

CALIFORNIA  
INDUSTRIAL UNIONAffiliated with  
AFL-CIO

## COUNCIL NEWSLETTER



May 16, 1957

Vol. 7, No. 7

140 UNION MEMBERS  
TALK WITH LEGISLATORS . . .SENATE COMMITTEE  
TABLES FEP BILL ON  
4-2 PARTY-LINE VOTE

Repeating its 1955 performance, the Senate Labor Committee on a 4-2 voice vote again killed off assembly approved fair employment practices legislation, and again on a party-line vote: Democrats for the proposal, Republicans, against.

Thus for the second time FEP legislation has been able to get only to the half-way mark in the legislature.

The Hawkin's (D., Los Angeles) measure, AB 2000, had been approved by the lower house on a 61-13 tally and was similar to the FEP proposal introduced in the '55 session.

The bill would have made it illegal to practice discrimination in employment against qualified persons because of race, religion, national origin or ancestry. A 5-member state commission to administer the act would have been created.

## Defeated On Motion To Table

The death knell came on Senator J. Howard Williams' motion to table. 4 votes of the 7-member committee were needed.

THOSE VOTING TO TABLE (bad vote): REPUBLICANS J. HOWARD WILLIAMS, JOHN A. MURDY, JR., JOHN F. McCARTHY, F. PRESLEY ABSHIRE—4.

THOSE VOTING AGAINST TABLING (good vote): DEMOCRATS HAROLD T. JOHNSON, ROBERT I. MONTGOMERY—2.

ABSENT: LOUIS SUTTON (R).

McCarthy Drops  
Constitutional Amendment

Because of fears that a "war of bigotry and hatred would result," Senator McCarthy, who voted to table AB 2000, asked the committee to table his proposed constitutional amendment (SCA 41) submitting the FEP issue to the voters. The committee unanimously granted this request.

JOBLESS PAY BENEFITS  
UPPED BY ASSEMBLY  
UNIT. . .

The Assembly Finance and Insurance Committee has given a do pass recommendation to AB 687 (Munnell, D.) calling for an increase in maximum unemployment insurance benefits from the present \$33 to \$40 a week.

The measure was amended from \$55 to the \$40 figure. This compromise bill also provides for a five week disqualification period for voluntary quits or discharge for misconduct. The present disqualification period is from one to five weeks but the Department of Employment practice has been to assess the 5-week penalty in the overwhelming majority of cases.

ASSEMBLY VOTES  
\$1.10 MINIMUM WAGE

The lower house of the state legislature has approved a measure calling for the establishment of a state minimum wage of \$1.10 an hour.

The measure, AB 245 (Burton, D.), originally called for a \$1.25 minimum sought by organized labor and contained no exclusions in coverage. The bill was amended in committee to provide for the \$1.10 figure and to exclude agricultural workers, government employees, employees of non-profit organizations and those engaged in outdoor sales work. The author of the measure amended his bill in order to overcome committee opposition.

BARE MAJORITY OBTAINED  
FOR A LEGISLATIVE "FIRST"

The amended bill received assembly approval by a 41-33 vote. 41 votes were needed for passage.

This action by the lower house marks for the first time in California legislative history that a proposal seeking to establish a *state minimum wage law* has reached the floor of either house. Presently, men engaged in jobs or services classified as "intra-state" have no law protecting them in terms of an hourly wage floor; those engaged in work coming under "interstate" commerce are covered by the federal minimum wage law (minimum is set at \$1.00). The state minimum wage for women and minors is now determined by the Industrial Welfare Commission which has set it at 75 cents an hour.

## RECONSIDERATION MOVE FAILS

Assemblyman Harold Levering (R., Los Angeles) moved for reconsideration of the measure following its passage by the assembly. When he failed to obtain the required votes for reconsideration he moved that the record be expunged (i. e., the assembly journal will not record his motion nor the vote on his motion to reconsider AB 245).

The measure now goes to the Senate.

