EDITORIALS

THE OMAHA GUIDE

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Race prejudice must go. The Fatherhood of God and the Brotherhood of Man must prevail. These are the only principles which will stand the acid test of time.

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MURDERING CAPITAL

As the Providence, Rhode Island, Journal points out, it has long been contended by economists that excessively high income-tax rates defeat their own purpose. This contention is throughly supported by a mass of evidence derived from the actual experience of the United States Government.

In 1916, for instance, the maximum tax surtax rate on incomes was 13 per cent. Yet the tax derived from incomes in the $300,000 class was almost as much as it was five years later, when the miximum rate had stepped up to 65 per cent. A 500 per cent increase in the tax collected only 4 per cent more money.

Further, says the Journal, "There can be no doubt that this small gain was offset many times over the virtually forced diversion of funds from active industry into tax-exempt securities. In short, the loss of potential income for the Treasury under the extremely high maximum rate of 1921—it is even higher now—is incalcuable. And the loss to the country as a whole, through expenditure of tax-gathered funds by a political agency for nonproductive purposes, was immeasurably greater."

It is becoming constantly clearer that much of the responsibility for prolonged depression must be laid at the door of our suicidal policy of taxing capital and income—both individual and corporate—to the point where money is literally driven out of circulation. It is now proposed that Congress call a convention to amend the Constitution so that the maximum rate on income, inheritance and gifts would be 25 per cent. Both branches of the Wyoming legislature have approved this proposal, as has one branch each of the Rhode Island and Iowa legislatures. If that Constitutional provision were put into effect, industry would be encouraged and we would have taken a long step forward toward ending our ten-year old depression.

THE UNSOLVED PUZZLE

All of us are searching for "an answer prevailing in a land of teeming plenty," as the Cornell Law Quarterly phrases it. And the Quarterly observes that it not inconceivable that the answer might be provided by "the removal of the present prohibitory bans on those commercial ventures which have made the greatest strides in solving the problems of distribution."

It is certianly reasonable to argue that steady reductions in the cost at which goods of all kinds are sold to the consumer, must inevitably result in greater consumption—with its corollaries of a rising standard of living for all, increased industrial expansion more opportunity for investor and and worker, and stimulated productive employment. That has always been true in the past. Progress made in farm and factory has resulted in amazing cuts in the cost of many commodities, both in the luxury and necessity classifications. And similar progress in the machinery of distribution has been a vital factor in helping pass these savings on the consumer.

A large number of states prevent open, honest competition, by the impostion of co-called fair trade acts which permit the manufacturer of many articles to stipulate the minimum price at which they may be sold, and thus prevent the low-cost store from cutting prices below the level of the high cost, wasteful store. Some states levy punitive taxes against certain kinds of retail outlets, thus holding prices at artificially high levels. Other states use other means—but all come to the same thing in the end. All boost the cost of living, penalize the efficient merchant, and hold down consumption.

There is any amount of evidence in support of the view that the public at large would favor elimination of these strictures on fair competition. More and more of these laws have been beaten, both in voters' referendums and in legislative sessions, in recent years. Most of the existing laws were placed on the books some years ago, and since then public opinion has had a chance to changs. They should be repealed—so that retail business wanted still more to pass on "teeming plenty" to all.

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SOCIALISM TAKES HOLD

A bill recently introduced in the Senate for the purpose of establishing a permanent Public Works Agency, could very accurately be given this title. "A measure to establish and extend socialism in the United States."

For several years, the federal government has been making loans to local unites of government with which to build publicly-owned electric plants the great bulk of which are completely unnecessary, and simply duplicate adequate existing private facilities. The amount of the federal gift was 30 per cent at first and has since been raised to 45 per cent. This astonishing policy of subsidizing towns with tax money so that they might destroy private enterprise, was justified as creating "emergency" employment.

Now, under the bill recently introduced, this so-called "emergency" policy would be made permanent. And the amount which the government might "give" to borrowing towns and power districts would be increased to 66 and two-thirds per cent.

So here is another body blow to private investment and private employment—and it comes squarely on the heels of high-sounding political pledges of cooperation with industry. The utilities, given a fair break, could very possibly spend more money for expansion and betterment than any other single industry. And it takes no economist to understand that the specter of subsidized, tax-free government competition has made capital avoid this industry like a plague. A single set of figures tells the story. In the ten years ending with 1932, the average annual new capital put into the industry by the public amounted to $638,000 000. The six-year average from 1933 to 1938, inclusive, dropped to a measly $35,000,000. The policy of the government was beyond all doubt the dominating factor in that stupendous decline.

