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# THE PEOPLE'S LOBBY

Incorporated

TO FIGHT FOR THE PEOPLE-WE GET AND GIVE THE FACTS

ROOMS 404-5, BURCHELL BUILDING, 817 14TH ST., N. W.

TELEPHONE DISTRICT 0272

WASHINGTON, D. C.

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S. A. STOCKWELL  
COLSTON E. WARNE

11-11-39

Dear Mr. Eccles: -

Will you be good enough to have  
sent me copy of your recent speech  
on taxation? I shall be much obliged

Sincerely,

Benjamin C. Marsh,

November 11, 1939.

Mr. Benjamin C. Marsh,  
Executive Secretary,  
The People's Lobby,  
817 - 14th Street, Northwest,  
Washington, D. C.

My dear Mr. Marsh:

In accordance with your request of  
November 11, I am enclosing a copy of the re-  
cent address of Chairman Eccles in St. Louis.

Very truly yours,

Elliott Hurston,  
Special Assistant  
to the Chairman.

enclosure

b

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**COLSTON E. WARNE**

September 11, 1939.

## SHOULD WE BACK EITHER AGGRESSOR AXIS?

Few of us like Hitler, or his methods—but:—

Ten years ago this summer, I attended the International Anti-Imperialist Congress in Frankfort-on-the-Main, presided over by a member of the British House of Commons,—with delegates from nearly every nation,—who denounced—British, French, American, Dutch, Belgian, Italian, and Japanese—NOT German—imperialist aggression!

I have studied conditions in Europe, from Russia to Italy, seven times since, and returned, August 29th, from interviewing labor and peace leaders and government officials, many of whom I've known for years,—in London, Copenhagen, Stockholm and Paris, to try to get their private views on the European situation, and World organization.

Let me summarize them—and recall that these views were given BEFORE Russia signed the non-aggression-cooperating pact with Germany.

1. Britain and France want to continue their Empires and their control of Europe, as essential to do this.

2. Neither of these great Empires proposes to make any concessions to democracy, or any curtailments of the profit system they are not forced to,—and will not make public their real war objectives.

(It may be noted that Britain and France are as anxious for a large share of the markets of China and Central and South America, as we are, and will probably have strong navies after the war.)

3. The proposal of the Labor Party in Britain, approved by progressives in France, for international control of colonies and mandated areas, of natural resources, and of ocean-borne commerce, has been repudiated by the governments of both these nations,—the most reactionary they have had for a long time.

4. The Scandinavian countries propose to stay neutral unless actually invaded—and make profits trading with both sides.

5. Some rectification of the boundaries set up by the Treaty of Versailles and subsequent Treaties is essential, for there could not be peace or prosperity in Europe, with the set up they created.

6. Both Britain and France have been rearming Germany, Britain up to three weeks ago—even to cutting down her reserves of essential war materials.

7. THE REAL CONFLICT IS BETWEEN TWO ECONOMIC SYSTEMS.

8. Peace in Europe, geared for a war, would be very embarrassing to the real rulers of all the major nations, because it would force an economic showdown.

## SHOULD AMERICA SIGN BLANK CHECK ON MEN AND MONEY?

The President has as much reason to fear lack of war as any European ruler.

In April, industrial production was less than two-thirds of what it should be to equal the average of 1923 to 1925. Over ten million are unemployed.

For over a year the President illegally backed Hitler and Mussolini in the World War in Spain, by forcing Congress (through his control of appropriations) to lay, and not to lift the embargo on supplies to the Loyalist Government.

This was contrary to International Law, but done at the behest of British finance (which then thought, or hoped, it could get Germany to fight Russia), and of the Vatican, both hating Stalin even more than Hitler.

(OVER)

The President built up the two bogey-men—Hitler and Mussolini, to wave over Central and South America, and try to make the American people forget that every major contest in the “war on poverty” here had been lost.

