

EXCESS INCOME TAX VICIOUS, SAYS KAHN

Extreme Levies Held to Promote Profiteering.

SMALL INCOMES FAVORED

Unnecessary and Harmful Results Seen at Other End of Scale. Two Systems Compared.

This is the second of a series of articles on "Fugate Taxation," prepared by Otto H. Kahn, published in the Oregonian.

Article II. The Income Tax.

If our extreme surtaxes on incomes and our excess profit tax had the effect of breaking the vicious circle of price-boosting and wage-boosting, if these taxes had power to eliminate or curb "profiteering," much might be forgiven them.

But experience has proved that not only have they no such effect and no such power, but indeed they have tended to intensify those evils. There can be little doubt that the excess profit tax in its existing form and the high surtaxes are, in effect, nothing less to a large extent, than disguised and inflated consumption taxes.

Comparing our income taxation with that of England, we find that in that country taxes on income with income (for married men) of \$225; here with incomes of \$2000. The English tax on the smaller income, say up to \$1000, is, on the average, from six to ten times as heavy as ours. On the other hand, our tax in its upper scales is far heavier than that of England. The English maximum taxation is 50 per cent, but profits are usually larger than in his regular business and are not subject to income tax at all in England, while in this country it is 73 per cent, and applies to all sources of income or profit (except tax-exempt securities). That is the highest scale of income taxation in the world anywhere in the civilized world. In addition, we have state income taxation in many of the states.

U. S. Normal Rate Low.

The English normal tax is 30 per cent, with certain abatements in accordance with smallness of the income taxed. Our normal tax rate is 8 per cent, with an abatement to 4 per cent on the first \$4000 of taxable income.

On the other hand, the highest English surtax rate is 30 per cent, while ours is 68 per cent. That is to say, in England the highest income taxpayer is taxed at a rate twice that applicable to the lowest taxpayer (exclusive of those taxpayers whose income is so small as to be materially affected by abatements). With us the highest income taxpayer is taxed at a rate 17 times as heavy as that applicable to one whose income is between \$4000 and \$5000.

Our scale of income taxation in respect to small incomes is juster and more equitable than the English scale, and is greatly preferred by our business men in moderation in respect to taxing small incomes makes all the more conspicuous the unnecessary and harmful extreme to which we go at the other end of the scale.

Britain, as I have said, does not subject to income tax incidental profits which a person makes outside his regular line of business—a distinction which seems to me lacking in justification. Furthermore, the British subject, residing and deriving his income outside of Britain, is taxed only on his income in Britain, but the American citizen similarly situated is taxed on his income everywhere. Moreover, the English excess profit tax, while nominally higher than ours, is levied on a basis and by methods which make it both fairer and less burdensome than ours.

Timid Capital Tempted.

On the other hand, we exempt income from municipal bonds, county bonds, state bonds, and county bonds (unless specifically otherwise provided) for federal bonds. That is to say, from the capitalist engaged in business, the inducement to investing in such bonds is very strong, and a ready and eager market is offered to pretty nearly every ownership and country, thus greatly facilitating wasteful spending by municipal and other local governments.

Capital invested in such bonds not only has been and is free from taxation, but owing to the effect of the high surtaxes in stimulating the demand for tax-free bonds, such capital has been but little impaired, whereas capital invested in heavy shrinkage.

Country Faces Condition.

I am advised that it is not feasible under the constitutional limitations of our governmental system, nor would it be fair, to remove the tax exemption from such bonds of the tax-free class as are now outstanding. Nor, as I am informed, would it be possible, according to the predominant opinion of legal authorities, for congress to subject even future issues of state, municipal and county bonds to taxation, unless a constitutional amendment be adopted to that effect. Personally, I do not favor the institution of tax-exempt securities, because I believe it economically unsound and socially objectionable—but we are confronted with a condition, not a theory.

The discrimination which permits the owner of liquid capital to evade all direct taxation by the simple process of buying municipal or other tax-exempt bonds becomes naturally all the more effective and accentuated as the income surtax rate increases.

