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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"COMPANY CO-OPS"

Voluntary, wholehearted support by producers has been responsible for the steady expanion of the "marketing cooperative." The continued success of the marketing cooperative relies utterly on this kind for support—for with it the movement is an economic asset to the nation.

According to Henry A. Wallace, Secretary of Agriculture, the problem now faced by the marketing co-ops is a rise in psuedo "company cooperatives" formed arbitrarily by private distributors purely as a "front." Producers have no voice in management or organization of this type of marketing cooperative which may or may not operate in the best interest of the so-called "members."

Producers and distributors alike will do well in the long run to avoid diverting the marketing co-op movement away from its original purpose —stable markets for producers and reasonable prices to consumers.

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BELLY FULL OF DESTRUCTION

Chain stores are highly commended in a report to the Pennsylvania Newspaper Publishers Association by its special chain store committee. The report says in part: "One of the simplest and yet most important steps any group of newspaper publishers can take in establishing friendly relationships with the chains, is to adopt a resolution in opposition to the Patman anti-chain bill and other discriminatory and punitive tax measures. That this is not too much is shown by the fact that ten other publisher and press associations have already taken that step. Chain stores ask our support in repealing and preventing anti-chain store legislation and they ask this not merely for their own salvation, but because it is uneconomical, impractical and because intelligent business generally fears anti-chain store legislation as a dangerous precedent."

The press at large has full realization of the fact that any punitive law or any class tax which unfairly penalizes any legitimate business is a menace to all business—once a business-killing policy is established other fields of endeavor will inevitably come in for similar treatment. In the case of the chains, ruinous legislation is even more than ordinarily inexcusable —the modern chain, no less than the modern cost of living.

The American people have had a belly-full of laws that hamstring business. The nation needs policies that will encourage business and create jobs, and increase national income.

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HOUSE WAKES UP

The action of the House in removing the undistributed profits tax from the new revenue bill by the astounding majority of 358 to 1 (and the single dissenting vote was cast by a representative who favored the tax's elimination, but voted "no" because he felt that the bill should have gone farther the most heartening acts of this congress. in the way of tax reform), is one of

It is very definitely a step in the right direction after many years during which tax changes have invariably been of a punitive, business-destroying character. The House has earned the respect and commendation of the entire country.

However, worthy as this action is, it will be of little practical importance unless it is swiftly followed by further sane tax reform. Our staggering total tax burden is difficult enough for the nation to bear—and our manner of collecting revenue in many instances makes the problem more serious still. The "nuisance" taxes, of which the undistributed profits tax is one, are a case in point. For the most part they produce little revenue—hardly enough to be visible in our enormous Federal budgets of today. Yet they frighten the investor, discourage industrial expansion, and thus contribute to unemployment, to be declining national income, and to continued depression.

The capital gains tax is probably the worst of the remaining "nuisance" levies. A minor revenue producer, it has practically driven "risk" capital— the money that normally goes into the new, untried enterprises, which furnish the background for the great employing industres of tomorrow —out of the picture. Under its terms, the man who takes a chance on a new thing must absorb all the loss if it fails. If it succeeds the government takes most of the profit. What sane investor will venture his savings under such a circumstance?

So—all praise to the House for its ringing disproval of the undistributed profits tax! And may this step mark the start of a real and sweeping program of tax revision to the end that prosperity may be restored.

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FUNDAMENTAL NECESSITY

"Even those who are not directly connected with the railroad business know that without reasonably prosperous railroads we can have no enduring and satisfactory national prosperity," said J. J. Pelley of the Association of American Railroads, recently. "This is so because of the widespread holdings of railroad securities by individuals and institutions. And it is so for an even more important reason—the absolutely fundamental necessity to this country of low cost, reliable and efficient rail service."

The railroads aren't complaining because they aren't earning the return which they and economists think they should earn—the fact of the matter is that the railroads are earning almost nothing on their gigantic property investment. For the 12 four months ending April 30, their return, figured on an annual basis, was 1.56 per cent. And even these microscopic profits are made possible only because a few lines due to special local conditions, have been able to show profits approaching the "fair return" level. Scores of lines are running in the red—even as scores of lines are today in the hands of receivers.

As M. J. Gormley has observed, "Government subsidy is the curse of the transportation industry." The taxpayers have poured untold hundreds of millions into waterways which consistently show heavy annual operating losses. They spend hundreds of millions more to provide doubly expensive rights-of-way to support commercial motor transportation. The meaning of that is that the public directly and indirectly, spends enormous sums of money to subsidize shippers using these favored forms of tranport— while the heavily-taxed, thoroughly-regulated, self-supporting railroads go begging for business.

If such a policy breaks the railroads we'll all pay the bill. We'll pay it in loss of jobs, opportunities, taxes, and orders for business large and small. Let's hope, for the sake of all of us, that we discover how vital railroad prosperity is to national prosperity before it's too late.

