tide instead of against it?

SOCIAL INSURANCE

DR. CHARLES H. MAYO, famed Rochester surgeon, says that medical science has lengthened man's life expectancy fifteen years in the last half century.

Expectancy of what? Of fifteen years more, poverty, fear, and insecurity, or fifteen years of serene security?

Science has served amazingly in reducing the bodily hazards that menace life and health. Now statesmanship must serve as zealously to reduce the social hazards that threaten the workers at every step from youth to age.

The concrete road and steel track have their disadvantages, and these disadvantages go much deeper than the obvious physical limitation.

People who travel in ruts, think in ruts, losing flexibility of mind which is an important factor of true intelligence. They become afraid of getting off the beaten path, cease to pioneer or adventure, even in a small way, and eventually settle down to a routine, narrowing existence.

Walking has a definite connection with character. It develops a certain feeling of independence and creates an interest in those things which require personal observation to understand.

Nebraska just has adopted an old age pension law, and thus becomes the twenty-fifth state to provide a minimum of security for the aged poor. Old age pensions should be extended to every state by means of federal aid.

Assurance of security should, however, go further. In most of the old age pension states, the benefits begin at 65. Industrial hazards threaten the workers at every step from youth to age. There should be a system of insurance covering the three main social risks of the workers of American industry—old age dependency, unemployment, and sickness.

Accepting the call to this larger task, the American Association for Old Age Security

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just has announced the widening of its program covering these three hazards. It declares that "unless provision is made against the other major hazards of modern life, the old age pension laws can not fulfill their true function."

Surprising success has rewarded the campaign for old age pensions. American workers will hope for even quicker victories in the campaign for other social insurance.

ADVICE TO THE MARRIED

IN the ruling handed down recently by an advisory master in a New Jersey divorce case, there is a little food for thought which a lot of married folk profitably might ponder over.

A husband, in this case, sued for divorce because his wife occasionally caused him humiliation by drinking more than was good for her.

The advisory master chosen by the court, after pointing out that the wife had reared a family for her husband, asserted that the humiliation she caused him, "when weighed against the privileges, joys, and comforts of the rest of his married life, made forbearance a marital duty."

There is a little truth which every happily married couple knows very well. No two people can live together for years without hurting one another occasionally.

Most married folk, however, know something of the duty of forbearance. If they all did, the divorce courts would do a lot less business.

FRAGMENTS OF CONTROL

(An Editorial from The Wall Street Journal) **H**ERE is the issue now involved in the bill for the control of industry—whether it is to set up control or is to be only a pious admonition to industry to frame codes which a recalcitrant minority may defeat.

Evidently twelve members of the senate finance committee, including seven members of the President's party, believe the country will fare better under a pious admonition than under two years of real governmental control of industry.

If they have their way, this measure, which begins by declaring the existence of "a national emergency productive of widespread unemployment and disorganization of industry" will end by applying to the emergency no more than a weak palliative treatment, consisting chiefly of a temporary relaxation of the anti-trust laws and a section setting up labor conditions which in themselves will go far to discourage the making of voluntary trade agreements thereunder.

In itself, this measure, which is to be set up with the proposition that man not only is sovereign as a unit in our social scheme, but sovereign as to himself. This means that he has the right to do what he wants with his own private life. This principle is technically called the "ethos" of our American democracy.

Inconsistent as the eighteenth amendment may be with the original fabric of the Constitution, harmful as its effects have proved to be, socially and economically considered, one would be willing to honor it and abide by it and suffer under it with the rest of our fellowmen if the move for its enactment had been inspired by honest motives. The nation is to be set up with the theory that slavery never should have been abolished.

Now that we have been inspired by the Wickersham commission, to meet in Washington next Tuesday to see that labor received its due share of wage adjustments and hours of labor.

I formerly was employed by an international labor organization located in Indianapolis. I was furloughed, due to the depression, and of course I am in position to know that some of the girls and also some of the married men with families are paid a wage that hardly enables them to buy the bare necessities of life, let alone receive a living wage.

It only goes to show how sincere the so-called labor leaders are, and to my way of thinking, the less attention the President and congress pay to these four-flushers, the better off the country will be.

In this country one can start out with the proposition that man not only is sovereign as a unit in our social scheme, but sovereign as to himself. This means that he has the right to do what he wants with his own private life. This principle is technically called the "ethos" of our American democracy.

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But it is charged on good authority that the eighteenth amendment was conceived in fraud and clandestinity, and was inspired by the Negro race to foster the repeal of the fifteenth amendment.

The reasonable and open-minded citizen deduces from the findings of this report that national prohibition has proved to be and always will be an ignominious failure.

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