America went into the World War chiefly because our Government and Britain’s fiscal agent, J. P. Morgan & Co., had loaned the allies a lot of money, and Germany had violated our rights as neutrals,—almost as much as Britain had.

We signed a check in blank THEN, and had nothing important to say about peace terms at the close of the war,—nor about secret treaties.

The President is not neutral, he is pro British imperialism, with an infinitely better organization to put America into the war than Wilson had, but the people are better informed now.

We are not getting the full truth about Hitler, or about the Allies, but we know Germany is not going to fight Russia, and Russia won’t fight Hitler,—for the present at least.

They may decide to divide all of Eastern Europe, if they win.

#### CONSTRUCTIVE NEUTRALITY MEANS CO-OPERATION

A “cash and carry” policy would increase employment, and demand for some farm products here, BUT—

This policy, which will lead to loans, is not neutral but pro-allies, and might lead us into war, by stinging Germany into blocking our “neutral” shipments to the Allies!

ALSO,—we could consume practically all the material we would export to the Allies, with a real “New Deal” here. Why not get that first?

*Will you write or ask your U. S. Senators and your member of the House:—*

1. To demand an early session of Congress,—by November at latest?
2. To join in a request the Allies state their war aims, and whether they will sanction a reasonable organization of Europe, and publish their secret treaties?
3. To back keeping the profits out of peace by taxation and public ownership, as a means of preventing our going into any war?

#### DON'T FORGET!

1. The selling price of stocks has gone up around a billion dollars on war prospects alone.
2. In the latest World War the price of wheat NOT of cotton was fixed.
3. If we enter another World War all labor and farmers, and not only soldiers, will be conscripted, and Russia and other countries will supply much of the demand for both wheat and cotton, as they have lower production costs.
4. WAR IS NEVER A SOLUTION, BUT ALWAYS AN AGGRAVATION—BECAUSE IT IS AN EVASION OF THE CAUSES OF WAR.

The world must choose between profit making property, and peace.

ISN'T AMERICA'S GREAT OPPORTUNITY TO MAKE PEACE WORK?

Write your local papers your views on this.

Will you join the People’s Lobby and work for such international cooperation, and for our domestic program enclosed? Pin bill to slip or make check payable to John H. Gray, Treas. Members receive our eight-page factual Monthly Bulletin.

Yours sincerely,

BENJAMIN C. MARSH,  
*Executive Secretary.*

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S. A. STOCKWELL  
COLSTON E. WARNE

November 16, 1939.

Hon. Marriner S. Eccles, Chairman,  
Federal Reserve System,  
Washington, D. C.

Dear Mr. Eccles:

Thanks for sending me your tax speech.

I enclose brief to Treasury Investigating Committee.

Yours sincerely,

*Benjamin C. Marsh*  
Executive Secretary.

Enc.  
BCM/EH  
STB&AU 11773

BRIEF ON CHANGES IN TAX SYSTEM

Submitted to Treasury Investigating Committee

by

THE PEOPLE'S LOBBY, INC., ROOMS 404-5, BURCHELL BUILDING, 817 14th ST. N.W.,  
WASHINGTON, D. C.

Francis J. McCormell, President  
John H. Gray, Treasurer

-  
-

Gardner Jackson, Vice-President  
Benjamin C. Marsh, Executive Secretary.

PRELIMINARY STATEMENT

Four items in the estimated expenditures for the current fiscal year (ending June 30, 1940) given in the Report of the Secretary of the Treasury for 1938, show the necessity for prompt adoption of a rational tax system, and paying most of government expenditures out of current tax revenues:-

"INTEREST ON THE PUBLIC DEBT	\$1,050,000,000
"DEBT RETIREMENTS	100,000,000
"INCREASE IN THE PUBLIC DEBT	3,326,343,200
"PUBLIC DEBT AT END OF YEAR	44,457,845,210"

Interest on the Federal debt, - most of it wholly or partly tax-exempt, is about \$100,000,000 more than the national budget in 1915 and preceding years.