VOTE ON  
STATE MINIMUM WAGE BILL  
(AB 245)

AYES—Bruce F. Allen, Don A. Allen, Bee, Belotti, Biddick, Bonelli, Britschgi, Brown, Burton, Busterud, Coolidge, Crown, Cunningham, Davis, Dills, Donahoe, Donald D. Doyle, Elliott, Francis, Frew, Gaffney, Samuel R. Geddes, Hanna, Hawkins, Henderson, Kilpatrick, MacBride, Masterson, McCollister, McMillan, Meyers, Miller, Munnell, Nisbet, O'Connell, Porter, Rees, Rumford, Thomas, Unruh, and Winton—41.

NOES—Backstrand, Beaver, Bradley, Burke, Caldecott, Chapel, Collier, Conrad, Crawford, Erwin, Ernest R. Geddes, Grant, Hansen, Hegland, Holmes, House, Johnson, Kelly, Klockslem, Levering, Lindsay, Lowrey, Luckel, Marsh, McGee, Pattee, Schrade, Sedgwick, Shell, Stewart, Sumner, Thelin, and Weinberger—33.

AYE—GOOD VOTE

NO—BAD VOTE

The California CIO Council's position on vital issues was carried directly to state legislators by 140 union members—men and women—when they gathered in Sacramento for a hard-working, three-day legislative conference. The conference began Sunday, May 5 and ran through Tuesday, May 7. It



President Dias Opens Conference

was opened by Manuel Dias, President of the statewide organization. Other speakers at the opening session were AFL-CIO Regional Director Dan Flanagan, and Council Secretary-Treasurer John A. Despol.



AFL-CIO Director Daniel Flanagan with Council Secy.-Treas. John Despol

The conference was characterized by hard work with delegates participating in workshops Sunday afternoon. The following two-days were crowded with appointments as delegates visited their legislators.

Workshops concentrated on specific issues: a \$1.25 state minimum wage law, the needed appropriation for the proposed community mental health services act, establishment of a civil rights commission, and public financing of campaigns. President Dias, Secretary-Treasurer John Despol, Assistant AFL-CIO Regional Director Irwin DeShetler and State Council Education Director Geraldine Leshin served as workshop chairmen. They were assisted by James Curry, Secretary-Treasurer, San Diego Industrial Union Council; Leo Geffner, Los Angeles attorney; Cele Carrigan, UAW staff representative and Spencer Wiley, UAW Education and COPE representative.

Union delegates told their state legislators they supported the measures discussed in the workshops.

Delegates Help in Committee Vote  
on Civil Rights Commission Bill

As a result of the discussions delegates had with the members of the Assembly Committee on Governmental Efficiency and Economy, the Civil Rights

(Continued on Page 2, Column 1)



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**Affiliated with AFL-CIO**

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	DeWitt Stone (UAW)

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### EDITOR

Geraldine Leshin, Director  
Department of Education and Legislative Research

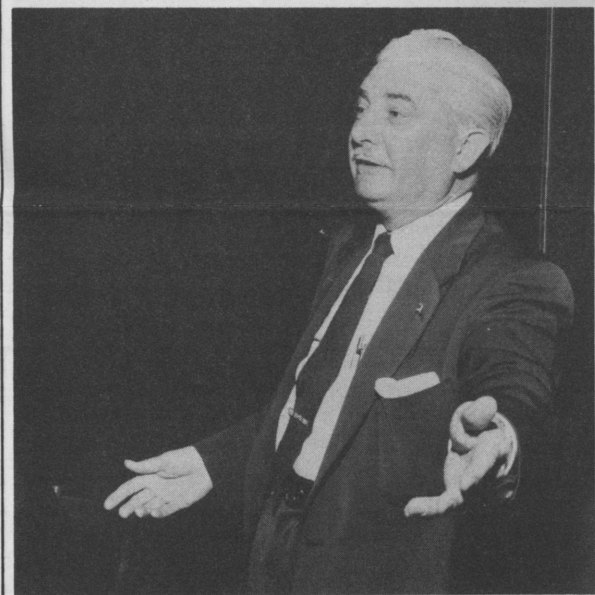
## LEGISLATIVE CONFERENCE

(Continued from Page 1)

Commission measure — AB 2690 (Beaver) — came out of committee. According to John Despol who represents the California CIO Council in Sacramento, enough votes were changed on the committee to obtain a majority of nine votes which were needed. Because the measure carries an appropriation of \$50,000 it was referred from the GE&E Committee to Ways and Means.

