

## TAXING THE MIDDLE CLASS

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*THE Garner plan aims at cutting down the taxes of the middle class,—everyone with incomes ranging from \$1,000 to \$56,000. The Democrats believe that it is not the great fortunes but the man and woman of limited income who is most in need of tax relief at the present time. But it is by reducing the Tariff that the real cut in taxes can be made, for the present rates produce high taxes, graft, and foreign enmity. Corruption in American politics is very largely due to the Tariff.*

WHOSE taxes are going to be reduced? Is one small part of the tax-paying public to get most of the benefit of tax reduction? That is the question.

The present tax bill, which we are now told is utterly destructive to business and prevents the development of our country, exists after the entire control of the tax machinery has been in the hands of the Republican Party for five years. That party has had a majority in both houses of Congress ever since fighting ceased in Europe, and it is definitely responsible for present tax conditions. If the surtaxes are so iniquitous, the Republican Party could have lowered them six years ago when serious tax reduction was demanded by President Wilson.

Last year the country was overtaxed a quarter of a billion dollars. This vast sum unnecessarily taken from the people now lies in the Treasury at the mercy of politicians anxious only for their own advantage. The resentment of the entire country has been heard in Washington, and this iniquitous and stupid extortion will be ended.

The Mellon Plan, backed by the full strength of the Republican Party, provides that the greatest reduction shall be in the taxes of the very rich, on the ground, openly expressed by some of the most forceful supporters of this scheme, that the savings of the middle class will no longer provide for the development of our country, and that if our economic structure is to continue to expand we must rely on the increasing power of a comparatively few people slowly raising themselves to an economic hegemony over their fellow citizens. The savings of the small man are no longer sufficient. He is already so crushed by the

advancing cost of living that his incentive and ability to save are practically done away with. His experience in the investment field has been unfortunate, and it is better for the economic development of the country that the tax-gatherer should continue his extortionate demands upon this uncomplaining victim and take from him those few dollars that otherwise might be spent in innocent amusement or saved toward the building of a little home, if by this means other and wiser men may be enabled to extend their holdings and their control of our country and the lives of our fellow men. If this be true, it is an almost conclusive argument in favor of practically confiscatory surtaxes on large incomes. It should be apparent to the proud and great and their political representatives that their survival depends on the despised little fellow. The existence of a large number of small properties and the easy acquisition of others is the only possible guarantee of the continuance of large fortunes. It will be a bad day for this country if it should ever be divided into the very rich and the very poor. Far more than the advocates of either group realize, this country is maintained and held together by that uncomplaining middle class,—for so long the butt of political attack and the victim of commercial exploitation.

I should like to know what has become of the hordes of small stockholders, widows and orphans,—“the real capitalists of the country,”—about whom we hear so much on certain occasions.

Under Mr. Mellon's plan, a person with \$1,000,000 income saves \$251,784. Fifty heads of families, each having an income of \$20,000—total \$1,000,000—save \$35,350. One hundred heads of families, each having an income of \$10,000—total \$1,000,000—save \$22,200. Two hundred heads of families, each having an income of \$5,000—total \$1,000,000—save \$5,950. Four hundred heads of families, each having an income of \$2,500—total \$1,000,000—save nothing.

We are told that the million-dollar income in the hands of one man pays very much more than one million dollars divided among fifty or one hundred or two hundred individuals. This is quite true, and it seems to me to be just. The heaviest tax burdens should lie where they can most easily be borne. No sane person imagines that the Democratic plan will, during the course of a year, ask any rich man to give up one egg for break-

fast that he would have consumed had the Mellon Plan been adopted. He can not justly consider too burdensome such a tax levied by the government which has protected him in the acquisition and possession of his fortune. I do not want to see either rich or poor escape taxation. I should like to see a system which would make the actual daily pinch equal for one and for the other. Is it too much to ask that a tax which makes a poor man walk five blocks instead of taking a trolley car should make a richer man take a trolley instead of a taxicab?

Do not misunderstand the point of view of the Democratic Party. We would be glad to do away with all taxation. We recognize that every tax has an effect harmful to the development of the country, but we realize that it is necessary to raise funds to carry on the government. It is absurd to picture the Democratic Party as if it were the enemy of every man who has accumulated a dollar or achieved any commercial success. There is not a person in the country getting an income of less than \$56,000 a year who is not better treated by the Democratic than by the Republican scheme. This would be about the average yield of a fortune of a million dollars. When politicians attack us as the enemies of property and the enemies of success and say that our bill is simply a scheme to get the votes of the failures and of the impecunious, I can say that we represent the honest middle class; that we represent the industrious laborer, the great majority of the business men of the community, and the vast body of the property of the country. We believe that reduction of taxation is desirable and that it should be spread equally among the people.

Mr. Mellon would reduce by \$5 the tax on an income of \$3,000, and by over \$10,000 the tax on an income of \$100,000 a year. Is this equal?

