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INCOME TAX RETURNS

XI—INDUSTRIAL ACTIVITY IN SOUTH GERMANY

My business in Europe this year is not with the great cities and the great industrial areas, but with the country-end of things on this side of the ocean—in particular with country community life and cooperative farm enterprise. Farm village life and farm credit unions have kept my mind busy in Baden, Wurttemberg and Bavaria these last ten weeks. Nevertheless I should be stupid not to see the new factories of every sort and size, the old plants newly enlarged, the new factory suburbs, the brand new factory communities, the new freight and passenger stations, the new trackage in the station yards, the double tracking of main lines, the new lines finished or under construction, and most wonderful of all, the new hydroelectric plants little and big, some of them enormous, in the hill country of South Germany.

I rub my eyes in amazement and ask myself how these things can be in a country whose currency is almost worthless, whose fluid capital is exhausted, and whose public credit is nearly nothing at home or abroad. It is a staggering paradox and of course my mind has puzzled at it. In explanation I may say that two things are fairly clear.

The Will-to-Work

1. First the will-to-work of the German masses. In no other land or country have I ever seen manual laborers work as these people work. I have yet to see one of them dawdle at his job or trifle with his task. Nobody loaf in the country regions or in the cities of Germany. Everybody works, men, women, and children, even the old men and women, many of them too old and feeble to be taxed by any sort of physical exertion. The German masses have always worked hard. They have been bred to toil through long centuries. But during the war and since, the women, the children, and the old people have worked as never before. They work in the fields at farm tasks from daylight to dark. In the cities their particular job since the war is the delivery of parcels. They are the substitutes for delivery wagons and motor trucks. From my corner seat in the central park of a nearby city I watch these old men and women filing by with packages on their heads, or stacked high in wicker baskets strapped to their backs, or piled in little wagons pulled and pushed along by old couples, or a group of women and children.

The farmers with their older sons and daughters work in the factories of the village or nearby villages, or so they are doing more and more in recent years, because they get a larger return from factory labor than from farm work. Which leaves the old folks, the mothers and the children to keep the farms going at full productive capacity. The farmers are seemingly satisfied with a debased currency. They get more marks for their factory hours on the one hand, and on the other more marks for their farm products. They know little and care less about foreign exchange value of marks. When the mark fell the other day to 181,000 to the dollar, I travelled on a 7:27 morning train crowded with home-owning farmers going to the factories along the line. We'll get more for our fruits now and we'll ask more for our work in the factories, they said. It was all they said about the headline in the morning papers and apparently all they cared.

Country Prosperity

The country people of Germany have not been impoverished by the war. On the contrary, they have been enriched beyond their wildest dreams, and their riches are not hoarded marks but substances of value in the production of other values—lands, work-animals, farm tools and the like. And mind you, these factory workers are home-owning farmers all over rural Germany. They are a cross-section of three-fifths of all the German people.

The landless salary earners in the large cities and the impoverished security-owners everywhere also have the will-to-work, they must work if they would live, no matter how the mark is quoted in the daily exchange list.

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But as a matter of fact the wage-earners in the factory centers are faring better these days than ever before in all their lives. Factory wages have so far risen faster than the cost of living. The result is that the industrial wage-earners in the cities are living better and spending more than ever for pleasure in the simple ways of Germany. I hear these declarations many times a day, and my observation fully confirms their truth.

So long as the toilers of Germany are willing to work and to accept paper marks for their work, factories can of course be built and operated, new railway lines laid down, and new hydroelectric plants established.

Who the Poor are

And speaking of poverty, let me say that the poor in Germany are the civil servants, the pensionnaires, the inheritors of security wealth, and the marginal people in general—the old and infirm, the weaklings in body and brain, and other defective and dependent classes. The falling mark has reduced life to its lowest terms for them, and the result is poverty of a sort that Germany knew almost nothing about before the Great War. Berlin and the Ruhr are full of such poverty. But Berlin is not Germany and the Ruhr is only a part of her great industrial system—an essential part of course, but after all only a part. The great masses of factory workers do not live in the Ruhr valley and the great cities, they live in the country regions in the farm villages, they are home-owners in the main, and it is silly to say that they are poverty-stricken. On the contrary they are rich as they count riches, and they are very well satisfied with things as they are. I am surer of nothing than I am of this.

Results of Cheap Money

And I am sure of another thing, namely, that the soul of Germany cannot be sensed in Berlin. Poverty flaunts itself in the great cities and the great factory areas, but in the country regions it can hardly be discovered with a microscope. Farm villages pepper the map of Germany as pepper grains lie on one's soup. In these little farm and factory centers the farmers are rich and the factory owners are rich. In the cities of every size the merchants are prodigiously busy, and it is not for nothing that the factories are operating at full speed and that the shop windows and shelves are crowded with goods amazing in quantity, bewildering in variety, and bewitching to the eyes of buyers. The shopkeepers were busy in April and May before the tourist season opened and they are busy today with almost no tourists in southern Germany. It is the German people who are buying the rich goods of the stores. Not a few but many people have money in Germany and they are spending it freely in the shops. What I see is merely what can be seen in any land in any period of abundant cheap money.

