THE TAXATION TANGLE - - -

By JAY LOVESTONE

PERHAPS the most pressing problem before Congress today is taxation.

Taxation is a question which vitally affects every farmer, every worker, and the family of every farmer and worker.

The total gross debt of the National, State, Municipal, and County governments increased 3̶8̶1 per cent. in the last decade. In this period the national debt increased nearly 700 per cent.—to be precise, 672 per cent.

Exclusive of the tariff law which is an annual tax of about three and a half billion dollars on the country, our yearly tax bill is in the neighborhood of $7,750,000,000. The steady rise in the government bureaucracy entails the expenditure of billions of dollars every year.

The reactionaries launched their attack on high taxation affecting them in the Sixty-Seventh Congress. Then 50,000-60,000 of our wealthiest taxpayers were relieved of $511,500,000 through the lowering of the surtax rates and the repeal of the excess profits tax.

Before the new Congress opened the bankers and manufacturers organized a powerful campaign to cut their own tax bill still further. Through their control of the National Government in this case it was the Treasury of the United States they put forward the well-advertised plan sent out in the name of Andrew W. Mellon Secretary of the Treasury.

The Mellon Plan

Though it was not before December 29th that the Mellon tax reduction plan was made public its general principle of "soak the poor and save the rich" was known weeks in advance. Never before not even in the worst fever days of jingoism and preparedness was the country subjected to so well organized a country-wide advertising campaign as the one launched by the Chamber of Commerce, the Union League clubs and the numerous other employers' associations indorsing the Mellon millionaire tax evasion scheme. We reproduce the following typical piece of capitalist proaganda in behalf of the scheme:

"The George L. Dyer Co.,
42 Broadway, New York.
December 18, 1923.

"Publisher, Herald, Louisburg,
Kansas.

"Dear Sirs:

"Our clients, including some of the largest manufacturers from all parts of this country, have asked us to write every newspaper, regardless of party, to endorse the Mellon tax reduction plan as the best and most constructive idea now before Congress. They strongly suggest that this can only be made effective by continuous front page publicity.

"All business will be greatly helped and the resulting prosperity will be shared by all.

"Yours truly,
"THE GEORGE L. DYER CO.
"(Signed) W. L. Dotts,
"Vice-President."

This letter is from the heart of Wall Street and the above address is the national home of the Association of Stock Exchange Firms.

An analysis of the Mellon scheme shows exactly why the Big Business interests lost no time in taking up the cudgels for it.

The chief feature of the Mellon tax scheme is a reduction of the present surtax from 50 per cent. to 25 per cent. This means a reduction of about $200,000,000 to the big capitalists. The normal tax is to be fixed at 3 per cent. instead of 4 per cent. on the first $4.000 net income. The present 8 per cent. tax on the next group ranging up to $10,000 would be reduced by Mellon to 6 per cent. Surtaxes are to begin at $10.000 instead of at $6,000 as at present. Taking the subject out of the realm of percentages and into the realm of dollars and cents, one finds that the Mellon plan would mean that a person with a $5,000,000 income would save annually about a million and a half dollars; those receiving an annual income of one million dollars would save over a quarter of a million every year; those having an annual income of a quarter of a million dollars would save about $50,000; people paying taxes on an income of $100,000 would save annually more than ten thousand dollars; those whose income is $50.000 a year would save almost $2,000; those having an income of $25,000 would save more than a thousand dollars a year; those having no dependents and an income of $5,000 a year will save $25; the people in the $4,000 group without dependents will save $15; and the people having no dependents and who are in the $3,000 group will save only $5 a year.

Thus four hundred heads of families each having an income of $2,500—total one million dollars—save nothing under the Mellon scheme, while one millionaire saves more than a quarter of a million dollars. Two hundred and forty-six taxpayers with incomes ranging from $300,000 up whose annual tax bill amounts to about ninety million dollars save about $45 million dollars a year on the Mellon basis. This is an average saving of about $180,000 annually for the biggest financiers and bosses.

Democratic and Insurgent Measures

No sooner had the Mellon plan been whispered to the press than the Democratic solons put their political heads together to offer something different. The Democratic spokesman, Representative John N. Garner of Texas, then came forward with the following proposal: All single persons having incomes of $2,000 or less and all married persons or heads of families having incomes of $3,000 or less are exempt. All taxes on incomes up to $10,000 are cut in half. The surtax begins at $12,000. While the Mellon plan would reduce the surtax on incomes above $10,000 to the maximum of 25 per cent. the Democrats would reduce these rates to 44 per cent. as their maximum.