Careful Men Buy Clothes To Advantage

Don't take a price for granted, but shop for comparative merit when you buy clothes. It's a fact that at the J. H. Rankin store, 112 Sixth street, men's suits have been moderately priced all along, and in the face of special "sales" a man can do better there.

per cent, let us for a moment consider the yield which a taxable security or a business would have to bring in order to be the equivalent of a tax-exempt investment yielding 5 1/2 per cent. The table runs like this:

Table with 2 columns: Income level and Yield percentage. Rows include: In the case of incomes exceeding \$30,000, 7.28 per cent; In the case of incomes exceeding \$40,000, 7.77 per cent; In the case of incomes exceeding \$50,000, 8.26 per cent; In the case of incomes exceeding \$60,000, 8.75 per cent; In the case of incomes exceeding \$70,000, 9.24 per cent; In the case of incomes exceeding \$80,000, 9.73 per cent; In the case of incomes exceeding \$90,000, 10.22 per cent; In the case of incomes exceeding \$100,000, 10.71 per cent; In the case of incomes exceeding \$120,000, 11.70 per cent; In the case of incomes exceeding \$140,000, 12.69 per cent; In the case of incomes exceeding \$160,000, 13.68 per cent; In the case of incomes exceeding \$180,000, 14.67 per cent; In the case of incomes exceeding \$200,000, 15.66 per cent; In the case of incomes exceeding \$250,000, 17.65 per cent; In the case of incomes exceeding \$300,000, 19.64 per cent; In the case of incomes exceeding \$350,000, 21.63 per cent; In the case of incomes exceeding \$400,000, 23.62 per cent.

Business Held Discouraged.

You see, therefore, that a man in the higher surtax classes, beginning with the income of \$50,000, actually makes an investment yielding him from 8 1/2 per cent to 21 1/2 per cent (and still more if other taxes are included besides the federal income tax) if he puts that part of his income which is subject to the maximum tax—and that is much the largest part—into a 5 1/2 per cent tax-exempt bond, as compared to putting it into a large extent, than disguised and inflated consumption taxes.

Excess Surtax Harmful.

It may be said: "Well, supposing a man with a very large income is made to pay up to three-quarters of it in taxes. He still has plenty left. He is not poor. But that is not the point. The point is not what happens to the rich man—he can protect himself. The point is what the effect is on the country? Capital for business or for corporate investments is a vital necessity for the development and expansion of trade and industry. And it is out of annual savings of the individual, after meeting living expenses and taxes, that the means are provided for that necessity. Excessive surtaxes accomplish double harm: They greatly diminish the income of the individual and they appropriate to an undue extent the means which ought to be available for industry and enterprise. And these means are more than ever needed at present, because the world is urgently in need of increased production after nearly five years of underproduction during the war.

Fortunately, it is not only material income that is lost by our excessive taxes, but also the spirit of our business men that, in spite of the difficulties, handicaps and discouragements imposed by our excessive taxation, few have dropped out of the race and that zest for work, joy in achievement, worthy ambition, the sense of duty, which have kept the overwhelming majority of them at work as hard as ever. But I do know of some who have given up in weariness and dejection, and it is a fact that there has been a distinct and unfortunate change in the attitude of our new ventures and to give full scope to the hazards of enterprise.

As the matter stands, figures 7 have quoted that no bond, foreign or domestic, can compete in interest yield with the attractiveness of tax-exempt bonds to the extent of the surplus incomes of any considerable size. It is to be wondered, under these circumstances, if the well-to-do investor has withdrawn from the mortgage market and money for all kinds of enterprises is exceedingly hard to find?

All Business Threatened.

As the New York Tribune has well said in a recent editorial: "The tax burden on business is not only on the throat of builders but on the throat of all business. Two billion reinvested in money, which would be a benefit, is grabbed by the government, and even more pours into exempt, non-business, public debt securities. It is strange there is a shortage of capital for business use."

"Perhaps the most conspicuous example of the effect of our taxation is stifling enterprise and preventing capital from accomplishing its normal and necessary function as seen in the acute housing situation throughout the country. To quote from the testimony of John H. Parish, secretary of the advisory council of real estate interests of the city of New York, before the United States senate committee on reconstruction and production: 'The withdrawals from mortgage investments in real property in the borough of Manhattan during the first six months of 1920 amount to approximately \$2,000,000 net.'

"That indicates a rate of withdrawal from investment in mortgages of Manhattan of over \$15,000,000 a year. . . . An explanation of this unprecedented rate of investment withdrawal will be sought in vain outside the operation of the income tax laws. . . . This may not have been foreseen when the law was enacted, but the experience of the last three years and the cessation of housing construction and the prohibition of the mortgage market have afforded a demonstration of which there can be no question."

Relief Is Demanded.

Urgent and nation-wide demand has now arisen for a remedy and for relief from that serious situation. The great majority of those who have testified on the subject before the senate committee on reconstruction and production and before local bodies advocate what? The freeing of mortgages for the construction of private dwellings from the state and federal income tax. In other words, the evil which the present tax schedule is supposed to be of concern only to the rich, is proving so serious and intolerable in its effect upon the necessities of the masses that the volume of

tax-free securities in which capital can take refuge is to be still further increased. That means simply turning in a vicious circle.

