

# Tariff and Income Tax

By W. J. BRYAN

In these chaotic times, it is impossible to look far ahead—even a day, and therefore, it is not safe to predict as to what issue will be paramount on the 7th day of next November. The tariff question has in many campaigns occupied the foremost place, but for several reasons this will not be true this year. The strikes at home and the political situation abroad may at any time precipitate a crisis that will temporarily crowd out other questions. Then, too, we have the Bonus Bill and the profiteering to deal with, not to speak of law enforcement, the ship subsidy and other issues.

But the tariff has become of secondary importance for another reason, viz., because the amount collected from import duties is relatively smaller than it was formerly. The sum now raised by a tax on incomes and upon corporations is so large that it overshadows import duties.

A third reason is to be found in the fact that the country prospered so greatly under low tariff, that the beneficiaries of protection are no longer able to frighten the public with the threat of a panic. For a generation, the threat of a panic has been used as a club to beat the country into submission to the exploiters. Working men were afraid that they would lose their jobs if the tariff was lowered, and farmers were afraid they would lose their markets. It seems incredible that so many people could have been deceived by the literature circulated by those who use the taxing power for their own private advantage, but the fat-frying went on campaign after campaign until actual experiences proved to the country that prosperity does not depend upon high tariff rates.

The discussion of the tariff bill in the present congress revealed such a difference of opinion among Republicans, as they fought over the various schedules, that the Democrats did not have to do much speaking—they could not have framed a more severe indictment than some of the Republicans made against the more outrageous rates. The extravagance of the demands made by the tariff barons was probably due to the fact that they recognized that this congress is giving them the last chance that they will likely have for many years. "Work for the night is coming" seems to have been the battle hymn of those pecuniarily interested in the high tariff rates.

The tariff bill has brought out and polished up nearly all the old shams and humbugs that have been employed in years past. The home market argument has been used wherever the protectionists could find any voters still willing to listen to it, and the attempt is still being made to tote the farmer into the protectionists' camp by a tariff on agricultural products, although they ought to know that the farmers as a whole will pay ten dollars because of protection on manufactured products, where they collect \$1.00 because of a tariff on agricultural products.

The old and absurd claim that the "foreigner pays the tariff" cannot well be used at this time, because prices have already been advanced on domestic articles in anticipation of the tariff on foreign imports.

But while the Democratic candidates will profit politically by the greed of the protected interests, shown by the tariff rates in the new law, it will not make as many Democratic votes as the Revenue Law passed last year. An eminent French economist, Bastiat, said that the chief virtue of indirect taxation was that "under it the government could get the most feathers off the goose with the least squawking."

Direct taxation does its work openly; if the law is unjust, the injustice cannot be concealed as it can in a tariff law. For this reason, the provisions of the Revenue Law have aroused a nation-wide protest, which, while strongest among the farmers, is powerful among a large percentage of the people. There is a sense of justice which can always be appealed to when the issues are clearly understood; the Democrats are fortunate this year in having an issue of universal interest which can be easily understood by everyone.

When the Ways and Means Committee presented the Revenue Bill to the House it contained, among other vicious provisions, two that deserve the condemnation of all who favor justice in taxation. The first provision repealed the tax on excess profits, giving an estimated benefit of \$450,000,000 a year, according to the tax

returns of last year, to the profiteers, viz., to those who are collecting excess profits. An excess profit is, of course, an unreasonable profit—that is the meaning of the word excessive. The tax on excess profits was for two reasons the most just tax that we had. In the first place, it tended to restrain profiteering by punishing the profiteer to the extent of the tax. It was a sort of fine imposed, through taxation, on those guilty of extorting from the public. In the second place, it was the easiest tax to pay, because it was paid out of excess profits or profits which the profiteers should not have collected. I might add a third reason; namely, that it was the only tax that a person could repeal (so far as he himself was concerned) without the aid of law. If anyone objected to the excess profits tax, all he had to do was to cease collecting excess profits, and then he would have no tax to pay on excess profits. In other words, if he would quit stealing he would not have to divide it with the government.

While the repeal of the tax on excess profits was utterly inexcusable, there was another reduction which was, if possible, more easily understood and explained; namely, the reduction of the tax on big incomes, from a maximum of 65 per cent to a maximum of 32 per cent. When this was first proposed by Secretary Mellon, it seemed so astounding that I had no idea it would ever be incorporated in a bill, but the bill proposed by the Ways and Means Committee actually contained the provision, and all the reactionary Republicans were back of it—and it must not be forgotten that the reactionary leaders are in control of the party at Washington. According to the tax records of last year, less than five thousand persons paid a rate above 32 per cent; the number being something over 4,700,—but the reduction conferred a benefit of \$90,000,000 on this small group with large incomes.

