

EDITORIALS

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Editor

A FIRMER FOUNDATION

WITHOUT being much noticed some basic readjustments have been taking place in agriculture. Among them are reduced taxes, a lower interest load and strengthened country banking conditions. These mean the savings of considerable sums as well as the removal of disadvantages that have weighed heavily upon farming.

Tax relief is of greater importance than is generally realized. Reaching their peak in 1929, farm taxes came down only slowly until 1933, when accumulated public demand forced a sharp drop. The total farm-tax levy for that year, so far as it is calculable, was more than \$110,000,000 below the 1929 top. With the adoption of replacement taxes, such as sales and gross income taxes, and property-tax limitations in a number of states, the lightening of the burden has been carried still further. Indications are that the total is now close to \$200,000,000 below the one-time peak.

The farm-tax cut is most pronounced in the Midcountry and Plains areas, though it is effective in some degree in fully three-fourths of the states. The figures tell the trend. In Nebraska the total tax bill for all purposes is now some 35 per cent below the maximum of the '20's. Here are the taxes paid in 1931 and in 1934 on four representative 160-acre farms in Dodge County: \$227.13 in 1931, now \$129.77; \$189.48, now \$119.21; \$201.79 and \$113.12; \$193.56 to \$104.09. Farm taxes for Oklahoma, as a whole, are more than 40 per cent below 1929. Since that year taxes on farm lands and improvements in Kansas have dropped from \$31,099,920 to \$19,192,770. An average 160-acre farm in Doniphan County paid \$256.76 in 1931 and \$155.81 last year.

Widening the tax base is helping to reduce farm taxes in Iowa, Illinois and Michigan. The sales tax enabled Illinois to eliminate the state property tax of 50 cents on the \$100 valuation. Along with this came a general decrease in farm taxes through local economies. For one example, the taxes on the 736-acre property of an outstanding livestock farmer in Kane County fell from \$1447.05 in 1931 to \$820.02 last year. Michigan adopted a tax limitation of $1\frac{1}{2}$ per cent on the assessed valuation of real property and followed it with a sales tax. This permitted the state to lift almost \$20,000,000 in taxes off property.

Property-tax levies for all purposes in Iowa have fallen from \$107,-966,592 in 1930 to around \$80,000,000. They are expected to go still lower as the state's new three-point tax system becomes fully effective. This includes a 2 per cent sales tax, a personal net income tax and a corporation income tax. The state will be entirely out of the property-tax field this year.

To reduce the burden on property, which in 1931 was bearing 80 per cent of the tax load, Indiana fixed a flat \$1.50 tax limit per \$100 valuation. This cut property taxes \$40,700,000, too severe a reduction without other revenue to compensate, so the legislature then enacted a gross income tax and improved intangibles and excise taxes. The new tax system has provided funds for replacement purposes, especially for schools.

Reliable estimates show about a 40 per cent lowering of Ohio's farm tax level. This has been achieved by several methods: Drastic cuts in the personal-property or chattels taxes, reductions in appraised valuations, and constitutional amendments now limiting the property tax to 1 per cent. Any taxing district has to get the approval of its voters to exceed this limit, and 775 school districts sought such approval at the fall election. Either they had a bonded indebtedness or wished services beyond the revenue provided by the 10-mill limitation.

The varying financial condition of local communities makes the tax reduction uneven in all states. The biggest single cut has come through local economies, but communities with heavy fixed charges on bonded indebtedness have been unable to effect such savings. They have had also to get around reduced valuations and property-tax limitations by higher rates and special levies.

The number of states levying general replacement taxes, to the relief of real property, has multiplied rapidly in the past three years. As none suffered more from the excessive dependence on property taxes, farmers are the most directly benefited by a broadening of the tax base.

There are other benefits also. An Indiana farmer voiced the opinion held by many when he said that high taxation was one of the causes of recent overproduction. With prices falling, farmers simply had to produce more and more to meet fixed charges such as taxes. As this forced an undue emphasis on products that could be readily turned into cash, the fertility of the land was bound to suffer. The land should be one of the biggest gainers from reduced taxes.

A general opinion is that lower farm taxation will further a more balanced farming in the Corn Belt. "Lower land values, reduced taxation and the necessity of taking some of their land out of cultivation will cause farmers to consider raising more of their own beef cattle," is an opinion expressed by a prominent livestock breeder. "With lower taxes they can afford to devote their rougher or more worn land to pasture rather than cash crops."