### Roberts Reports on Federal Legislation

The Sunday evening session afforded delegates the opportunity to hear George B. Roberts, COPE Area Director, in a full discussion of federal legislative issues. One of the important points stressed by



COPE Area Director George B. Roberts

the Area COPE Director was the fact that the Legislative Department of the national organization is working closely with the COPE Department and

## RULES COMMITTEE DENIES WEINBERGER BID FOR NEW HEARING ON CANCER QUACK BILL

The State Senate Rules Committee recently turned down a request by Republican Assemblyman Casper Weinberger of San Francisco to return his anti-cancer quack bill to the Public Health Committee of the Senate.

However, the Rules Committee left the door slightly open by suggesting it might give favorable consideration to the Public Health Committee's request to have the bill returned. Author Weinberger said his request had the support of Senator John Thompson (R.) who is Chairman of the Public Health Committee.

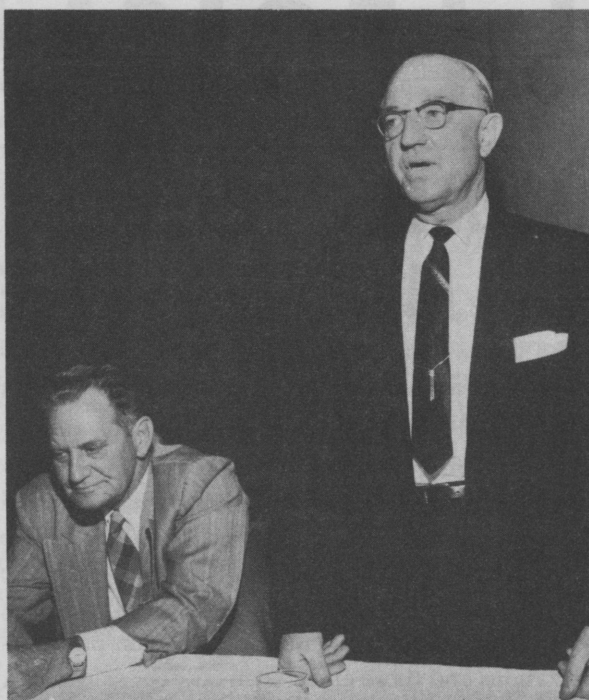
Assemblyman Weinberger has argued that "a very strong expression of public disappointment" has occurred as a result of the previous action of the committee and therefore a new hearing is warranted.

vice versa, which has resulted in more effective action on both the legislative and political levels within the movement.

Prior to Robert's address, the conference delegates heard Assistant AFL-CIO Director DeShetler comment on the objectives of anti-labor groups to shackle the labor movement through repressive legislation such as "right-to-work" laws.

### State Federation of Labor Secretary-Treasurer C. J. Haggerty Briefs Delegates

An informative presentation of the makeup of legislative committees and some of the problems faced by organized labor was presented during the Sunday evening general session by C. J. Haggerty, Secretary-Treasurer of the California State Federation of Labor, who stressed the importance of grass roots support in behalf of organized labor's legislative objectives.



Asst. AFL-CIO Director Irwin DeShetler and C. J. Haggerty, Secy.-Treas. of California State Federation of Labor, address delegates

### Oral Reports Give Well-Rounded Picture

Through the technique of oral reports the spokesmen for the respective delegations were able to inform other delegates of the viewpoint expressed by the Assemblymen and/or Senators visited. In this way each delegate was able not only to obtain a general knowledge or the position of his or her Assemblyman and/or State Senator, but that of the other legislators representing their fellow trade unionists. In this way the delegates were able to get a broad picture of the overall attitude of the legislators and a better understanding of labor's assets and liabilities in its state legislative program.

(See pages 4-5 for "Sacramento Legislative Conference In Action").

The Public Health Committee had sent the bill to the Rules Committee for assignment to an interim committee for study.

"It is not unusual for committees to do this when they want to get rid of a bill," according to Senator George Miller, Jr. (D.). "I think we should back up the committee if that is what it wants done."

Weinberger has also pointed up the fact that one committee member was absent when the Senate unit heard the bill which lacked only one vote for passage to the Senate floor. He has stated he will ask the Public Health Committee to request the bill's return.

