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How to Cut Federal Costs by Two Billions

Unnecessary Expenses Being Increased - - Tax Revenues Under-Estimated

SOME PEOPLE IN WASHINGTON have been explaining recently why it may be necessary to raise \$5.5 billion of additional taxes in the tax bill now being prepared, instead of the \$3.5 billion which it is expected to produce. I shall first explain why they believe this \$5.5 billion additional tax is necessary now, and then give two reasons, either one of which is sufficient to show that \$3.5 billion is enough.

Last April, Treasury Secretary Morgenthau told the Ways and Means Committee that we would spend about \$12 billion for defense during the fiscal year, and approximately \$7 billion for other items making a total of \$19 billion. He said that it would be desirable to raise two-thirds (\$12.7 billion) through taxation, and that the present laws would raise \$9.2 billion, leaving \$3.5 billion to be raised by new taxes. Just recently Budget Director Harold D. C. Smith announced that we will spend \$3 billion more than Mr. Morgenthau estimated, and, if two-thirds is to be raised by taxation, another \$2 billion of taxes will be required.

	(In billions)	
	Estimates last April	Present estimates
Defense expenditures...	\$12	\$15
Other expenditures	7	7
Total expenditures.....	\$19	\$22
Two-thirds to be raised		
by taxation.....	12.7	14.7
Present tax revenue...	9.2	9.2
Additional required...	\$ 3.5	\$ 5.5

There are two other methods of meeting this situation, neither one of which will require raising more than \$3.5 billion through 1941 tax legislation. They are (1) recognizing larger income and (2) reducing non-defense expenditures.

Effect of Larger Taxable Income Overlooked

When President Roosevelt presented his Supplemental Budget Message, for the fiscal year 1941, to Con-

By GEORGE S. BENSON

A GAINST TALK in some quarters that the current tax bill is insufficient and that its prospective yield should be raised by \$2 billion, the author has two arguments. One is that the new measure will probably yield the additional sum without any change in rates, because the people of the nation have more income out of which to pay taxes. And the other is that there are \$2 billion of unnecessary non-defense expenses in the Government's budget today. Dr. Benson itemizes these, pointing out that certain "relief" costs are being actually increased under the guise of "defense needs."

Dr. Benson is president of Harding College of Searcy, Arkansas, a standard four-year college, properly accredited by the Arkansas State Board of Education. It has a student body of approximately 500, and has been a four-year college for 17 years. During that time it has never had an unemployed graduate. There is none today.

gress last year, he estimated that the laws then in effect (the 1938 law) would produce revenue of \$6 billion on the \$70 billion national income of 1939 and that these same laws (1938) would produce \$10.6 billion on national income of \$90 billion.

Mr. Morgenthau this year asked for \$3.5 billion additional taxes on the assumption that the present laws (1940) would produce \$9.2 billion, with the further statement that if the national income reaches \$90 billion, and stays there, these laws would produce \$11.2 billion which will provide the additional \$2 billion that is now required.

The important question then is "When will national income reach \$90 billion?" Leon Henderson estimated national income for the next year at between \$90 billion and \$95 billion, the Department of Commerce, during

the past week, estimated that the current rate is \$86 billion and the Federal Reserve Board estimates \$87 billion.

I feel reasonably safe in saying that the proposed tax legislation which is now before the Ways and Means Committee, when applied to national income of \$90 billion and when added to the revenue that will be raised under the laws already in effect, will raise \$11.2 billion and that at least two-thirds of the Government's expenditure this year will be taken care of through governmental revenue.

Now let's consider the second method of paying two-thirds as we go, without raising more than the proposed \$3.5 billion additional revenue.

Reducing Non-Defense Expenditures

On July 11 Secretary Morgenthau was quoted as having told a press conference that the new tax program might have to be re-examined and that when he said this he had in mind the additional \$2 billion which must be raised if we are to raise two-thirds of the total expenditures through taxation. I hate to disagree, but I am certain that Secretary Morgenthau knew that at least one-half of this \$2 billion could be obtained by reducing non-defense expenditures. The Secretary said, in his report to the Ways and Means Committee, "If the matter were carefully examined, we believe that it is possible to reduce the total (non-defense expenditures) by \$1 billion."

