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SOME PHASES OF TAXATION*

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Taxation is both the strong right arm and the nourishment of government. Without taxation government could not exist, could not maintain armies and navies, deliver mail, construct public works, or perform any of the thousand services which constitute the functions of modern political administration. Because government is so dependent upon taxes, there has been throughout history a constant tendency of governments to increase taxes to have more money for official functions, a constant resistance of the taxpayers to increased levies. Faulty, excessive, or discrimnatory taxation has provoked violence and long-standing bitterness. Unjust taxation cost Britain her American colonies; lost Spain Central and South America. Discrimnatory levies early in our history caused Shay's Rebellion in Massachusetts and the Whisky Rebellion of 1794 which for a tragic moment threatened the stability of Washington's administration.

Taxation may be used as a political weapon. In 1876 Samuel J. Tilden was elected President of the United States and counted out in the Electoral College by an extremely shoddy maneuver. The victors, fearful that Tilden would be elected next time, sued him over his income tax -- yes, they had it way back then. Tilden had made millions from Georgia gold mines which he bought from U. S. Grant. The Administration dragged the case through the courts four years, until after the next election, keeping Tilden too busy and smeared to run again. He won finally and part of his Georgia stake built the New York Public Library. But he had been eliminated from politics. "The power to tax is the power to destroy."

Taxation wisely used may be likened, not wholly happily perhaps, to a lancet or scalpel in the hands of a surgeon. A small amount of blood may be drawn off without danger to a healthy body, but an inept practioner might bleed his patient until his resistance was so lowered that he succumbed to even a common cold, as George Washington did.

The doctrinaire economists, most of them without first-hand knowledge of business, who have managed our national economy since the private holding of gold was outlawed in 1936, talk glibly about "siphoning off" surplus private capital through taxation. Previously our concept of taxes was for needed Government revenue only; to this has been added the theory of taxation for control. If a man is broke or his wallet is thin, he is more amenable to government pressure. "Keep 'em poor and docile" might be the slogan of the money managers.

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Taxes are so high - $412 for every man, woman, and child in this country last year - because of unparallelled Federal spending. In the last 20 years the Washington Government has paid out over $703 billion. All former administrations, from 1790 to 1932, spent about one-seventh of that amount, $111 billion, which includes the First World War and all previous conflicts. Tax collections in 1951 were three times as high as in the peak war year of 1942, and will be higher next year, according to the Census Bureau. That figure of $412 represents only visible taxes, those that come in an "or else" letter from the

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* Abstracted from an address before the annual convention of the New Mexico Mining Association, Albuquerque, New Mexico, November 7, 1952.

collector. There are thousands of others. The gasoline that brought you here gathers a hundred taxes from the well to the filling station. Your shirt is woven with 102 taxes; your cigarette is about 40 percent tobacco, the rest is taxes.

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There can be little rebuttal to the proposition that taxes are too high, so high as to shrink investment capital below the minimum required to keep America's industrial plant serving our growing population and scale of living. What to do about it? Since a frontal assault upon the total jerry-built tax structure is beyond the capacity of all but a majority of an aroused Congress, industries must concentrate their efforts upon manifest inequities in their own fields. Lest it be thought that the odds against such individual or group effort are so great as to be hopeless, let me cite two case histories.

In the last tax bill, which generally increased or at least maintained the high tax levels, two exceptions stood out. The percentage depletion on coal was doubled - from 5 to 10 percent of the gross - and the royalties of coal land owners were changed from income to capital gains. These changes, representing a saving of many millions of dollars to the hard-pressed coal industry, were effected by a much smaller group than those assembled here. I saw the changes in the making for I have Washington offices with James W. Haley, former General Counsel of the National Coal Association and now Vice President of a leading Southern producer, Jewell Ridge Coal Corporation, who took a leading part in planning the successful arguments. Mr. Haley is well known to the Tax Committees of the House and Senate for his factual presentation of coal's case over many years. The combination of personal contacts, a sound case clearly presented and work literally around the clock won the uphill battle.

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The crushing weight of corporate taxes leads to the search for loopholes in the law. These permit legal tax avoidance rather than illegal tax evasion. As soon as a loophole becomes frequently used, the Bureau of Internal Revenue seeks to plug it with regulations or new legislation. Then the legal beagles of industry sniff out another loophole and the Bureau gallops up with a new plug.