Factory Capital

2. So much for the will-to-work of the German classes and their economic status. Let us now consider the part that factory enterprisers have played in the marvelous industrial expansion of recent years. Where did they get the capital to build and operate the new establishments I see on every hand? The explanation is simple. During the war and since, they sold billions of construction bonds, stocks, certificates of indebtedness and the like. Eager investors in Germany and abroad, especially German-Americans in the United States, bought them as fast as the printing presses could turn them off. Later on these factory owners demanded and secured from the Reichstag the right to pay in paper marks the interest on gold-bearing bonds, and to redeem these bonds at maturity with the same cheap money. Not all the factory enterprisers are guilty but many or most of them are. There are still left some captains of industry in whom the people have faith and these enterprisers are still receiving from the public the billions of marks

INCOME TAXES

North Carolina ranks high in total taxes paid annually into the federal treasury. In 1923 she paid more than 140 million dollars¹ into the federal treasury and only four states exceeded that amount. They were Illinois, Michigan, New York, and Pennsylvania. But the bulk of our federal tax is paid by the tobacco concerns, six-sevenths of the total in ordinary years. The tax in reality is paid by the tobacco consumers of the nation. In the payment of income and profit taxes we take low rank when the states are grouped on a comparable basis.

In 1921 out of every 1,000 inhabitants in the state 17.2 filed income tax returns and on this basis only two states were below us.

The table presented elsewhere in this issue of the News Letter shows how the counties of the state rank in the number of people per 1,000 inhabitants who pay income taxes. New Hanover ranks first in the state. In that county 97 of every 1,000 inhabitants filed returns in 1921. In Caswell county only 15 returns were made, or less than one return for every 1,000 inhabitants in the county.

City People Pay

A study of the table reveals clearly the fact that income and profit taxes are paid by urban people. New Hanover has the largest urban population ratio in the state and ranks first. All of the counties which rank high have large towns and a fairly high urban population ratio. On the other hand the counties that rank below the state average are invariably agricultural counties, and the higher the rural ratio the lower the rank, with minor exceptions. Sampson, for instance, is one of the big agricultural counties of the state, and only 90 people in Sampson filed income tax returns. Probably the bulk of these returns were made by the professional men of the county.

That city people pay the bulk of federal income taxes can be shown by a few typical illustrations. Guilford county reported 3,686 returns and 3,440 came from Greensboro and High Point. In Forsyth county 3,268 returns were made and 3,046 came from Winston-Salem. In Pasquotank county 456 people filed returns, of which 450 were reported by residents of Elizabeth City. Mecklenburg county alone filed more income tax returns than the last 58 counties combined listed in the accompanying table.

Very few farms in North Carolina produce a net income of taxable size. Naturally it is harder to reach farmers with this type of tax, but even so, after proper deductions are written off the farm that could justly be taxed would be exceptional. The tax that the farmer pays is usually local or county, and goes to educate his children, to pay for the roads over which he rides, and for other direct local benefits. The farmers we have seen lately are not satisfied with the prices paid for farm produce, but they do feel that they are getting value received for taxes paid. They are not losing sleep over a slight deficit in the state treasury for the simple reason that they are satisfied the money has been spent wisely and economically.

Greensboro First

Of every 1000 inhabitants in Greensboro 140 filed income tax returns in 1921, and she led the cities and towns of the state. This seems to show that Greensboro affords opportunities for a large number of people. The following table ranks the towns of the state which lead in reporting net incomes for federal taxation.

Rank	City	Rate per 1000 Inhabts.
1	Greensboro	140
2	Rocky Mount	108
3	Charlotte	100
4	Raleigh	95
5	Asheville	91
6	Wilmington	87
7	Henderson	78
8	Durham	69
9	Fayetteville	68
10	Salisbury	67
11	Wilson	67
12	Burlington	63
13	Winston-Salem	63
14	Greenville	61
15	Hickory	57

that the toilers are still willing to take for building and operating new industrial plants. When the faith of the public is finally exhausted and the will-

to-work of the masses is broken down by an unredeemable currency, then will come the inevitable collapse.

Why shouldn't we pay interest and dividends in paper marks? Why shouldn't we redeem our gold bonds with paper marks? they asked. It is what the government itself is doing with its imperial war bonds, and why shouldn't we be allowed to do the same thing, they said. The Reichstag yielded. No party resisted. There was nothing but paper marks with which to settle either public or private security-debts, or so the Reichstag said.