Going along with lower taxes is a very sizeable reduction in farm interest charges. W. I. Myers, Governor of the Farm Credit Administration, recently stated that "The annual interest saving to farmers under the Emergency Farm Mortgage Act and the refinancing program is over \$31,000,000 a year, and most of this will be a permanent saving." This has been accomplished in several ways. On more than 500,000 mortgage loans made by the FCA farmers are paying $1\frac{1}{2}$ per cent less interest than formerly.

In addition, an overhead indebtedness of more than \$65,000,000 has been written off through scale-downs of farmers' debts to a point where the FCA could refinance them. Further scale-downs have been made through local conciliation committees. One can hear various comments, favorable or otherwise, about these scale-downs. But they have been made, they have reduced farm outgo appreciably and they have removed some overhanging uncertainties.

Of the money advanced through the FCA more than \$325,000,000 has gone to local banks to liquidate frozen farm assets. In this and other ways the resources of country banks have increased generally since the middle of 1933. It is not uncommon to find that deposits have doubled in that time.

"Our problem now is not one of solvency but of finding profitable uses for the funds of country banks," is the way the president of one of the largest state banking groups summarized the situation.

Country banking has definitely emerged from the period of impairment caused by falling farm values which set in with 1920.

The readjustments in taxation, interest charges and banking facilities have put a firmer foundation under agriculture. The elements that make up the agricultural community are now in a stronger position. Given a continuance of recovery farmers are better situated to realize on it. More of the money they take in will be their own.

PRACTICE IN STRATEGY

A MONTH or so ago when President Roosevelt personally conducted negotiations for a couple of mules which were needed on his farm at Warm Springs, the occurrence received only incidental mention in the daily press. If the political commentators had understood, even vaguely, the niceties of mule trading, profound inferences might have been drawn.

Did the President come off best or second best in his dickering? The newspaper correspondents, of course, should have investigated. If he actually skinned the Georgia mule trader, even his enemies could no longer deny him the title of America's shrewdest politician.

And where was Mr. Farley? A good many of us naturally supposed that he would seize the opportunity to announce that here was another reason for the ascendancy of the Democratic Party. Stuffy Republicans might content themselves with trading in bonds and shares, but the foremost Democrat of all, the nation's Chief Executive, sharpened his wits in our greatest school of strategy. Among folks who know, it is an accepted fact that diplomacy rises to its highest pinnacle, not in Wall Street or Washington, but in the mule marts of this country.

Thoughtful prophets, had they been more alert, might have discovered even deeper meaning in the Warm Springs trade. Although the mule's philosophy of life has never been fully fathomed, he has long been suspected of leaning to the Left. At least, we know that he disapproves of the established order. If the President is able successfully to appraise and evaluate this rebel of the animal kingdom, then obviously there is hope that Senator Long and other recalcitrants of his own party will not prove too much for him.

It is rather astonishing that our political interpreters—who heretofore have been able to foretell the President's drift to the Right or the Left by analyzing his luncheon menus or the shade of his neckties—should have passed up the Georgia episode. The only possible conclusion is that they are better versed in social hypotheses than in mules.

THE GIRLS WILL GET IN

ONE can't help feeling a little surprised, perhaps even a bit wistful, over the fresh young courage of the Future Farmers of America, who recently slammed the door of their organization against feminine membership. Clearly, these Spartan lads have a thing or two to learn about the futility of opposing women's rights.

At the annual convention of Future Farmers—a national association of vocational agricultural students—the girls, who labor side by side with the boys in the "ag" classes, sought and were denied entry to the organization. The action of the conference is the more puzzling when one recalls that the Future Farmers are chiefly high school upper-classmen, who by all ordinary calculations should be just emerging into that quivery period of life when a silken knee or a fetching little spit curl shortens the respiration.

One explanation might be that the boys want no female competition. In that other national organization of farm youth, the 4-H Clubs, an alarmingly large number of first prizes—awarded for superior lambs and calves and fowls—have been carried off by the girls. The more probable answer, however, is that the Future Farmers have been deluding themselves with the quaint and amusing theory that this is a man's world.

The only evidence of male capitulation at the F. F. A. convention was a resolution to investigate the girl problem during the coming year. But even this grudging concession, one fancies, will prove fatal. A year is twelve months, and in the meantime there will be skating parties, after-school skylarking six deep in stripped-down flivvers, palpitating glances in the agricultural lab, hayrack rides under a melting moon. Quite obviously the Future Farmers have underestimated the cosmic wallop of the lipstick, the powder puff and the permanent wave. The girls, we may be sure, will be sweet about it, but sooner or later they will get in.