We must not, however, let ourselves forget that a great part of the agitation on the subject of income tax today is being engineered to distract the attention of the people from the extraordinary rise in prices caused by the Fordney Tariff Act. No matter who pays income tax, every dollar so paid goes into the Treasury of the United States. About one dollar in ten paid as a result of the tariff ever gets into your Uncle Sam's pocket. The other nine go to some profiteer.

During the first year of the operation of the Fordney tariff, according to the United States Department of Labor, the average cost of living in the United States increased about six per cent, and it is commodities especially affected by the Fordney bill, such as food, clothing, furniture, and farm implements, which showed the big increases; while the total increase in the cost of housing, fuel, light, and miscellaneous articles not so likely to be affected by the tariff was, by way of comparison, slight. We can safely say that an American family of four people with an income of \$200 a month has had its expenses increased as a direct result of the Fordney Law approximately \$140 a year, which would aggregate, for the country, about three billions of dollars. The Fordney Law takes from the \$200 a month family at the same rate that the present income tax takes from the family with \$12,000 a year; that Mr. Mellon proposes to take from incomes of \$13,000 to \$14,000, and that the Democratic scheme would ask only from incomes appreciably over \$20,000. This money is not received by the government to be used in the repayment of its debt or its legitimate expenses, but lies still in the pockets of a few promoters who hope to escape by one private law the payment of taxes on the profits made for them by another.

As a practical politician I can say without fear of contradiction that ninety per cent of the corruption in American politics comes from the tariff. It is a notorious fact that excepting the enacting clause at the beginning and the President's signature at the end not one word got into this bill without paying its way. There is not a deadhead sentence. Most of the witnesses heard by the Committee on Ways and Means of the House in preparing this bill were contributors to the Republican Party or their representatives who had paid for a license to steal and were intent on getting that which they had paid for.

This bill of necessity affects our foreign policy. I have just returned from England where I found the advocates of a tariff employing the same method that is used here; that is to say, arousing dislike and hatred of foreign countries. Neither there nor here can one advocate the levying of a tax on every handkerchief or shirt bought by any person on the ground that the mill-owner prefers a Rolls-Royce to a Ford. You have to make

a speech about the wicked foreigner and add your bit to that dynamite of international hatred which will accumulate and wait quietly enough until the coming of the spark. Let anyone interested in future peace think of this. Let anyone who is bringing up children think of this, or anyone likely to live for twenty years.

Enormous sums are owed this country by practically every nation on earth. There is but one method by which these debts can be paid, and that is in goods. There is but one method by which the United States can help other countries, and that is to buy from them. I do not advocate loans or gifts, but I do advocate extensive purchases in order to relieve the people of the United States of the intolerable cost of living which is now oppressing them (for which the Republican tariff is largely responsible), and also to make possible the repayment of billions of dollars of debt.

Let me remind you that this debt will be paid. It was borrowed by the United States on its own faith and credit, and then lent by our government to those of Europe. The only question is whether that debt will be paid out of the pockets of the American tax-paying public or in goods sent over by our debtors. I can suggest that the difference between these two courses will mean to every taxpayer, rich or poor, for twenty years, more than the forty per cent which Secretary Mellon would cut from the taxes on incomes of over \$200,000 a year, or even the fifty per cent which the Democrats offer to cut from the tax on incomes of \$10,000. There is absolutely no use whatsoever in talking of this foreign debt in any terms except as a complete and total loss, if we are unwilling to permit to American citizens equal access with foreigners to the markets of the world.

## DEFENDING THE SOLDIER

JOHN ROBERTSON QUINN

*THE Commander of the American Legion argues that the so-called Soldiers' Bonus ought to be included in any scheme of taxation. Canada has given her soldiers \$540 each in adjusted compensation, the United States only \$60. Commander Quinn maintains that the total amount to be paid under the proposed Adjusted Compensation Bill has been greatly exaggerated and that the surplus in the national budget for one year will provide compensation payments for three years.*

AMERICA has a political football which has been misnamed and maligned as the Soldiers' Bonus. There is no Soldiers' Bonus Bill before Congress today, but there is a bill entitled by those familiar with it "The Adjusted Compensation Bill." This bill does not propose a bonus; it is a matter of simple justice,—a proposal to adjust the compensation of nearly five million World War veterans. During

the war many references were made in regard to some compensation to be given to the men whose lives had been so rudely interrupted. Posters were printed and speeches were delivered to the effect that a grateful nation would reward its fighters. However, it was not until after the conclusion of hostilities, when the American Legion had come into being, that a definite solution was sought for some kind of compensation for the soldiers and sailors. At its first national convention, held in Minneapolis in 1919, the Legion passed a resolution leaving to Congress the task of readjustment, implying at the same time that a grave injustice had been done to the veteran.

The first actual request for compensation came from the Legion, in 1920, although many demands from the states had already been made. This demand came about at that time owing to the fact that men were still being released from service, and hundreds of thousands were unable to find any kind of employment. It was estimated that in 1920 over a million men were unemployed at one time.

In the national elections of 1920 a majority of the candidates in both parties pledged themselves to vote for the American Legion's bill. The bill came before the House of Representatives