BROTHERS IN SUIT OVER DUCK MARSH

Club With 15 Acres on Deer Island Charges Poaching.

SEVERAL BIRDS MISSING

Action in Federal Court, if Successful, Will Result in Injunction Against All Trespass.

FOURTEEN CLAIM REWARD

COURT AND COMMITTEE TO DECIDE PAYMENT OF BOUNTY.

Many After Price Set on Heads of Pendleton Desperadoes; Two Claims Clear.

VANCOUVER CAR FARES UP

Public Service Commission Grants Increase to 10 Cents.

WINE MAKING IS BARRED

Prosecutor Says Revenue Permit Does Not Affect Law Violation.

HAITIEN PROBE ASKED

Senator Harding Congratulated for Investigation of Brutality.

ST. HELENS STILL SEIZED

ST. HELENS, Or., Oct. 14.—(Special.)—That Mrs. Ada McCartney

Adams of Deer Island, had alienated the affections of her husband Clyde Hansen is charged by Mrs. Elsie Hansen who has filed a suit in the circuit court, asking for \$25,000 damages. The plaintiff alleges that the defendant wickedly and purposely planned to take her husband away and that on account of the culmination of such plans, she has been injured to the extent named in the complaint.

WAR LOAN PLAN URGED Finance Corporation Held Possible Help in Cotton Crisis.

NEW YORK, Oct. 14.—The war finance corporation, if permitted to function, could help in the present crisis of the cotton markets, in the opinion of Eugene Meyer, Jr., managing director of the corporation. The help could be extended, said Mr. Meyer, by having the war finance corporation do the things it was expected to do when its activities were suspended on May 19.

TAX INCREASE INDORSED

Presidents' Council Defers Action on Port Consolidation Measure.

The proposed additional 3-mill tax for the support of city government was indorsed at a meeting of the presidents' council, composed of the heads of various business and civic clubs of the city, Wednesday night.

POLITICIANS ROUSE CITY

Lebanon, Or., Office Seekers Try to Live Up Campaign.

Orchards to Be Inspected

ROSEBURG, Or., Oct. 14.—(Special.)—Professor Long, who was recently installed as horticulture specialist with the extension department of the Oregon Agricultural college, will arrive here next week for the purpose of making a general inspection of the orchards in this country with a view to combating various diseases and increasing the yields.

Concert to Be Given at Men's Resort

Singers and musicians who will assist Miss Alice Johnson at the Men's Resort weekly concert tomorrow night at 8 o'clock will be Miss Olga Webb, Kathryn Keim, Grace Sander-

Let Cuticura Be Your Beauty Doctor

"Well, I declare, I never saw such a medicine as Cuticura in all the days of my life, for it has actually increased my weight 32 pounds and given me relief from troubles that made me miserable for years," was the enthusiastic statement made the other day by Mrs. R. B. Rowland of 244 Eugene st., Portland, Or.

Nasty Colds

Get instant relief with 'Pape's Cold Compound'

Don't stay stuffed-up! Quit blowing and snuffling! A dose of 'Pape's Cold Compound' taken every two hours until three doses are taken usually breaks up a cold and ends all gripe misery.

The very first dose opens your clogged-up nostrils and the air passages of your head; stops nose running; relieves the headache, dullness, feverishness, sneezing, soreness, stiffness.

'Pape's Cold Compound' is the quickest, surest relief known and costs only a few cents at drug stores. It acts without assistance. Taste nice. Contains no quinine. Insist on Pape's—Adv.

CASCARETS "They Work while you Sleep"

Cut This Out—It Is Worth Money

Cut out this slip, enclose with 5c and mail it to Foley & Co., 2335 Sheffield avenue, Chicago, Ill., writing your name and address clearly. You will receive in return a trial package containing Foley's Honey and Tar Compound, for coughs, colds and croup; Foley Kidney Pills for pain in sides and back; rheumatism, backache and kidney and bladder ailments; and Foley Cathartic Tablets, a wholesome and thoroughly cleansing cathartic for constipation, biliousness, headache and sluggish bowels.—Adv.

Phone your want ads to The Oregonian, Main 7070, Automatic 560-23.