IF "DEMOCRACY" DEGENERATES INTO MERELY THE POLITICAL ART OF POSTPONING THE DELUGE, "DEMOCRACY" IS DOOMED.

A tax system cannot be divorced from the economic system of which it is a part.

It may be used to foster plant and crop expansions, or to curtail them.

It may be used to foster consumption, or to reduce it.

It may be used to increase prices of land, other raw materials, and thereby increase the "wealth" of property owners,-or the reverse.

Adoption of an intelligent system of taxation, - instead of the existing hodge podge of Federal, State, and local taxes,- is not a substitute for repeal of legislative grants of the right to exploit consumers, such as patents, price fixing devices, franchises, private control of credit, private ownership of natural resources and natural monopolies, and "protective" tariffs.

The basic purpose of an ethical tax system is not only to raise revenue to meet the ex-  
-anding direct responsibilities of government, but -

TO MAINTAIN THE PATRIMONY OF THE NATION, INCREASE THE PRODUCTION OF ESSENTIALS TO A FULL LIFE, AND FACILITATE THE CONSUMPTION THEREOF BY ALL, OUT OF CURRENT INCOME, AND TO ENCOURAGE THE MAXIMUM INDIVIDUAL INITIATIVE COMPATIBLE WITH THE INCREASING COLLECTIVISM REQUIRED IN A  
-CHANIZED AGE TO PROTECT THE STANDARD OF LIVING OF THE MASSES.

Throughout the world, governments are taking a constantly increasing proportion of the national income in taxes.

In 1938, the percentage was: - United States 22.4%, Canada 20.7%, Italy 21.5%, Great Britain 21.7%, France 23.3%, and Germany 26.2%.

Recently imposed taxes in Canada, Britain, France and Germany have increased the per-  
centage materially, reportedly up to nearly 40% in Germany, and approximating that in some of  
the others.

The emphasis in all these countries is upon direct taxation, though consumption taxes have been increased somewhat, but they already constituted an inhuman burden.

The National Consumers' Tax Commission reports that in 1938 indirect taxes in the United States totaled \$7,960, million, out of \$14,155, million of taxes collected.

This was 56% or nearly three fifths of taxes collected.

Indirect taxes are usually collected in proportion to inability to resist, and are reported for 1938 as follows:-

Federal	\$2,726, million
State	3,008, "
Local	2,225, "

THE FEDERAL GOVERNMENT THROUGH ITS DIRECT APPROPRIATIONS FOR RELIEF AND LOANS, CAN COMPEL STATE AND LOCAL GOVERNMENTS TO ADOPT INTELLIGENT AND ETHICAL TAX SYSTEMS, THOUGH ITS FIRST RESPONSIBILITY IS TO SET ITS OWN HOUSE IN ORDER.

All tax revenue should be derived from three direct taxes, - though the change to such a system should not be too sudden:-

1. Taxes on land values, primarily available to State and Local Governments.
2. Taxes on income - personal and corporate, including surtaxes on excess profits, and at least moderate taxes on surplus undistributed profits, and
3. Taxes on estates.

Taxes on income of various kinds, and on estates, should be levied exclusively by the Federal Government, and part refunded to States upon some definite basis, such as population, or a given proportion of collections.

The Federal Government would save money for itself and for State and Local Governments, by refusing any relief or loans to any state or locality, which does not tax land values (primarily a city product) much more heavily than it does buildings.

This would enable all government agencies - Housing, Public Works, Farm Security (resettlement) - to acquire land at much less than the prices the government has paid for most land acquired.