The plan proposed by Representative Frear of Wisconsin is the taxation program of the insurgents. This plan would cut the present tax of 4 per cent. on incomes of $4.000 to 2 per cent, and reduce from 8 per cent. on incomes over $4,000 to 4 per cent. The present surtax of 50 per cent. is to be continued. Frear also proposes to restore the excess profits tax, to tax state and municipal securities, increase the inheritance taxes, and tax undistributed profits and gifts.

Class Line Seen

The above summary of the proposed tax reduction plans show how the tax question reflects the dominant class divisions of Congress. Mellon's scheme plays right into the hands of the biggest capitalists and disregards to a large extent the mass of small income taxpayers. The Democratic plan caters to the less big capitalsts, makes a harmless scratch or two on the 12,000 wealthiest men, and makes an empty gesture to the mass of taxpayers—the gesture becoming emptier the lower down the line of income one travels. The Republican Mellon plan stresses the importance of the interests of the upper most strata of the capitalist class; the Democratic scheme favors the next layer of the employing class; and the Frear plan defends the interests of the lowest section of the city and rural owning class.

Conclusion

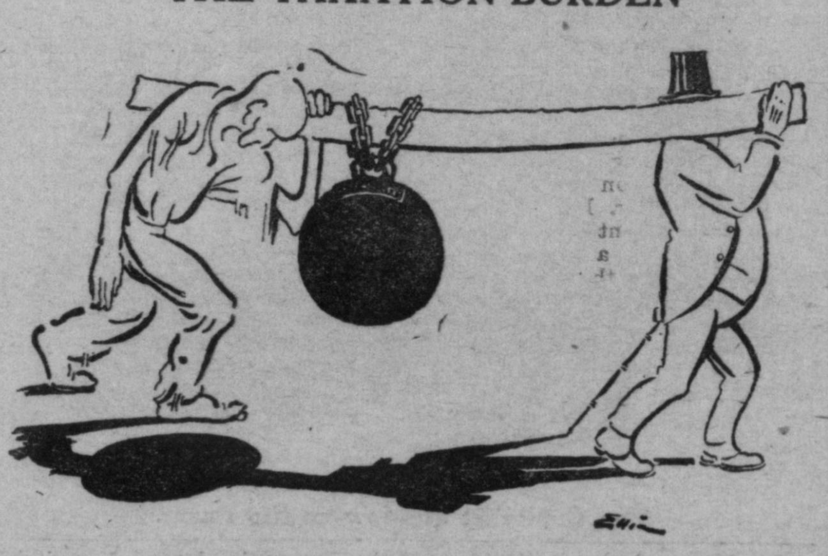
The problem of taxation is of utmost importance to the working and farming masses of the country. In 1922 the farmers paid $1,749,000,000 in taxes. This sum was more than 30 per cent. of what they received for their eleven crops—corn, wheat, oats, barley, rye, buckwheat, flaxseed, potatoes, sweet potatoes, hay and cotton. The farmers actually gave away almost 25 per cent. of the value of the total yield of their farm crop. In short, last year the farmers were compelled to give away the monetary equivalent of their entire wheat, oats, and tobacco crops, and of one-half of their potato crops in order to meet the tax and interest demands.

Obviously the workers and poor farmers have a tremendous interest in the character and plan of taxation that is in vogue. It should be our policy to force the growing burden of taxation on the owning class. Instead of a 50 per cent. surtax we should strive to have a hundred per cent. surtax. An excess profits tax of 100 per cent. is also desirable. Likewise a 100 per cent. inheritance tax should be favored by us. The taxation program of the Communists today should be the minimum possible to be paid by the workers and the maximum possible to be paid by the capitalist. The workingmen and exploited farmers should be exempt from all taxation. The capitalists and wealthy land magnates should be compelled to bear the entire burden of taxation.

The taxation tangle is most closely interwoven with the whole problem of the growing government bureaucracy that is weighing capitalism down. Practically one-seventh of the country's national income is devoured by the maintenance of government. In the last hundred years America has seen its civilian government payroll increase about 6,000 per cent. Every family in the country pays $400 a year to help run this gigantic machine.

The growing class conflicts of capitalism compel the ruling class steadily to increase and strengthen the government bureaucracy, the machinery of which it keeps the working masses in subjection. But this vital political necessity is a staggering economic burden. It should be the task of the Communists to throw as much as possible of this burdensome load of the cost of maintaining the capitalists' official strikebreaking machinery on the shoulders of the employing class. It is the task of the Communists to relieve the workers and farmers as much as possible of the oppressive payments the capitalist class now compels them to make for the maintenance of the very machine that serves to perpetuate their exploitation.

THE TAXATION BURDEN



The Heavy End of the Pole.