

# VETO OF TAX ASKED BY MANUFACTURERS

## National Association Condemns Penalties on Profits and Income Inspection.

### CRITICIZES JAPANESE BAN

#### Resolution Says Negotiation, Not Legislation, Should Have Been Employed.

President Coolidge was called upon in resolutions adopted at the closing session of the three-day convention of the National Association of Manufacturers at the Waldorf-Astoria yesterday to veto the tax reduction measure now in conference between the House and Senate should it be presented to him with the Senate provisions for a surtax on undistributed corporation profits and general inspection of income tax returns.

The convention also adopted a resolution expressing regret that Congress had sought to bring about Japanese exclusion through legislation, one opposing a repeal of the present Transportation act and another against an amendment to the Constitution giving Congress authority to regulate the labor of persons under 18 years of age.

The convention closed with a dinner in the grand ballroom of the Waldorf-Astoria last night at which William Morris Hughes, war Premier of Australia, was the speaker and at which the reelection of John E. Edgerton as President was announced. Henry Abbott also was re-elected Treasurer and John R. Boudinot Secretary.

The resolution on taxation declares that Secretary Mellon's plan was supported by the specific recommendations of his Democratic predecessors in office and was based on "authoritative estimates by responsible actuaries." It offered, the resolutions say, the only "complete and scientific method of immediately lessening our intolerable tax burdens."

#### Can Demoralize Business.

"The proposal to compel under penalty the substantial distribution of all profits," the resolutions declare, "ignores the fact that such profits commonly comprise, in whole or in part, raw materials, goods in process, new structures, machinery, and equipment, accounts receivable, payable, and many other non-cash items which could be liquidated for distribution only by demoralizing the business and causing heavy loss to shareholders; it further substitutes the uninformed opinion of the Legislature for the instructive judgment of management as the general rule of business conduct and forces imprudent action instead of prudence, caution and that accumulation of resources for lean years which is the only safeguard of success.

"To open income tax returns to general inspection serves no useful purpose, save the satisfaction of prurient political curiosity. It strips the individual of that constitutionally guaranteed privacy which Government may justly invade only to the extent necessary to protect itself from error and fraud.

"We join in the opinion of the Secretary of Commerce that such practice would imperil the security of smaller business. We believe it would threaten the disclosure of trade secrets, lay the foundation of new industrial frictions, afford novel opportunities for private and public slander and blackmail and continually tempt tax-evasion and concealment."

#### Sympathy With Japan.

The resolution dealing with Japanese exclusion begins by expressing sympathy with Japan for the losses of life and property in the earthquake and expresses the opinion that the Japanese Government has scrupulously observed the so-called "gentlemen's agreement." The resolution says that "profound and fundamental" difference between our races, "while conveying no implication of national inferiority or superiority," make it evident that permanent colonization here is undesirable.

After expressing "regret" at Congressional action, the resolution says the desired end could be reached best through diplomatic negotiations, "which will at once assure the voluntary acceptance of our policy by a good neighbor and practical cooperation in its enforcement without giving unnecessary offense to a friendly people."

#### Wadsworth's Tax Criticism.

Criticism of Congressional amendments to the Mellon tax revision recommendations was voiced by Eliot Wadsworth, Assistant Secretary of the Treasury.

"As the discussion of the tax legislation has progressed," he said, "a very dangerous tendency has shown itself to use the taxing power of the Federal Government not for revenue only, but in the furthering of radical social reforms. In the tax bill passed by the Senate a coalition of Radicals and Democrats has departed from revenue raising to infringe upon the privacy and freedom of action of every individual, firm and corporation. General public knowledge of the affairs of every business, large or small, can do no good and might do great harm. As an example, it would give enormous advantage to a great corporation desiring information as to the business and financial position of its small competitors.

"The only reasonable ground upon which such publicity could be demanded is that taxpayers are cheating the Government on a large scale. If they are, it is better administration that is needed to stop such cheating.

"This law imposes a graduated inheritance tax which takes as much as 54 per cent. levy out of large estates. Such a provision is not necessary to provide the Government with adequate revenue, but is practically a seizure in the endeavor to redistribute wealth. The tax is harmful and fundamentally wrong in taking the saved wealth of citizens and treating such capital as income in the hands of the Government."