When I had the honor of appearing before this same committee I stated that unnecessary and unjustifiable non-defense expenditures are increasing and gave the following example:

"In December of 1940 there were 285,731 young men in Civilian Conservation Corps. A month later there were 208,150. Think of it, gentlemen, while drafting men in the army and

seeking volunteers for the navy, we are actually increasing the CCC enrollment of men of draft age. The CCC has been budgeted at \$265 million for 1942.

"As each enrollee costs the Government about \$1,000 per year, this would represent an increased cost of \$12.5 million per year for the 12,428 men enrolled in January, over the total enrollment as of December 31.

"Although the institution of which I am president (Harding College) has no endowment and no state financial assistance, you can send four boys through Harding College for what the Government spends on one CCC boy, provided the student works about one hour per day.

"This comparison may not be absolutely fair, because of the \$1,025 cost for each CCC enrollee, in the 1940 fiscal year, \$360 was paid to him. The costs, other than the \$30 per month paid to the enrollee, totaled \$665. This is more than enough to send two boys through Harding College, provided they work an hour a day, and it includes board, room, tuition, and total expenses.

"Why are we able to do this? We have learned how to eliminate every unnecessary expense, and we are making real sacrifices to enable these 500 poor young people to secure an education."

I also requested the elimination of the \$99 million appropriation for the National Youth Administration and requested a reduction of 50% in Works Progress Administration expenditures and then illustrated additional cuts which could be made which would result in eliminating \$2 billion of unnecessary non-defense expenditures.

Relief Bureaus Increase Budgets

What was the result? To my amazement I find that the *Relief Bureaus*, instead of recognizing that their appropriations should be cut or eliminated, are now endeavoring to persuade Congress and the public that they are *Defense Bureaus*, and instead of mere-

ly retaining the same appropriations are requesting larger appropriations.

The NYA could not, by any stretch of the imagination, be deemed to have been created for any reason except "relief"; that is, assistance to youth. Now that every able-bodied youth can find employment without difficulty, NYA claims to be a "defense" organization and on the day before I requested deductions totaling \$2 billion, it secured a recommendation that its budget be greatly increased—I believe \$157 million was recommended and granted. Since then, I have seen an expensive moving picture exhibited in the best picture houses in the larger cities, prepared, I understand, at the expense of the Government, which attempts to show that the CCC boys are engaged in defense work.

This is all very bad, in my opinion, because the psychology of those engaged in relief work is, and should be, entirely different from those engaged in defense production. When the relief organizations were created we were in hopes that we would be able to spend our way to prosperity. Boondoggling and many extravagances were defended on the grounds that regardless of the necessity for such projects they provided employment for the needy. The reverse is true today, however. Just as we now have priorities on aluminum, steel, etc., we can expect to have priorities on labor within the next year. There will not be enough labor to fulfill defense production needs, and yet we find these relief organizations trying to convince Congress and the public that they are now engaged in defense production and that their budgets should be increased instead of being eliminated. Men who have been trained to think in terms of spending for relief should not now be in charge

of work requiring the highest degree of efficiency and economy.

I feel certain that Secretary Morgenthau does not approve of this action because on Page 13 of the Hearings of the Ways and Means Committee for 1941, while discussing items which might be included in the \$1 billion reduction, which he believed was possible, he said:

"I do not know any better example than the CCC and the NYA. We continue to take in boys over 21 years of age, just as though we did not have a place in the army to take the youth and give them training."

The total reduction which I believe can be made is composed of the items in the list at bottom of the Second Column.

Saving this \$2 billion is the second method of providing the additional revenue that is required. It is secured through eliminating unnecessary expenses instead of placing additional tax burdens on all of us. There are some more important reasons, however, for making these budget reductions, some of which I shall try to present.

Why the Budget Should Be Cut

Jesse Jones anticipates a federal debt of \$90 billion. We have other governmental debt of \$20 billion. How are we going to pay this \$110 billion? What do you think will happen after the war ends? There will be a drop in war production of at least \$20 billion per year, several million men will be laid off employment and several million soldiers probably then will be mustered out with few jobs available.