#### I - SOURCES OF FEDERAL GOVERNMENTS TAX REVENUE

For the current fiscal July 1, 1939 to June 30, 1940, the Federal Government is due to take in from:-

Indirect Taxes	
Alcoholic Beverage taxes	\$607.3 million
Tobacco taxes	610.1 "
Stamp taxes	58.6 "
Manufacturers Excise taxes	427.2 "
Miscellaneous taxes	144.6 "
Payroll taxes	810 "
Customs	403.9 "
Total	\$3,061.7 "

Direct Taxes	
1. Income Taxes	
Corporation Current	\$776 million
Individual	857.9 "
Back Taxes	250 "
Excess profits tax	19.1 "

2. Tax on Unjust Enrichment	\$ 6.5 million
3. Internal Revenue	
Capital Stock Tax	\$123.4 million
Estate Tax	329.2 "
Gift Tax	33 "
	<hr/>
Total	\$2,395.1 million

About \$212.5 million is anticipated from Railroad Unemployment Insurance Act, and "miscellaneous revenues" not classified as "direct" or "indirect" taxes.

Total receipts for 1940 are estimated at \$5,669.3 million, -over five and two thirds billion dollars!

Some facts affecting all small pocket books stand out:-

1. Per capita indirect taxes are about \$23.50, or \$117.50 for a family of five - counting the population 130,000,000.
2. Per capita direct taxes are about \$18.40, or \$92.00 for a family of five.
3. Indirect or consumption taxes, most of which are paid by families with less than \$2,000 income, pay most of the cost of national defense, all the interest on the public debt, care of the veterans, and social security disbursements to States.

OF TOTAL ESTIMATED TAX RECEIPTS FOR THE CURRENT FISCAL YEAR, 54.2% ARE FROM INDIRECT TAXES, AND ONLY 45.8% FROM DIRECT TAXES.

What the poor in our democracy are to the well to do - is known only to the well to do and they try to keep it quiet.

## II - DISTRIBUTION OF INCOME AND INCOME TAXES

The preliminary Statistics of Income of individuals in 1937, and taxes thereon, given by the Secretary of the Treasury, show a very large increase in net income, and a sizable reduction in taxes thereon.

The total net income, reported in the 3,310,201 taxable returns was \$15,193,949,000, and the total tax was only \$1,142,206,000.

THE TOTAL TAXABLE INCOME WAS \$1,203,502,858 - OR 8.6% - NEARLY ONE-ELEVENTH, LARGER THAN IN 1936, WHILE THE TAX LIABILITY FOR 1937, WAS \$61,691,888 OR 5.1% - ONE-TWENTIETH, LESS.

The number of taxable returns was in 1937 - 493,544 or 17.5% - over one-sixth greater an in 1936.

The average income tax rate on the total \$15,193,949,000 of taxable net income was only 7.5% - an average for the 3,310,201 taxpayers of only \$345.

The average income tax rate on the \$8,782,563,000 of taxable net income of the 702,300 persons reporting net incomes over \$5,000 was 12% - their average tax was only \$1,515.

They paid in income taxes and surtaxes only \$1,064,148,000.

### INCOME AFTER TAXES

ONE FAIR TEST OF A TAX SYSTEM IS WHAT PEOPLE HAVE LEFT AFTER PAYING TAXES.

The following table is revealing:-

Income Class (000 omitted)	Number In Class	Average Amount Left After Taxes Paid
\$5 to 10	469,149	\$ 6,554
\$10 to 25	177,999	13,801

\$25 to 50	38,769	\$29,274
\$50 to 100	12,265	51,201
\$100 to 150	2,255	75,004
\$150 to 300	1,350	104,424
\$300 to 500	310	160,142
\$500 to 1,000	160	248,344
\$1,000 and over	49	488,959

After paying all direct taxes on their income in 1937, the 702,301 persons reporting that year net income of \$5,000 and over, had left a total of \$7,718,415,000 - which was nearly as much as the Federal Government spent that year!

They had left above taxes, an average of \$10,990.

Most well to do married people make separate income tax returns to reduce their taxes - so the 702,301 persons were probably only about 600,000 families - or two per cent of all the families in the nation.