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Percentage depletion might be classed as a loophole, although specifically authorized by Congress. Ever since its passage, persistent efforts have been under way to abolish or reduce this allowance. The Paley Report which must be considered as stating Administration policy, since by Presidential Directive the National Security Resources Board has formed a committee of the interested Executive Departments to implement the Report's conclusions, gives only lip service to the principle of percentage depletion. The Commission writes that "Application of the percentage depletion device should be confined to those minerals for which the hazards of exploration are great, a principle that apparently did not govern selection of most of the minerals added to the percentage depletion list by the Revenue Act of 1951." Is there any mineral produced in the United States today whose exploration and production are not great hazards, not only by the whims of nature, but because of the policies of the national administration with its multitudinous controls and preference for foreign ores? The Paley Commission apparently would rule coal off the list, yet if coal producers were denied percentage depletion today, a great part of the industry could not operate. Further, the Paley group would prevent any increase in the present rate of percentage depletion. Yet it is evident that the percentages must be increased to keep pace with inflation.

Critics of taxes are often challenged to present a better program. Rescue of a would-be suicide does not require the lifesaver to solve the unfortunate's problems. Bureaucrats will literally spend any given amount; reduce their appropriations and they will find means to live within them. We need not submit a detailed budget to call attention to the parlous state of the taxpayer and point out where relief is particularly required.

While relief is required in every field of taxation and scale of income, among the most urgent needs are:

a) The excess profits tax. Unworkable, as admitted by the Secretaries of the Treasury and Commerce, this ill-conceived levy costs to administer probably nearly as much as it yields. Each case must be fought over separately. Leads to sloppy, padded work and unnecessary expenditure. Should be abolished entirely.

b) High corporate income tax. The legislatures of 16 states have passed resolutions supporting a limit on Federal income taxes (except in case of actual war) of 25 percent compared with the present levy of 57 percent. When 36 states have acted favorably the limit will take effect as a Constitutional amendment.

c) Double taxation, taxing dividends of a corporation which has already paid income tax. The sum of such double taxation, amounting in many cases to 77 percent of the earnings, freezes risk capital, for there is no advantage in buying shares in an enterprise wherein the Federal Government, that bears no part of the risk, takes three-quarters of the profit. Section 102 of the Revenue Act was designed to force corporate earnings out as dividends, thus subjecting them to double taxation that is virtual confiscation. Section 102 favors monopoly, for small companies with few stockholders often find themselves forced to sell at far less than book value or surrender their cash to the tax collector. Double taxation destroys the source of new investment capital upon which the well-being of our national economy depends. It costs about $11,000 today to provide a new job; nearly $7 billion to absorb into gainful employment the net balance of those who seek work each year. They must be provided for, in useful private industry with incentive and content, or we must support them by further taxes in boondoggling. We have the example of Great Britain. That nation has been so bled by taxation that last year less than 50 persons had earned incomes of $25,000 after taxes. All new investment capital must be sought from the Government. Some New Deal economists planned to bring about that result here. Government money means Government control. "The man who pays the piper is the one who calls the tune." Under Hitler the German Government closed the investment market and supplied industrial capital - and a manager for each company along with it. When private capital ceases to finance American industry, totalitarianism will have taken over. There can be no political liberty without economic liberty.

d) Return all possible tax power to the states. This would be the greatest brake upon Federal extravagance which began when the Federal income tax of 1917 all but destroyed state sovereignity.

e) "Pay as you go" has been overdone. The Government should capitalize long-term improvements as it requires taxpayers to do. Whenever possible public projects should be self-liquidating, financed by revenue bonds that impose no burden upon the taxpayers.

f) Abolition or drastic reduction of the capital gains tax. This is a capital levy and a deadly threat to private investment capital. Canada, a young nation with much greater proportionate need for public funds, has no capital gains tax and partly as a result thereof, the soundest currency in the world today.

g) We should also follow Canada's lead in granting tax exemption to new mines for three years after they get into production.

h) Overseas economic aid, especially under Point Four, should not be assessed against the American taxpayer. Miners, with whom these foreign developments are planned to compete, have a right to demand that if they are embarked upon at all, they be

financed by bond sales, not taxes, and the interest and sinking fund of such bonds be derived solely from the income of the ventures. The bonds could be sold to those advocating the Point Four program, sparing the American miner his tax cash to invest in his own property.

i) On the personal level, the taxpayer should have the right to deduct the expense of creative work. And since his home represents often all he can save from the tax collector, single-family owner-occupied houses should be tax free.