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BEATING THE BREAD LINE

Even in these days when we're used to astronomic figures, $532,000,000 is a lot of money. That is the amount of new, ordinary life insurance sold in the single month of May.

It means that several thousand Americans have purchased half a billion dollars additional protection to be paid them in the future when they need it most. It means that children will be educated— dependents left economically secure— old age made happy and independent for workers.

It means earned "social security" —bought by a foresighted and individualistic people work are determined not to become wards of government.

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THE "PROFIT SYSTEM" FOR GOVERNMENT

The tremendous cost of taxation to the average consumer is becoming more and more apparent. The cost of modern government is taking the bigger slice of the consumer's dollar when compared with the earnings of the investor and business.

Figures recently released by the capital stock fire insurance companies show that the proportion of the premium dollar absorbed by taxes increased 54 per cent—from 3.41 cents in 1927 to 5.28 cents in 1937. Translate this into terms of operating factors in the industry and its true importance is more readily recognized. For example, in 1937:

1. For every dollar paid to policyholders in losses, taxes paid amounted to $12.89; 2. For every dollar paid in dividends to stockholders, $54.77 were paid in taxes; 3. For every dollar paid in home office salaries, $73.13 were paid in taxes. 4, For every dollar of miscellaneous expenses, including the cost of printing, advertising and maintaining the cost of organization structure, such as rating and inspection boards and bureaus and company organizations, 91 cents were spent in taxes.

Such examples art now so common the public begins to realize that the greatest beneficiary of our much misrepresented capitalistic system is government, and that the cost of government, which demands taxes, is rapidly becoming paramount in the cost of living today. It is cutting down earnings on invested live savings to the vanishing point. The "profit system" now means primarily profit for government on any earnings of consequence, instead of the individual who risks his money in an attempt to create profit and unemployment.

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POWER SOCIALISM CASTS ITS SHADOW

Washington and Oregon have new legislation to permit and encourage the organization of Public Utility Districts (Pud's) for the purpose of utilizing power from the goverment-owned and tax exempt Bonneville and Grand Coulee hydro electric developments. A recent showing where transmission lines are under construction from Bonneville, shows that they are going through territory which is now being served, and which has been served by private companies since electricity was first used in the Northwest.

This means that highly-taxed private companies will either be superseded by government projects or that such companies will be prevented from expanding and taking up new loads. Publicly-subsidized power will take over this field of private enterprise.

The argument is advanced that government plants can deliver electric current to consumers at a lower price than can private companies. Any industry enjoying tax-subsidization from the standpoint of capital requiremnts and various tax exemptions not accorded private enterprise, why should the principle not be extended to such items as food, clothing and rent, which absorb the bulk of every family income, instead of to one of the most minor living expenses power?

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"SUMMIT OF ECONOMIC FOLLY"

Who gains when the government spends millions to improve impractical inland waterways for commercial transportation? And who loses? Those important questions are aptly answered in a recent editorial in the Kansas City Journal.

At the present time the government is establishing a navigable channel in the Missouri River from the Kansas City to Sioux City. The cost is estimated at $92,000,000 of the taxpayers' money, and maintenance at $2,500,000 a year.

'The government is spending this vast sum," says the Journal, "so a few private industries with special transportation needs can used the river.

"The consumer will not benefit unless the saving in transportation costs is passed on to him in the form of lower commodity prices. If the shipper did that, there would be no point in his using the river at all.

'The farmer will not benefit for the reason that his wheat never sees the river until long after it has passsd out of his hands.

"Who, then, are the beneficiaries?

"Grain commission men who do an export business and a few industries producing bulk commodities adaptable to river shipping.

"And who are the losers?

"First of all, the consumers, who pay the millions in tax money to finance river improvement and who receive no tangible benfits from it.

"And second, the railroads, which are deprived of needed revenue at a time when most of them stand on the financial brink."

In other words, uneconomic river development penalizes the many to favor the few—and every citizen of the country must chip in to pay the gigantic costs. Certainly Congress should have learned by this time that the hundreds of millions spent for "political" river improvebent have been largely wasted—that the result has been to help cripple our greatest single industry, the railroads—that the cost of most inland waterway projects far exceeds any conceivable benefit, even to the favored few—and that it is time to call a halt. The Journal sums up the situation aptly when it says: "River development reaches the summit of economic folly."

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THE FIRST INVESTMENT

Property with a high value today may be less valuable in a few years. Securities which look gilt-edge now may face a depressed market tomorrow. Nevertheless, savings in the bank or in stocks, bonds or real property are splendid to have, and a certain share of everyone's savings should be so invested.

But wisdom dictates that the first investment for nine men out of ten, should be life insurance to care for their dependents, if they die—and for themselves, if they live beyond the productive years.