This one-fiftieth of the families had about one-seventh of the total national income in 1937 - and a large part of their income was from ownership or control of property.

In 1936, persons reporting net incomes over \$5,000 received about one third of all income from ownership or control of property, and this was probably true in 1937.

They could and should, have paid at least two billion dollars more in income taxes and surtaxes than they did, and if really worried over Germany, Japan or Russia, would be clamoring to pay three billion dollars to cover "defense"!

These 600,000 families had a larger income than 6,310,000 families on farms, and it was nearly nine tenths of the total wages paid 8,570,000 workers in factories in 1937.

Most of these well to do families made deductions for debts, or local taxes, or interest paid, or dependents or losses - while people getting \$10 to \$50 a week usually cannot make any deductions before paying sales taxes, -which sometimes are as high as 10%.

This report shows not only that the Federal Government should be collecting about three times as much as it does from the income tax and surtaxes, but that a tax on undistributed profits may not increase Federal revenues materially, without a much higher normal tax, and more rapidly progressive sur-tax rates on incomes over \$5,000, if not over \$4,000.

It is also a strong argument for reciprocal taxation of interest on government bonds, and for such taxation of government salaries.

### III - CONCENTRATION OF PROPERTY INCOME AND DIVIDENDS

The Department of Commerce reports the following property income in 1936:-

	(000 omitted)
Dividends	\$4,284,000,
Interest	4,652,000,
Entrepreneurial Withdrawals	9,565,000,
Net Rent and Royalties	2,234,000,
Total	<u>\$20,735,000,</u>

The Commissioner of Internal Revenue reports that in 1936, (the latest year for which detailed figures are available) 677,011 persons, - probably nearly 600,000 families out of 30,000,000, - reported net incomes of \$5,000, or over.

Their aggregate total income was \$10,257,390,000 - that is about 2% of the families received approximately 17%, - one-sixth, - of the national income of about \$60,000,000,000 in

Their property income was \$6,763,767,000, or over one-third of the total property income that year.

The chief sources of property income of these 2% of the families who received over one-third of the nation's property income, followed the pattern of those with over \$50,000 incomes.

Dividends	\$2,583,888,000
(Nearly three-fifths of all dividends paid)	
Business profits	1,021,608,000
Net capital gains	806,916,000
Partnership profits	791,010,000
Net rents and royalties	143,380,000
Income from fiduciaries	690,024,000
Interest from government and non-government sources, taxable	1,197,934,000

Mr. E. D. Kennedy in his recent book - "Dividends To Pay" states:-

"In 1929, 1349 corporations made 80% of the net income of all corporations. There were 456,000 corporations that year."

"The 1925-1929 increase in all corporate profits was about a billion dollars. If the big profit makers had absorbed this entire increase, they still could have added only a billion dollars to their profits. But in 1929 they made two billion dollars more than they had made in 1925."

"Invariably around 20,000 big stockholders, some of whom collect annual dividends of \$1,000,000 or more, collect more than one-third of all the dividends."

#### IV - GOVERNMENT DEBT ABOUT FOURTH OF NATIONAL WEALTH

A report of the Treasury Department and the Bureau of the Census on "Government Debt" late last year, revealed that the total government debt, - Federal, State and Local was on June 30, 1937 about \$65,648 million, - or around one-fourth of the estimated national wealth. The debt has increased by several billions since

Of this debt, approximately \$50,522 million was wholly or partly tax exempt, - considerably over half, - \$27,967 million being wholly exempt.

The interest on this \$50,522 million dollars of government bonds was in 1937, \$1,554 million, - which was wholly or partly exempt from taxes.

In 1935, the few persons with incomes over \$100,000 owned 26.7% of reported tax-exempt securities, and received 22.8%, - nearly one-fourth of the reported tax-exempt interest paid thereon.