### PENSIONS FOR 25 YEAR ALIENS GET APPROVAL

The state assembly ways and means committee has given its approval to AB 2469 (Bruce Allen, R.), which would enable longtime alien residents of the United States to draw the old age pension.

The measure would make eligible for pensions aliens who have resided in this country since January 1, 1932.

The state finance department has estimated the change would qualify about 14,500 persons for aid to the aged at a cost to the state of approximately \$5,700,000 a year.

## ASSEMBLY APPROVES INCREASE IN DISABILITY PAY

By a 63-2 vote the assembly approved legislation to increase the maximum benefit under the state unemployment insurance disability program (for non-occupational illness or injury) from the present \$40 a week to a maximum of \$50.

The two Assemblymen voting against the increase were Republicans Harold Levering and Harold Thelin, both of Los Angeles County.

### \$11 Million Dollars More For Disabled Workers

The vote was on AB 233 (Beaver, D.) which had been approved by the Finance and Insurance Committee in its original form which called for a \$55 weekly maximum. However, when it reached the floor of the assembly from the Ways and Means Committee it had been amended to the \$50 figure.

The original figure of \$55 would have meant an additional \$15 million yearly to disabled workers. The \$50 figure, if approved by the senate and signed into law, will mean about \$11 million more in yearly payments.

### Hospital Allowance Boosted

AB 233, sponsored by the State Federation of Labor, also calls for a boost in the hospital allowance from the present \$10 a day for 12 days to \$12 a day for 20 days.

### Based On Employee Tax

The tax which finances this program comes from the employee. Under this measure the added benefits to workers would come from the present 1% tax now being paid with the change being made on the amount taxed. Presently, the first \$3,000 of income is subject to the 1% tax; under AB 233, the income base would be raised to \$3,600. In other words, the employee contribution would be \$36 instead of the present \$30.

## TEHAMA BOARD STANDS FIRM ON 'WRECK' LAW . . .

A group of labor union officials have been unsuccessful in their attempt to get the Tehama County Board of Supervisors to rescind its "right-to-work" ordinance and District Attorney Edarl Hedlund was equally unsuccessful in getting the county board to hold up the law for 90 days.

### Doubts Validity

"I have serious doubts as to the validity of the ordinance," the DA told the board. He asked the county law-making body to delay the May 22 effective date for 90 days in order to get an opinion from the state attorney general as to the legality of the ordinance.

### 'Become Battleground'

Robert Giesick, organizer of the Five County Central Labor Council, told the supervisors that organized labor is interested in the progress of Tehama County and does not want to see the county become a battleground between the California Association of Employers and labor groups.

Giesick challenged statements of employer representatives that unions had used unfair practices in organizing and in turn accused some employers of intimidating employees and "blackmailing" those sympathetic to labor unions.

He also declared that the board had not read letters from Governor Goodwin Knight and State Senator Louis Sutton (R) of the 8th district opposing the "right-to-work" ordinance. An on the spot investigation developed the letters were addressed to W. W. Boone, a local businessman, and not the board and that Boone had turned them over to District Attorney Hedlund's office. Hedlund produced the letters which were then read. The letter from Governor Knight asserted the Tehama County Ordinance is contrary to state law.



# SCHOOL CENSORSHIP BILL SHELVED IN ASSEMBLY COMMITTEE

A victory for the California Industrial Union Council, the California Federation of Teachers, AFL-CIO, and other organizations and individuals opposed to school book "censorship" came when a Senate-approved measure was shelved by the Assembly Education Committee.

SB 1839 (Donnelly, D.) was stopped in its route to passage when the lower house committee, by voice vote, took the bill under study. This has the net effect of killing the bill unless its supporters are able to muster sufficient support on the Assembly floor to draw it out of committee, a rare occurrence.

During committee testimony in both houses, the provision of the measure which brought forth the controversy was aimed to prohibit selection, purchase or retention of any library books which teach, advocate, sponsor or propagate any ideas contrary to those which school teachers are required by law to impress on their pupils, (i. e., morality, truth, justice, patriotism). Relatively little dispute arose over the bill's first provision requesting local school teachers to prescribe procedures for selecting and reviewing textbooks, library books and other printed material purchased for school district libraries.