If the above suggestions were put into force, far from shrinking the national revenues would rise, buoyed on the upsurge of industry supplied with adequate reserves and financed by a public able and eager to share in the creation of an ever greater national product.

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OREGON NICKEL PLANT GIVEN TAX WRITE-OFF

The Wall Street Journal, December 10, 1952, announced that the Defense Production Administration issued a certificate of necessity to Hanna Coal and Ore Corporation, Cleveland, authorizing it to take quick tax write-offs of $22 million worth of ferro-nickel ore processing facilities in Oregon.

Hanna is a subsidiary of M. A. Hanna Coal and Iron Corporation, also of Cleveland, whose chairman is the newly designated secretary of the treasury, George M. Humphrey. The certificate for Hanna is the largest of 173 certificates issued by DPA in the two-week period ended December 3. . . .

DPA authorized Hanna to write off 70 percent of the $22 million cost of its new nickel ore processing facilities over a five-year period instead of the longer period normally required by the Government for depreciation of such facilities.

Hanna's new facilities will be located in Douglas County, Oregon. Early last month, the company received a certificate permitting it a quick write-off of 85 percent of $3,566,000 worth of ore mining facilities which it plans to construct in Douglas County.

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CANADIAN GOLD SUBSIDY

Canadian Finance Minister Douglas Abbott has announced that in 1953 the Canadian Government will increase the maximum rate of assistance to Canadian gold mines from $11.50 an ounce to $13.50 an ounce. Under the new formula, it is estimated that the average aid given will increase by $1 an ounce. Abbott said that the International Monetary Fund had raised no objection to this action.

Meanwhile, the next chairman of the House Banking and Currency Committee, Rep. Wolcott (Rep., Mich.) has told reporters he is opposed to the United States taking action by itself to return to the gold convertible dollar, and that he favors a world conference of all former gold standard countries. (From the American Mining Congress Bulletin Service, No.27, December 8, 1952.)

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MAURY MOUNTAIN MINE

The Eickemeyer brothers, who have worked their Maury Mountain claims in Crook County, Oregon, off and on for about 15 years, are again taking out high-grade cinnabar. The workings below the drainage tunnel have been pumped out and ore is being removed from a mineralized zone along a northwest trending fault. Ore is treated in a rotary retort having a capacity of about 1,000 pounds of ore per charge or about 3 tons per day.

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CHROMITE PRODUCTION

The U. S. Bureau of Mines summarizes domestic chromite production in its Chromite Report No. 32. Although the report does not so state, this production must be the amount, at least the approximate amount, received at the Grants Pass ore-purchasing depot and represents production of both California and Oregon. Following are some of the statistics:

1951 -	First quarter	74	short tons
	Second quarter	576	" "
	Third quarter	637	" "
	Fourth quarter (during which government purchase depot at Grants Pass was opened)	5,610	" "
1952 -	First quarter	1,366	" "
	Second quarter	3,070	" "
	Third quarter	5,659	" "

Assuming that the fourth quarter would approximate the amount produced in the third quarter of 5,600 tons, total amount produced in 1951 and 1952 will be about 22,500 tons.

Total imports of chromite for the first three quarters of 1952 amount to 1,162,904 short tons, of all grades. If this represents three-fourths of the imports for the year, the total amount for the full year will be 1,550,539 tons.

The total amount of all grades imported in September 1952 was 130,677 short tons (valued at $3,282,198), of which metallurgical grade represented 82,065, refractory 26,061, and chemical 8,550. In order of importance metallurgical grade came from: Turkey (40,106 long tons); Southern Rhodesia (16,598 long tons); Philippines (9,416 long tons); Union of South Africa (6,045 long tons); Sierra Leone (4,200 long tons); Cuba (4,100 long tons); Yugoslavia (1,000 long tons); and India (600 long tons).