#### V - CONCENTRATION OF OWNERSHIP OF VALUABLE CITY LAND

The Federal Government's assumption of large responsibility for health, housing, education, relief, public works, and employment throughout the nation, eagerly sought by State and Local Governments, gives the Federal Government an equal responsibility and authority, to insist upon sound State and Local tax systems, as a condition of such help.

Miss Helen Alfred, Secretary and Director of the National Public Housing Conference, in her pamphlet published by that organization - "Municipal Housing" - states:-

"As Mr. Irving Brant stalwart campaigner for public housing, suggests, the government can't pay off on the lottery tickets of urban speculation, and until we are ready to come to grips with the land question, the slum clearance and low-rent housing program is defeated."

In most large and many smaller cities and towns, one or two per cent of property owners hold a large per cent of the value of land.

A study made in New York City in 1911, showed that thirteen families owned about one-twentieth of the value of land in that city, exclusive of land owned by corporations, - that is of land subject to taxation, - while ninety-nine families owned nearly one-ninth of the value of such land.

There has doubtless been some change since then, but not very material.

Olcott's "Land Values Blue Book of Chicago" (1937 Edition) reports that the estimated ground rent of a square mile in the central business district in that city was \$33,519,862: of which the government obtained through taxation, \$9,553,160, while the ground rent privately appropriated (by the owners of title) was \$23,966,702 - or over seven-tenths of the total.

Messrs. Raymond Robbins, a member of the Chicago Board of Education, Philip Angelen and John C. Harding, former members of the board, made the following statement in 1909:-

"In 1818 the United States Government gave the square mile between State, Madison, Halsted and Twelfth Streets to the state of Illinois, to be held in trust for the support of the public schools and the education of the children of Chicago.

"Except for one block, between Madison, Dearborn, State and Monroe Streets, nearly all of this square mile was sold about seventy years ago for less than \$40,000.

"Within fifteen years after it was sold this square mile was worth six million dollars."

"The "Annual Report of the Government of the District of Columbia" for 1936 reported the assessed value of land in the District to be \$483,016,100.

The "Real Estate Valuations" book gives the assessed land value of the three blocks opposite the Treasury Building, bounded by 15th St., New York Ave., 14th St., and Pennsylvania Ave., as \$14,129,016.

The assessed value of buildings in these three blocks was only \$8,054,600 - as only a few of the parcels had modern improvements.

The assessed value of all land in the District is now about \$500,000,000, but the ratio is substantially the same.

With all real estate taxes levied on land values only, and buildings exempt, the tax rate on land values would be \$3.51, and these three blocks would pay \$352,718.76 more than at present.

These three high land values blocks pay only 1.96% of real estate taxes in the District; with only land values taxed they would pay 3.45%, or considerably over one-thirtieth, because the taxes they pay would be increased by 75%, or over three-quarters.

Of the 31 separately assessed parcels in these three blocks, only 5 have a square foot value as low as \$40, 1 of \$43, 11 of \$45, 8 of \$65, 1 of \$75, 1 of \$80, 1 of \$85, and 3 of \$90.

The land value of these three blocks, out of some 5,000 blocks in the District of Columbia, is 2.93% of the total land value in the District, but the value of buildings is only 1.24% of the value of all buildings in the District.

Four buildings located in two out of the three blocks are valued at \$5,577,000 - or over two-thirds of the total value of buildings on the 31 parcels in the three blocks.

These figures illustrate concretely, the reasons for at least partial transfer of taxes on buildings to land values, as part of a well rounded tax program, and why such transfer could be a condition of Federal aid.

Obviously, a small home owner with a house assessed at \$3,000.00 on a lot assessed at \$800.00 would save quite a little with taxes on buildings transferred to land values.

Under the 1936 budget and tax rates, his taxes on his home were \$57.00, with the real estate tax levied on land values only, they would have been cut in half - to \$28.08 - a saving of almost \$29.00 a year, which would pay half the interest on a \$1,500 mortgage.