#### Says Capital May Disagree.

After declaring that the forced liquidation of estates, in order to pay taxes, meant, in some cases, that "little or nothing may be left to be passed on to the heirs," Mr. Wadsworth continued:

"By this very process of forced liquidation the capital of today upon which these taxes may be levied will have disappeared tomorrow. In the course of two or three generations the present savings of the nation, which constitute its working capital, will be dissipated. New savings will not take their place, for taxes remove, even more than a heavy income tax, the incentive to save.

"Such a tax is based on the theory that success in the making of money is a crime and that, at his death, a man's family and children should be punished and not allowed to receive the fruit of his success. The tradition of this country is quite the reverse. Money-making and business success, when honestly carried on, have been considered as among the most honored and constructive activities.

"One other clause in this law which imposes a progressive tax upon the undistributed earnings of corporations is also not justified by the needs of the Government for income. In this provision we find again the effort to get at some mysterious and unknown wickedness carried out by the hateful corporation. As a practical matter, such a provision is an unwarranted interference with the rights of the owners and tends to discourage the first principle of any business, which is that all earnings should not be paid out but part of them retained in the business to solidify and upbuild it.

#### Sees Country in Danger.

"These things are not tax measures. They are social reforms, carried on through the taxing power of the central Government. They not only go too far

but they are utterly unsound and jeopardize the future of the country. What we have today has been built up under a condition of extraordinary individual freedom. There is no social need or injustice in the United States which justifies abandoning the policy of giving every one a chance to work out his or her own destiny.

"There is an election coming within a few months. It will be interesting to see what support will be given to those men who have tried to run the nation's affairs on an efficient basis. If such support is not forthcoming at a time like this, it is hard to believe that it ever can be expected."

John G. Bradley, Past President of the National Coal Association and a bituminous operator, who spoke at the afternoon session, said that more coal mines and coal mining companies were on the verge of bankruptcy today than was the case in any other line of industry. He attributed the situation to the high wages paid coal miners and said:

"The only assurance that you have today of getting coal at a reasonable price above the cost of production is the non-union fields. You can't get hard coal and you can't get domestic fuel except at a price which is fixed by the United Mine Workers and the anthracite operators and the Governor of Pennsylvania. And you have got to remember the commission—the political commission you are paying for—of the Governor of Pennsylvania."

On Governor Pinchot's award to the mine workers Mr. Bradley said: "When he made it it was so against the facts that the only deduction that could be drawn was that he was giving a subsidy to the hard coal organization miner. Gifford Pinchot isn't the only political coward in this country. I say that if the great bituminous industry comes 100 per cent. under the domination of the United Mine Workers some one will arise to out-Gifford Pinchot."

The following Vice Presidents were elected: Pennsylvania, J. W. Rawle, Philadelphia; Massachusetts, G. E. Simons, Fitchburg; Illinois, Robert P. Larent, Chicago; Connecticut, Clarence E. Whitney, Hartford; Michigan, John Trix, Detroit; Wisconsin, A. J. Lindemann, Milwaukee; Rhode Island, George H. Wilson, Providence; Indiana, S. C. Atkins, Indianapolis; Missouri, Harry Soullin, St. Louis; California, J. B. Miller, Oakland; Tennessee, Fred Arn, Chattanooga, and Alabama, H. T. De Bardeleben, Birmingham.

Directors at large elected were William H. Barr, Buffalo; Hays H. Clemons, Erie, Pa.; J. L. Kimbrough, Muncie, Ind.; E. B. Leigh, A. H. Malliken, Chicago, and R. W. Nelson, Jersey City.

#### Letter From President Coolidge.

At the dinner last night the following letter from President Coolidge was read: J. E. Edgerton, President, National Association of Manufacturers.

My dear Mr. Edgerton: I appreciate the cordial invitation extended to me on behalf of the National Association of Manufacturers, and I greatly regret that it is out of the question for me to come to New York for the annual convention period. The industry of the country has long recognized that cooperation is essential to the proper conduct of business, and that in a broad way a policy of mutual helpfulness has replaced the ruthless competition of our earlier history. I am sure that in the future this same spirit of cooperation and helpfulness will govern more fully the relations of industry to the public and the relations of industry to Government. I know of no better way in which this can be accomplished than through such organizations as yours. With best wishes for the success of your meeting, I am,

Very truly yours,  
CALVIN COOLIDGE,  
The White House, Washington, May 17, 1924.