Is it then that we will begin to reduce the billion dollars per year that we are now spending on WPA? No, I expect this appropriation to be

HOW THE TWO BILLIONS CAN BE CUT OUT

Items Which Can Be Eliminated	
Civilian Conservation Corp.	\$265,000,000
National Youth Administration	99,000,000
Soil conservation	500,000,000
Federal aid to roads	180,000,000
Total	\$1,044,000,000

Items Which Probably Can Be Cut in Half During Emergency	
Rivers, harbors, and flood control	121,000,000
National park improvements	10,000,000
Agriculture forests and trails	10,000,000
Rural rehabilitation	66,000,000
Food stamp plan	100,000,000
Export bounties	100,000,000
Last year's appropriation for Works Progress Administration (will not the \$20 billion defense program cut unemployment at least in half?)	1,325,000,000
Departmental publicity and franking*	39,000,000
National Resources Planning Board and Office of Government reports—about	3,000,000
Total	1,774,000,000
One-half is	887,000,000

Items, the Total of Which Can Probably Be Reduced 25%	
Agriculture departmental expense (in addition to agriculture aids)	114,000,000
Department of Commerce	31,000,000
Department of Interior	70,000,000
Department of Justice	55,000,000
War Department—non-military activities	45,000,000
Miscellaneous independent offices	66,000,000
Refugee relief	18,000,000
Total	†399,000,000
One-fourth is	100,000,000
Grand Total	2,031,000,000

*In 1928 Congress used for franking \$845,000 and the departments used \$6 million. In 1940 Congress used \$737,000 and the Departments used \$39 million. †I do not know what cut could be made in these items. Some may need to be increased. It would be strange if a close scrutiny did not result in finding \$100 million that can be suspended during the emergency.

greatly increased after the war.

Will our tax receipts then exceed our desires to spend to such an extent that the surplus can be used to pay off our \$110 billion indebtedness? Is it not likely that there will be a strong temptation to wipe the indebtedness out through devaluing the dollar? Will not some leaders explain that by revaluing the dollar at 20 cents our \$22 billion of gold will increase in value \$88 billion and then recommend that this \$88 billion be used to reduce the indebtedness?

The interest on \$110 billion of debt, five years from now, will probably be \$3 billion per year. During the 10 years ended in 1932 the total annual United States Government expenses averaged less than \$4 billion. No doubt great pressure will be applied to wipe out this expense and this \$3 billion interest charge through dollar devaluation.

I believe that one of the most important jobs before this nation is that of eliminating every dollar of unnecessary non-defense expense. In Arkansas we are experts at paring expenses to the bone. We have to be. The average per capita income for all Arkansas residents is only \$255 a year. For a family it is \$969. If our people were not expert in eliminating unnecessary expense, they could not live.

Lessons in Thrift

I managed a school in Canton,

Past Activity of Harding College In the Interest of the Entire Nation

(Written by a former student)

During 1934 Dr. Benson became disturbed about the large number of college graduates who were unemployed. Harding College, at that time as well as today, had no unemployed graduates. Out of a student body of approximately 500, during the period of almost 20 years as a senior college, with a prior history as a junior college, these students have had no difficulty in finding employment immediately upon graduation, with the result that unemployed graduates simply do not exist.

He also became alarmed at the number of young men in whose minds socialistic ideas had been implanted by instructors or professors in economics. He thought that this was possibly due to the fact that so few college instructors have ever had any first hand contact with the practical builders of United States industry. He, therefore, arranged to have leading business and financial men come to Harding College and there address, and join in discussion with, instructors and professors from his own college as well as from all other colleges in the State of Arkansas. He said to the business men something like this: "Instead of having

socialistic ideas taught your sons in college (there are some notable examples of this in the eastern colleges) we will give you the opportunity to teach sound business principles to the college instructors. Dr. E. W. Kemmerer, Mr. Sterling Morton, the President of Montgomery Ward, and others representing industry, finance and railroads appeared on these programs.

The meetings were given the fullest publicity by radio and newspapers with the result that an interest in national economy, the effect of taxation, the desirability of individual initiative and the abhorrence of all steps toward socialism has been developed within the vicinity of Harding College, probably to a greater extent than in any other section of the United States.

Dr. Benson came before the House Ways and Means Committee on May 15, therefore, with a background which, for this purpose, probably cannot be equalled elsewhere. The official reports show that none of his arguments were successfully refuted. At every point he was in the position to say "We are making a

greater sacrifice than that so why is there any objection to my asking for some sacrifice or some economy upon the part of the departmental heads?"