Ordinary farm lands have little real value or selling price, - orchards, truck gardens, and limited high natural fertility areas being exceptions.

A large part of the farm lands of the west, southwest, and drought areas would not bring the mortgage on them in the open market, except for Government subsidies.

GOVERNMENT CAN RAISE AS MUCH BY TAXING AS BY BORROWING.

Professor Harold M. Groves of Wisconsin University, formerly consultant in the U. S. Treasury, says:-

"If the British schedule of income and inheritance taxes were applied to our American situation, it would produce from two to three times as much revenue as we now collect through our federal and state income and inheritance taxes combined."

Professor Groves shows the futility of trying to get "low cost housing" under the property tax, stating:-

"As a levy on urban land, it is defensible and there is not much danger of its becoming excessive. As a tax upon urban improvements, it represents a heavy load upon shelter, a necessity of life which would be expensive enough without this extra burden. It seems odd that we should have singled out for especially heavy taxation under the property tax, an interest which we now seek to subsidize as 'low-cost housing'."

#### VI - WAR ON POVERTY DEMANDS SAME TAXES AS WAR FOR PROPERTY.

All nations engaged in the war in Europe, and important neutral nations, such as Italy, have increased taxes on property and income from property as well as on earned income.

Little progress can be made in the war on poverty here, until, as part of the war, substantially the same taxes are levied as by nations at war for property, - and in addition taxes on consumption, such as taxes on buildings, foods, clothing, amusements, etc., are shifted to land values.

CANADA - Canada has levied an excess profits tax starting at 10% on profits of 5% to 10% of capital, up to 60% on more than 25% of capital, and the general corporation rate has been increased about one-sixth ~~xxx~~ to a maximum of 20%, - starting in 1940.

Personal income tax rates starting with 1939, have been increased by various devices to reach a top of about 72% on the excess of \$500,000, and with \$1,000 single, and \$2,000 married exemptions, and \$400 for dependents. Sales taxes have been extended.

GREAT BRITAIN - Great Britain has levied the highest personal income taxes in her history, a single person with an income of \$480.00 will pay a \$3.00 tax, and a married couple with an income of \$1,000 will pay \$28.60. Rates are stepped up so a personal income of \$400,000 will pay about four-fifths in income tax.

A universal excess profits tax of 60% is levied, the estate tax previously rapidly pro-

gressive, has been increased 10%, while taxes on whiskey, beer, tobacco, sugar, etc. have been increased heavily.

War costs are estimated at about \$8,000,000,000, of which half is to be raised by current taxation, - the other half by borrowing.

The Chancellor of the Exchequer suggested that later this year the Government might tax unearned war profits, such as increases in selling prices of land.

FRANCE - France by decree last April, imposed several defense taxes, including a 1% sales tax on all products, except bread, milk and newspapers, a 10% tax on luxuries, and 20% on liquors, aperitifs and wines.

War profits were limited to 10%, and profits over 20% confiscated - while all state taxes, direct and indirect were raised 8% in May.

A tax of 25% of profits over 2%, of 50% up to 6%, of 75% up to 8% profits, and 100% above 8% is now in force. Export profits are exempted from this profits tax, as France looks to post-war markets.

There are seven categories of income taxes in France, with varying rates, but general income tax rates start at 1%, rising to 40%, while there is in addition, a 15% tax on wages, salaries and pensions of all men between 18 and 49 years not belonging to any military formation, as well as on commercial industrial and agricultural profits they get.

GERMANY - Germany has ten major taxes, - on income, wealth, inheritance, citizens, corporations, sales turnover, "one's trade", capital turnover, real estate and bachelors.

Considerable revenue has also been obtained from the flight tax on emigres, the brutal because discriminatory confiscation of Jewish property, and the seizure of Austrian and Czech gold.