The bill, as presented to the House, contained what was known as the RETROACTIVE CLAUSE which made the bill take effect on the first of January of last year, although the bill did not pass until late in the year. What injustice could be more gross than to select these two groups—the least deserving of aid of all the groups affected by the bill—and give them relief nearly a year earlier than any other persons benefiting by the bill. This retroactive clause was stricken out in a Republican congress by a majority of nine—the majority vote coming very largely from the west. If this clause had remained in the bill, it would have kept out of the treasury, for last year, \$450,000,000, the sum which, according to estimates, the profiteers would have paid, and \$90,000,000 that the people of large incomes would have paid—a total of \$540,000,000. This would have made it necessary to devise new taxes to make up the deficit and these new taxes would have been collected from poorer people. It was a simple problem in arithmetic—the transferring of so much taxes from the backs of the rich to the backs of the poor. The striking out of the retroactive clause saved \$450,000,000 to the treasury last year and thus made it unnecessary to collect that much in new taxes, but the clauses remained in the bill, and the profiteers and the people with big incomes are now getting the benefit of this favoritism shown them by the Republican party.

But to proceed with the bill. It passed the House under a rule that did not permit a single Democrat or Republican to offer an amendment and have a vote upon it. The one amendment permitted was to be offered by the minority so that it could be voted down as a party measure.

When the bill reached the Senate, the agricultural bloc which, by the way, is responsible for every beneficial measure that has passed the Senate, succeeded in raising the maximum rate to 50 per cent; (no change was made in the provision repealing the excess profits tax). In conference the two committees agreed on a 40 per cent compromise—a rate of 8 per cent above the 32 per cent in the House bill, and 10 per cent lower than the 50 per cent rate in the Senate bill. I should have said in the beginning that Secretary Mellon and President Harding stood back of the revenue bill as it was presented to the House, and that both Secretary Mellon and the President endorsed the compromise measure; the leaders of the two Houses also supported the compromise. And yet, in spite of this pressure, ninety-three Republicans, nearly all from the

west, joined with one hundred and six Democrats and fixed the new rate on incomes at 50 per cent—10 per cent higher than the conference compromise. When before did so small a minority in the House ever secure the aid of so large a fraction of the majority and fix so important a rate in a revenue bill? I think there is no parallel in all American history.

President Harding has had more difficulty with his revenue bill than any former President, and it was due wholly to an inexcusable attempt to relieve profiteers and people with large incomes at the expense of the people with smaller incomes.

The farmers have a special grievance in the effort of the administration to defeat the passage of the measure directing that a farmer be appointed on the Federal Reserve Board. That Board is more powerful than any other arm of the government. It can act more quickly, and more effectively than the House, the Senate or the President, for each of these three branches of government (the House, the Senate, and the administration) must have the aid of the other two before it can do anything, while the Federal Reserve Board is composed of seven men and can act at once and arbitrarily. When I last saw a list of the members there were two bankers (the law requires this), two lawyers, two professors and a newspaper man. There was not a single representative of a large group. The farmers constitute about 30 per cent of the Nation's population. This is the largest group; the laboring men constitute the second largest group, while the third largest group is made up of business men who are not bankers (but a small percentage of the business men are bankers). The farmer, the laborers and the business men who are not bankers, the three taken together, constitute more than half of the population of the Nation and they are the ones upon whom the rest of the people live, and yet, while the bankers had two representatives, the lawyers and the professors each two, and the newspapers one, neither of these groups had a representative.

The Senate adopted an amendment to a measure before the Senate directing the appointment of a farmer on this Board. Big business and the banking interests opposed the appointment of a farmer, but the farmers had enough influence to secure the adoption of the amendment in the Senate. Then it went to the House, and Secretary Mellon, said to be one of the richest men in the United States, and one of the biggest bankers, went personally before the House Committee having the Senate bill in charge and protested against a farmer being appointed on the Board. When one of the members of the committee asked him what he thought of the advisability of appointing the Secretary of Agriculture on the Federal Reserve Board, the newspapers quoted him as saying it would make the Board cumbersome. If the appointment of one farmer would make the Board cumbersome, why was it not possible to substitute a farmer for one of the two lawyers or one of the two professors or for the newspaper man?

The farmers, however, had influence enough to over-ride Secretary Mellon's protest and secure the acceptance by the House of the Senate amendment giving a farmer a place on the Board. Press dispatches say that the President is looking for a man. Unless the banking interests have changed their attitude they will try to secure the appointment of a man who will be nominally a farmer, but actually a banker—possibly a banker who has foreclosed enough mortgages to give him the ownership of a number of farms.

The Democrats voted quite unanimously for the farmer member of the Board. It would be well also to have a laboring man on the Board since the laborers—the second largest group—are directly interested in the personnel of the Board. And why not a representative of the business men who are not bankers—the men who borrow money instead of loaning it?

These classes have representatives in the President's Cabinet; we have a Secretary of Agriculture, a Secretary of Labor, and a Secretary of Commerce. Why not have on the Federal Reserve Board a farmer who farms, a laborer who labors, and a business man who is not a banker?

A Nebraska congressman resigned four or five months ago to take charge of prosecutions of contractors who robbed the government during the war. So far no one has heard of any indictments resulting from his appointment. The war ended four years ago. Query: Will it be possible for the government to prosecute the grandsons of these robber contractors, who will be the only living members of the Captain Kidd families when the cases presumptively will be tried.