When one Congressman asked him if he was in favor of throwing men out of government jobs, as would be necessary if his recommendations were put into effect, he replied that during this emergency practically all of these men could be absorbed by industry and that his own State was sending about 3,000 men per month for industrial work in other States. He could have answered from his own experience, as follows:

"I know very little about unemployment. We have none among our graduates. Today we have no unemployed graduates and this has been true for almost 20 years. If the poor boys who come to our College from the Ozark Mountains have been able, all through the depression, to keep employed I should not think that government employees, whose work is found to be unnecessary, should have difficulty in finding employment during this boom period."

The Harding A Cappella Chorus Wins First in Southern Musical Festival



Harding A Cappella Choir

In the great Southern Musical Festival held at Memphis, Harding College entered four numbers, and won first place in all four events. The A Cappella Chorus here was one of the numbers entered. The other were bass solo, baritone solo, and violin solo. The contests included five Southern states and over 1,200 contestants. After the contests the Harding winners, with some others, were broadcast over the national circuit of the N. B. C.

The Harding bass soloist later entered the national contest at Chicago with over 4,000 other contestants, and won first place in the nation.

The Harding music departments offer complete training leading to the Bachelor of Music degree with majors in piano, voice, violin, public school music. Other organizations include hand, orchestra, quartettes, and other musical ensembles.

China, for several years, raised and expended all the income—and there I learned the value of a tenth of a cent. In the interior villages, those who went out shopping carried no coin larger than one worth a seventieth of a cent in our money. You can imagine, therefore, how I feel when I see relief organizations, whose budgets should be discontinued entirely, securing increases on the theory that they are now engaged in defense production, when I see costly moving picture films that have been made at the expense of the Government promoting such budget increases, when I read radio scripts that have been produced by professionals in the employ of the Government and other luxurious and extravagant publicity methods and when, recently, in Washington, I heard that the Governors of the majority of the states had written in to Washington, urging that there be no reduc-

tion in the federal WPA expenditures.

I do not believe that extravagance ever resulted in efficiency nor increased the ability of those who became accustomed to it.

We have, and have had, Ph. D.'s on our faculty receiving only \$1,200 per year, who turned down offers elsewhere of \$4,000 and more. They make these sacrifices to enable our poor young people to secure an education. Our highest salary today is \$1,800, and yet our students, in competition with students of other colleges, have won the highest awards in the great majority of the contests. Economizing has made them more self-reliant, more dependable, and more efficient. Waste, extravagance, and unnecessary relief work on the part of our government can result only in softening and weakening our citizens.

Conclusion

The Treasury recently proposed federal estate tax rates higher than the inheritance tax rates in effect in Great Britain. I do not doubt that the time will come when such rates are necessary, and I also expect to see maximum excess profits tax rates of 100% before this war is over. I solemnly urge every tax-payer to do everything within his power to bring about the elimination of this \$2 billion of unnecessary expenditures before such extreme sacrifices are demanded through taxation.

One thing that everyone can do is to urge his own Governor to reverse his present attitude by requesting reduction in federal non-defense expenditures in his own state during this emergency. I am pleased to state that many Arkansas organizations have made similar requests to all of our representatives in the Congress of the United States.

HARDING COLLEGE PRESS, SEARCY, ARK.
H. HOWK, DIRECTOR

Pertinent Extracts:

- ① The present House Bill will raise \$2 billion more than estimated.
- ② How to reduce Government expenses \$2 billion is explained in detail.

- ③ "I do not believe that extravagance ever resulted in efficiency nor increased the ability of those who became accustomed to it."
- ④ "I see relief organizations, whose budgets should be discontinued entirely, securing increases on the theory that they are now engaged in defense production."

- ⑤ "Economizing has made them (Harding College students) more self-reliant, more dependable and more efficient."
- ⑥ "Waste, extravagance, and unnecessary relief work on the part of our government can result only in softening and weakening our citizens."

Reprint of Article

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By Dr. George S. Benson

SUBJECT

**The Present Tax Bill
Will Produce \$5.5
Billion Not Merely
\$3.5 Billion.**

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