A Karl Marxian View

The situation was explained to me on the train last week by a Karl Marxian socialist, who by the way learned his English in New York. "First we unloaded the German war debt on the German people at home and abroad," said he. "We don't mind having the masses mad with the government. Next we unloaded the factory debts on the holders of stocks and bonds, and gave these properties to a handful of mine and factory owners. We don't mind having the masses mad with the mine and factory owners. When the masses are mad enough with the government that authorized these spoliations, and with the capitalists who planned these wholesale robberies, then they will be mad enough, we hope, to vote with us to overturn the German Republic, take over these capitalist properties, and nationalize the wealth of Germany. The only thing in the way," said he, "is in the little farmers and the big estate owners. It isn't easy to nationalize land in a country of home-owning farmers. We couldn't do it in Russia, and we can't do it in Germany, unless we can make the farmers mad enough with Berlin and the bloated factory millionaires. Already they have

voted with us for an eight-hour work-day, because it gives them more time to work on their farms before and after factory hours. At present we've got the clericals and the peasant farmers bunched with the socialists against the junkers and the capitalists, and if we play the game properly Germany will soon be just such a state as Karl Marx planned." All this with a dreamy, far-away look in a pair of steady blue eyes.

An Effective Bulwark

Simple, isn't it? But dreamer as he is, he saw the obstacle in the way.

To say it in a word, the recent industrial expansion in Germany has been based (1) on the toil of sweaty workers willing to work and so far willing to work for the vast volumes of cheap money they receive as wages, (2) on the fact that the paper mark has still a purchasing power in trade circles at home—trade circles that are essentially schieba in character, schieba being the German word to name the way everybody in a community gets rich by taking in everybody else's washing, and (3) on the destruction of security wealth, fluid capital, and currency values, all of which are but phases of the way in which the German masses have had their pockets picked while fascinated by a national Punch and Judy Show.

One thing that became all the clearer to me in the talk of my voluble chance acquaintance on the train was the conviction that I have long held as a fundamental belief, namely that the day is approaching, in every land, when the only effective bulwark against destructive socialism will be the land-owning farmers in the country regions and the home-owning wage and salary earners in the cities and industrial centers.

Civilization is saluted unto salvation by the home-owning, home-loving, home-defending instincts.—E. C. Branson, Berlin, July 2, 1923.

INCOME TAX RETURNS

In North Carolina in 1921

Based on the 1921 Report of the Treasury Department and the 1920 Census of Population, covering the number of people in each county making income tax returns, divided by the population.

In New Hanover county 97 out of every 1,000 inhabitants filed federal income tax returns. In Caswell county only 15 people made returns, or less than one for each 1,000 inhabitants. State average, 17.2 per 1,000 inhabitants filed returns, and our rank in the United States was forty-sixth.

W. F. Lovin, Scotland County, and R. G. Little, Pitt County
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Rank	County	Returns per 1000 Inhabts.	Rank	County	Returns per 1000 Inhabts.
1	New Hanover	97.0	51	Person	6.5
2	Mecklenburg	62.2	52	Martin	6.4
3	Buncombe	48.5	53	Perquimans	6.2
4	Guilford	46.4	54	Johnston	6.1
5	Edgecombe	46.3	54	Anson	6.1
6	Forsyth	42.1	54	Columbus	6.1
7	Durham	40.1	57	Montgomery	5.8
8	Wake	33.3	58	Duplin	5.7
9	Rowan	32.2	59	Harnett	5.4
10	Pasquotank	25.7	60	Randolph	5.3
11	Richmond	24.0	61	Washington	5.2
12	Wilkes	22.1	62	Cherokee	4.9
13	Cumberland	20.5	62	Wilkes	4.9
14	Craven	20.4	64	Davie	4.7
15	Vance	19.7	65	Alexander	4.0
16	Lenoir	17.9	65	Brunswick	4.0
17	Alamance	17.5	67	Mitchell	3.9
18	Gaston	16.8	68	Northampton	3.7
19	Halifax	15.3	68	Jackson	3.7
20	Rockingham	15.1	68	Franklin	3.7
20	Wayne	15.1	71	Hoke	3.4
22	Chowan	15.0	71	Currituck	3.4
24	Moore	14.4	71	Chatham	3.4
24	Lee	14.1	74	Tyrrell	3.1
25	Beaufort	13.8	75	Hertford	3.0
26	Henderson	13.7	75	Bladen	3.0
27	Iredell	13.5	77	Dare	2.9
28	Cabarrus	13.3	77	Avery	2.9
29	Pitt	13.1	79	Camden	2.7
30	Catawba	13.0	79	Macon	2.7
31	Haywood	12.5	81	Nash	2.6
32	Davidson	12.0	81	Stokes	2.6
33	Scotland	11.2	81	Yancey	2.6
34	McDowell	10.4	84	Bertie	2.5
35	Transylvania	10.2	85	Sampson	2.4
36	Orange	10.1	85	Madison	2.4
37	Carteret	10.0	87	Hyde	2.3
38	Union	9.2	88	Pamlico	2.2
39	Granville	9.1	89	Greene	2.1
40	Surry	8.9	90	Onslow	2.0
41	Warren	8.8	90	Pender	2.0
42	Stanly	8.7	90	Graham	2.0
43	Robeson	8.3	93	Gates	1.8
44	Lincoln	8.1	93	Watauga	1.8
44	Burke	8.1	95	Alleghany	1.3
46	Caldwell	8.0	96	Yadkin	1.2
47	Cleveland	7.8	97	Ashe	1.1
48	Swain	7.5	98	Jones	1.0
49	Rutherford	7.0	98	Clay	1.0
50	Polk	6.7	100	Caswell	.9