"Tax Policy" - (October 1939) from which much of the data on European tax systems has been obtained, states:-

"A 'New Financial Plan' to solve the financial difficulties of the Reich was decreed on March 24, 1939. It consists of the issue of billions of marks worth of non-interest bearing tax certificates which can be used as money by the government and its agencies as well as private enterprises up to 40% of their obligations. A 30% surtax on increases in private and corporation incomes was also decreed. This was in addition to existing heavy surtaxes. Because of protest the new surtax (income increment) payable in 1939-1940 was reduced from 30% to 15%, and certain exemptions were increased."

ITALY - Italy has levied two new war taxes, a 2% general income tax, and a 1/2% ordinary tax on net capital.

The income tax replaces sales taxes of 1/2% to 12%, dependent on the transactions, and takes effect at the end of 1939.

The capital levy goes into effect July 1, 1940, and affects every form of capital investment.

Italy levied a 10% tax on all real estate in 1936, to meet expenses of the Ethiopian

VII - CONCLUSIONS -

The Congress should promptly start a "pay-as-you-go" policy for all recurrent expenditures, and meet at least half to two-thirds of all defense costs by current taxation, - otherwise, the temptation to see a ~~menace~~ to our shores in several nations may be overwhelming.

The main tax measures essential to do this are:-

1. Raising the normal income tax-rate to 8%, and lowering exemptions for single persons to \$800, for married couples to \$1,500, and for dependents to \$300.
2. Starting surtaxes at \$3,000 with a rate of 4%, and increasing the rate moderately up to \$10,000, and then rapidly up to \$100,000, taking most of net income in excess of this amount.
3. Reciprocal National and State taxation of interest on government bonds, and other bonds now tax exempt.
4. Progressive taxation of corporation profits, and excess profits, with rates and conditions similar to those imposed in Canada and Great Britain, and with strict control of capitalization.
5. An excise tax of 1% upon the privilege of holding land (exclusive of all improvements thereon and therein) with an exemption of \$3,000 for each individual owner.

Such a tax program, enforced, would permit repeal of all Federal consumption and other nuisance taxes, and increase the Government's income, without such an increase in prices as would reduce the standard of living of the masses with low incomes, fully as much as general sales taxes do.

Such a tax program, would also make it unnecessary to levy, at least for some time, any capital levy, or to force citizens to buy non-interest bearing bonds, in proportion to their wealth.

Both these plans, except in a totalitarian state, would tend to disrupt and reduce production.

Public ownership should be achieved by direct procedure, instead of bank-stairs processes.

Government might appropriately, in addition to the tax program outlined, but not in lieu of it, <sup>require</sup> citizens to buy non-interest bearing bonds, to supplement tax revenues, in proportion to accumulated savings or net wealth.

The vital point is that Federal Revenue should be obtained on the principle of service given by government, and ability to pay.

An important way to reduce Federal expenditures is to assess most of the cost of public improvements upon property benefitted thereby.

This requirement, and making all grants and loans to State and local governments contingent upon those government units changing their tax systems also, to the principles of benefit received from government, and ability to pay, - would reduce Federal government costs by hundreds of millions of dollars in a short time.

NEITHER A WAR ON POVERTY NOR A WAR FOR PROPERTY CAN BE WON IN ANY REAL SENSE BY ATTEMPTING TO PYRAMID THE PRICE UPON POSTERITY.

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November 17, 1939.

Mr. Benjamin C. Marsh,  
Executive Secretary,  
The People's Lobby,  
817 - 14th Street, Northwest,  
Washington, D. C.

Dear Mr. Marsh:

On behalf of Chairman Eccles, who is temporarily absent in the west on a belated vacation, I wish to acknowledge receipt of your letter of November 16 and to thank you for sending a copy of the brief with regard to taxation. The Chairman will be interested, I am sure, in the figures, particularly with reference to consumption taxes.

Very truly yours,

Elliott Thurston,  
Special Assistant  
to the Chairman.

ET:b