## Pressure from 'Fringe Groups'

John Despol, Legislative Representative of the California CIO Council, in testifying in opposition to the proposal, pointed out it would open the door and give a free hand to "fringe groups" or pressure groups, with varying concepts of what is meant by and what promotes morality, truth, justice and patriotism, to use pressure on school authorities by trying to dictate the acquisition of only those books or other printed matter which would reflect their particular prejudices and viewpoint.

## 'Dangerous and Unnecessary'

Dr. Henry Madden, Fresno State College librarian and president of the California Library Association, assailed the measure as "dangerous and unnecessary" asserting that trained librarians already have set up procedures for book selection and these have been approved by school boards and administrators.

He declared, "We are opposed to censorship and make no mistake that this bill establishes a censorship."

He also pointed out that under this proposal Stevenson's Treasure Island and Twain's Tom Sawyer would no doubt be given the ax under the proposal since the former is peopled by an immoral set of pirates and the latter is idle and profane. (Donnelly stated his objective in this measure, similar to one defeated in the 1955 session on the Assembly side, was to rid the school library shelves of obscene and indecent books and literature.)

Censorship—even a little bit of it—is dangerous. The lower house Education Committee is to be commended for its action in taking the bill under study which has the net effect of killing the measure.

# REAPPORTIONMENT BILL FAILS ON SENATE FLOOR

SCA 7 (Richards, D.), supported by the California Industrial Union Council, failed passage on the Senate floor, garnering only 10 "Ayes" to 23 "Noes."

The measure proposed to make congressional districts and assembly districts more equal in population by requiring that each congressional district be composed of three assembly districts. Following is the recorded vote. An "Aye" vote was a good vote, a "No" vote, bad:

AYES—Arnold, Beard, Coby, Farr, Kraft, Miller, Montgomery, Richards, Short, and Sutton—10.

NOES—Abshire, Berry, Brown, Burns, Busch, Byrne, Christensen, Coombs, Cunningham, Desmond, Dilworth, Dolwig, Donnelly, Dorsey, Gibson, Grunsky, Hollister, Ed. C. Johnson, McBride, Robert I. McCarthy, Murdy, Thompson, and Williams—23.



AFL-CIO LEGISLATIVE

# ACTION BULLETIN

## HELLS CANYON HOT ISSUE AGAIN

*The Bill:* S. 555, introduced by Sen. Wayne Morse (D., Ore.) and twenty-seven other Senators. Companion bills have been introduced in the House by Representatives Pfof (D., Idaho), Ullman (D., Ore.), Green (D., Ore.), Porter (D., Ore.) and Metcalf (D., Montana).

*What it does:* The bill provides for federal construction, operation and maintenance of a high-level Hells Canyon dam, on the Snake River on the Idaho-Oregon border.

*The facts:* (1) The Federal Power Commission has already awarded to the Idaho Power Company a license to build three small dams on the Snake River, despite a report by one of its own examiners that a single high federal dam would be "dollar for dollar the better investment and the more nearly ideal development of the Middle Snake."

(2) The federal dam would produce more than twice the hydropower than the three low-level dams would produce.

(3) Jobs are at stake—the greater abundance of hydropower (at much less than half the cost of power from the three small dams) would encourage the expansion of industry which would create about 70,000 new jobs in the area.

(4) The single high dam would store about 3.8 times as much water as the small dams for flood control, navigation, and downstream power benefits.

(5) Other benefits of the federal dam which would be non-existent or almost non-existent if the small dams are built—include development of a large natural playground for recreational purposes, protection of fish and wildlife, use of water for irrigation purposes.

(6) When applying for its FPC license, Idaho Power said it would be better to develop the Snake with private funds rather than public funds. But recently, Idaho Power got a special tax write-off concession from the government which will cost the people millions of dollars because of lost tax revenue—and save millions of dollars for Idaho Power.

(7) Who pays? Power users in the area will repay the federal government for the cost of the dam, and the government will collect more in taxes because of the greater economic activity a high dam will promote. If Idaho Power builds the dams, power users will be squeezed because of higher power rates.

*Current status:* S. 555 has been reported favorably by the Senate Interior Committee. It is expected to come to the Senate floor for action by the end of May.

*Action:* THIS IS A CRUCIAL ISSUE FOR WORKERS, FARMERS AND OTHERS IN THE NORTHWEST AND THROUGHOUT THE COUNTRY.