And now it is proposed by supposedly responsible lawmakers that the policy of spending the money of all the citizens to build unnecessary duplicate power facilities for a few chosen areas be made a permanent thing! It is any wonder that industry views the future with growing alarm—and simply shakes its head in wonder and uncertainty when periodic pledges of political cooperation with private capital appear in the headlines

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ELIMINATING FAVORTISM

Writing in Manufacturers News, E. E. Laxman goes thoroughly into the problem of transportation. And he comes to the conclusion reached by many another expert—that the only way is to bring an end to public favoritism of certain carriers, as expressed through subsidies.

Some common carriers, notably the waterways and commercial motor carriers, have been subsidized, directly or indirectly, to an amazing extent with tax dollars. The current annual report of the Interstate Commerce Commission goes into the subject in great detail. For example, it says: "Private capital and enterprise have been responsible only in part for this transportation revolution. The extraordinary development of highway transportation could not have been accomplished, save for the expenditures of billions of dollars of federal funds. Public funds have likewise been responsible for the building of the Panama Canal and for the construction or improvement of many inland waterways, harbors, and docks. Similar aid has been given to air transportation. The vast increase in the supply of transportation facilities this accomplished was made without any general plans, prevision of results, or attempt to shape or control them on the part of the government. In considering a sound transportation policy for the naton for the future, the importance of this subject (tax subsidies) is manifest, particularly in view of the rapid growth of private transportation."

What has been the result of our chaotic policies? In Mr. Laxman's words, "We have an unintegrated set of transportation facilities, expanded beyond our national necessities, receiving markedly different treatment at the hands of the public, and competing on a dog-eat-dog basis for a diminished total volume of traffic, to the economic disadvantage not only of the transportation industry but of the nation as well."

Here, then, is the problem. The cure obviously lies in a sweeping overhaul of our obsolete, unintegrated transportation policy to the end that all carriers shall be treated alike, that none shall be favored or penalized, and that each type of carrier shall be allowed, on a fair competitive basis, to serve the public to the maximum of its abilities.

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TVA INVESTIGATION —

The Congressional Committee which investigated the Tennessee Valley Authority has finally brought in two reports—a majority and a minority opinion. As political observers point out, opinion divided almost strictly along partisan lines. The majority report very largely favors TVA policies and acts, while the minority report strongly criticizes many of them. Both reports, however, find much to criticize in TVA's past accounting methods.

A reading of the reports reveals the fact that comparatively little attention is paid to basic issues. It was found, for instance, that TVA officials were not guilty of dishonesty or fraud—which is what was expected. There is a good deal of talk concerning the so-called TVA yardstick, but most of it is vague and indecisive. As the Newark Evening News points out, "Basic questions underlying the whole scheme of flood and navigation control and power production, as embodied in the TVA, remain without satisfying determination."

After all, an exhaustive report on the character of individual officers of the TVA or any other body, may be interesting, but it is hardly of epochal importance. What is of importance is the fact that, as Norman Thomas, the socialist leader, long ago observed, the TVA is practically pure socialism. What is of importance is TVA's adverse influence on private investment, private industrial expansion and private employment. What is of importance is TVA's often ruthless methods in dealing with private businesses it wished to purchase at sacrifice-sale prices.

And these are precisely the points which the congressional reports say very little about. There seems to be some sentiment in Congress now for continuing the investigation, in order to get at the root of the matter. There certainly is room for it, in the light of the past Committee's general failure to even touch the great issues which TVA presents. Such bodies as the TVA are natural enemies of private enterprise—and all the vague reports in the world can't get away from that fact.

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WANTED—ACTION

All of us have heard about the railroad problem. But most of us haven't heard as much as we should of what this vital problem means to the towns, cities and school districts of this country.

No other common carrier contributes so much in taxes, to government as the railroads. And no other carrier, according to the most exhaustive surveys, actually pays its own way 100 per cent. The rest of the carriers are subsidized by the taxpayers—some directly, some indirectly.

What is true in this county is true to a greater or lesser extent in thousands of other counties, scattered throughout the 48 states. We take the railroads for granted. We are confident that they will continue to give us improving service, and will continue to pay a very high proportion of the costs of our local governments. What we don't realize is that an industry which is penalized while its competitors are favored, and which has been forced to pay higher costs of all kinds while refused increased charges for its service, cannot exist long. And if the railroads go broke, a great many of us are going broke with them.

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FOR THE COMMON GOOD

One of the recent developments in agriculture is the increased number of farm marketing cooperatives that have been organized in the New York milk shed in the face of the difficulties of the dairy industry in that area.

A second development is the manner in which these many small cooperatives from every section are cooperating with each other for the common good and to get a living price for milk. The heart of their whole program is to retain control by producers of milk in excess of the fluid requirments of their area, thus allowing the farmers to process it instead of permitting distributors to beat them out of it at a starvation fluid milk price.

A third development is that the business men in small towns have come to a realization of how closely their prosperity is linked with the producers and they are cooperating with the farm organizations as never before to stabilize production, distribution and price.

A fourth development is the manner in which the local newspapers are backing up the farmer in his struggle to maintain agricultural activities on a profitable business basis.