Consumption of chromite during the first three quarters of 1952 in short tons was as follows:

Metallurgical grade	499,803	(57% of total)
Refractory grade	284,254	(33% " ")
Chemical grade	85,733	(10% " ")
Total . . .	869,790	

If this rate of consumption continues in the fourth quarter, total amount consumed would be 1,159,720 short tons. According to the same assumption, the total amount of metallurgical grade consumed will be 666,404. Industrial stocks on hand at the end of the third quarter of 1952 in short tons were as follows:

Metallurgical grade	394,673
Refractory grade	267,379
Chemical grade	114,353
Total . . .	776,405

It may be observed that the quantity of metallurgical-grade chromite in industrial stocks at the end of the third quarter of 1952 is a little less than 60 percent of the probable consumption in 1952. In other words, these stocks would not last very long if imports were cut off.

F.W.L.

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BASALT IN COMPOST PILES AND AS SOIL CONDITIONER

A new use for basalt is described in the November issue of Organic Gardening. A mixture of pulverized basalt and clay when added to compost piles has been found to impart not only valuable minerals helpful to plant growth but also a beneficial cooling effect on the compost. Overheating of compost piles destroys valuable nutrients, especially nitrogen; kills bacteria and enzymes, and drives off earthworms. In Germany, where pioneer work on the use of basalt has been underway for several years, temperatures of compost piles have been reduced from 170° F. to as low as 120° F. A surprisingly large proportion of basalt and clay is used in the German method. Equal weights of basalt and clay are added to the compost, the mixture representing 30 percent of the total weight of the heap.

Basalt, in the opinion of Dr. W. D. Keller,* Professor of Geology at the University of Missouri, is one of the best-balanced rocks for supplying plant nutrients. He feels that basalt, ground with an illite-rich clay and mixed with organic matter should provide the best average plant food possible.

Powdered basalt is also used directly on the soil in experiments conducted in Germany. If left on the surface, the soil temperature is increased, but if worked in it is temporarily reduced. The basalt powder soon decays to clay and releases its nutrients.

*See also "Native rocks as fertilizers," by W. D. Keller, Organic Farmer, April 1950, abstracted in July 1950 Ore.-Bin.

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ANALYSES OF SOME OREGON BASALTS

The following chemical analyses of several basalts from Oregon show the relative abundance of the nutrient elements phosphorus, potassium, calcium, magnesium, and iron.

	Stayton[1]	The Dalles[1]	Lost Creek[1]	Average of 6 analyses[2]
Silica	51.44 %	49.08 %	49.85 %	49.98 %
Titanium oxide	2.80	3.56	2.50	2.87
Iron oxide	14.16	14.27	12.19	13.97
Alumina	13.29	13.71	15.20	13.74
Magnesium oxide	4.28	4.58	6.25	4.73
Calcium oxide	8.28	8.44	9.43	8.21
Sodium oxide	2.93	3.17	3.08	2.92
Potassium oxide	1.40	1.31	0.97	1.29
Phosphorus	0.61	0.73	0.40	0.78
Water	0.73	0.90	0.24	1.22
Manganese oxide	0.23	0.25	0.16	0.24

1/Thayer 1937:1622; 2/Washington 1922:765

In addition to the above constituents Oregon basalts contain the following trace elements[3]:

0.1% to 1%	0.1% to 0.01%	0.01% to 0.001%	Below 0.001%
Strontium	Chromium	Cobalt	Zirconium
	Vanadium		Copper
	Barium		Nickel
			Molybdenum

3/Spectrographic analysis of basalt from Jackson Falls quarry, Washington County, by Oregon Department of Geology and Mineral Industries.

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TRI-COUNTY CHROMITE PROJECT

The Tri-County Mining and Concentrating Corporation was organized in 1951 by Mr. E.R.Wells, Mt. Vernon, Oregon. Officers are E. R. Wells, President; W. A. Stinnett, Vice President; J. A. Curzon, General Manager. Office and concentrating mill are at John Day. The company has a lease on the Dry Camp chromite property and has mined and milled about 600 tons of ore and shipped about 100 tons of concentrates to the Grants Pass purchasing depot.

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INDEX TO ORE.-BIN, Volume 14, 1952

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