AS SOON AS POSSIBLE, WRITE OR WIRE YOUR SENATORS, THOMAS KUCHEL AND WILLIAM KNOWLAND, AT THE SENATE OFFICE BUILDING, WASHINGTON, D. C.

ASK THEM TO VOTE FOR FEDERAL DEVELOPMENT OF THE HELLS CANYON DAM.

## 'PURITY OF ELECTIONS' MEASURE DROPPED BY AUTHOR

AB 2812, the "Purity of Elections measure which would have required strict reporting of campaign contributions and expenditures has been dropped in senate committee upon request of its author, Democratic Assemblyman Thomas Rees of Los Angeles County, because of the amendments attached to it prior to its passage in the lower house. He requested the upper house committee hearing AB 2812 that this amendment-mangled measure "be put out of its misery."

## WELFARE FUND DISCLOSURE BILLS

*The bill:* S. 1122, introduced by Sen. Paul Douglas (D., Ill.), Sen. James Murray (D., Mont.), and Sen. Irving Ives (R., N. Y.).

H.R. 487, introduced by Rep. Frank Thompson (D., N. J.).

H.R. 4653, introduced by Rep. Edith Green (D., Ore.).

H.R. 6513, introduced by Rep. Henry Ruess (D., Wisc.).

*What it does:* Requires the registration of employee welfare or pension benefit plans with the Federal government, whether they are administered by the employer, by the union, or by both. It also requires full disclosure of all receipts and expenditures by the plan and by the insurance carrier, if any. These reports would be made available to all beneficiaries of the plan. A criminal penalty is provided for embezzlement of the assets of the plan.

*The facts:* (1) Billions of dollars each year are put into welfare and pension plans by employers and workers.

(2) Currently, there is no effective mechanism through which the financial details regarding the handling of these funds are required to be open to public scrutiny and to the scrutiny of the beneficiaries, that is, the union members.

(3) Although most welfare and pension plans are scrupulously administered, some abuses have been uncovered in the past. These include diversion of funds for the personal gain of administrators, unjustified "commissions" and kick-backs.

(4) Sen. Douglas, who chaired an investigation which uncovered some of the abuses, says that no group involved in welfare funds—"unions, management, insurance companies or banks"—is exempt from criticism for abuse of carelessness.

(5) These bills would help prevent abuses and carelessness by forcing information out into the open, and by making it a Federal crime to embezzle funds from the plans.

(6) Welfare and pension plans are something the employee earns by working, just as he earns his wages. The National Association of Manufacturers, however, opposes any disclosure of funds administered solely by the employer. If employer-administered plans were exempted from this legislation, it would mean that 92% of all welfare and pension plans would not be safeguarded.

(7) The Administration has also proposed disclosure legislation, but it is much weaker than the Douglas-Thompson proposals. The Secretary of Labor could exempt any type of plan from the registration requirement, and the requirement for reporting financial details and disclosing them to beneficiaries is much weaker.

(8) The AFL-CIO Executive Council has strongly endorsed registration and reporting of all welfare funds, including those controlled by union trustees and officers.

*Current status:* Hearings are expected to begin before the Labor Subcommittee of the Senate Labor and Public Welfare Committee before the end of May.

*ACTION:* WRITE YOUR TWO SENATORS AND CONGRESSMAN. ASK THEM TO SUPPORT THE DOUGLAS-THOMPSON WELFARE FUND DISCLOSURE BILLS.

U. S. Senators: Senate Office Building, Washington, D. C.

Congressman: House Office Building, Washington, D. C.