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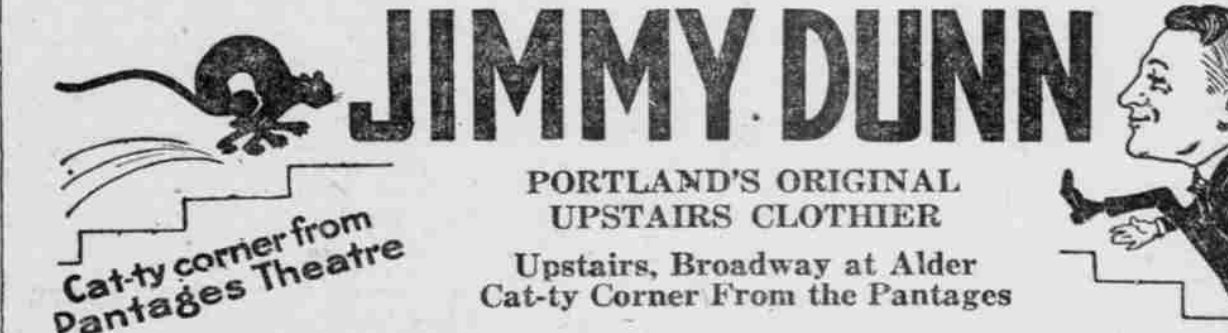


The Price of Progress

Good tailoring, clever designing and clothes with style have replaced "sweat shop" garments of a few years ago. Good clothes are what you want—good clothes are what you get at my upstairs store. And, you get them at the lowest possible cost—no high rents, expensive fixtures or big overheads to pay. No so-called "clearance sale bargains" to lure you on—just dependable clothes at the lowest possible price, year in and year out.

USE MY STAIRWAY AND SAVE DOLLARS SUITS AND OVERCOATS \$25 to \$60 RAINCOATS \$20 to \$40

REMEMBER! QUALITY IS NOT SACRIFICED FOR PRICE



PORTLAND'S ORIGINAL UPSTAIRS CLOTHIER

Upstairs, Broadway at Alder Cat-y Corner From the Pantages

"IT'S GRAND," SAYS MRS. C. B. ROWLAND

After Suffering Fourteen Years Takes Tanlac and Is Now Well and Happy—Gains 35 Pounds.

"Well, I declare, I never saw such a medicine as Tanlac in all the days of my life, for it has actually increased my weight 32 pounds and given me relief from troubles that made me miserable for years," was the enthusiastic statement made the other day by Mrs. R. B. Rowland of 244 Eugene st., Portland, Or.

"About 14 years ago I began to have trouble with my stomach and in the course of time I got into a very bad run-down condition. Then about 18 months ago I had a bad attack of indigestion and my stomach was so miserable and as weak as I could be. I couldn't eat anything scarcely, and the food I did eat was perfectly unpalatable and formed gas, which bloated me up terribly.

"This gas caused terrific palpitation of the heart, crowded into my chest and nearly smothered me, and would come up into my throat all day long, and I would be perfectly miserable. My nerves were in such a wretched state that just the noise of the children playing around the house nearly drove me distracted.

"I had blinding and sickening headaches and such spells of swimming in my head that I could hardly stand up most of the time I was so weak and worn out I had to have someone do my dressing and get me ready for bed. I spend a good part of my time in bed. I resorted to every means I could think of to get relief, but kept getting worse instead of better.

"But I had hardly started on Tanlac before I was feeling better, and now it has brought me out until I haven't a trace of my old troubles remaining. Why, I have a perfectly ravenous appetite now, just want to eat all the time, and never have a bit of trouble from gas, palpitation, or shortness of breath.

"I never have a sick headache or a dizzy spell, and my nerves never give me any trouble. I go to bed and sleep right on through the night, never waking up once till morning. I feel good all the time and have got my strength back so that I can do my housework with ease. My husband also has taken Tanlac, and he has having trouble with his stomach, and it has helped him wonderfully. Tanlac is truly the grandest medicine I have ever found."

Tanlac is sold in Portland by the Owl Drug Co.—Adv.

Cut This Out—It Is Worth Money

Cut out this slip, enclose with 5c and mail it to Foley & Co., 2335 Sheffield avenue, Chicago, Ill., writing your name and address clearly. You will receive in return a trial package containing Foley's Honey and Tar Compound, for coughs, colds and croup; Foley Kidney Pills for pain in sides and back; rheumatism, backache and kidney and bladder ailments; and Foley Cathartic Tablets, a wholesome and thoroughly cleansing cathartic for constipation, biliousness, headache and sluggish bowels.—Adv.

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Advertisement for Ladd & Tilton Bank, featuring 'Oregon-Made Goods' such as Ladies' Waists and Neckwear, Men's Ties, and various other products. The ad includes a large illustration of a man in a suit and a woman in a dress, and text describing the quality and variety of their merchandise. It also mentions 'Ask for These Oregon-Made Goods' and lists specific items like 'LADIES' WAISTS', 'Palmyra', 'Balmair', 'LADIES' NECKWR', 'Isabella', 'Eastern Novelty', 'MEN'S TIES', and 'A-I Brand'.