# SACRAMENTO LEGISLATIVE

## DELEGATES MEET LEGISLATORS:



Senator Richard Richards (Los Angeles County)



Senator John A. Murdy, Jr. (Orange County)



Assemblyman Caspar Weinberger (21st district)



Assemblyman Edward Elliott (40th district)



Assemblyman William Biddick, Jr. (12th district)



Assemblyman Carley Porter (69th district)

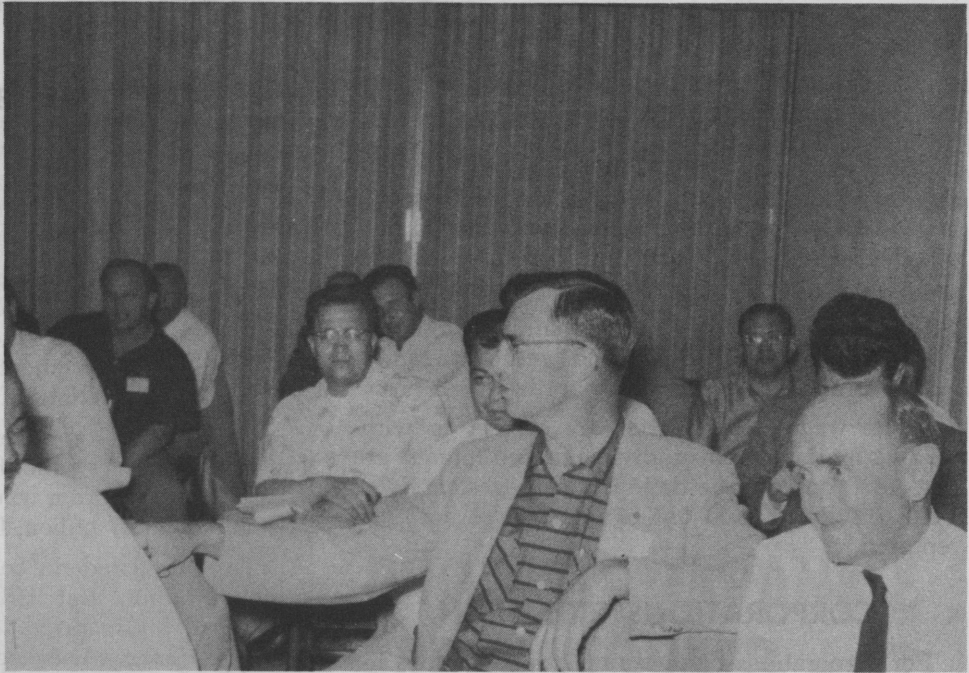
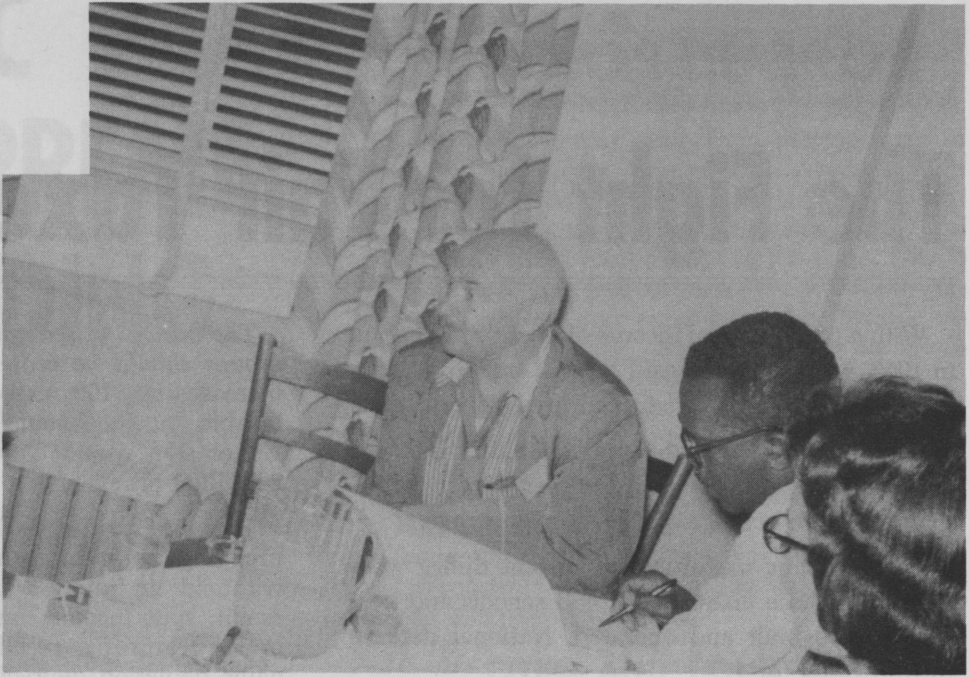


## DELEGATES R

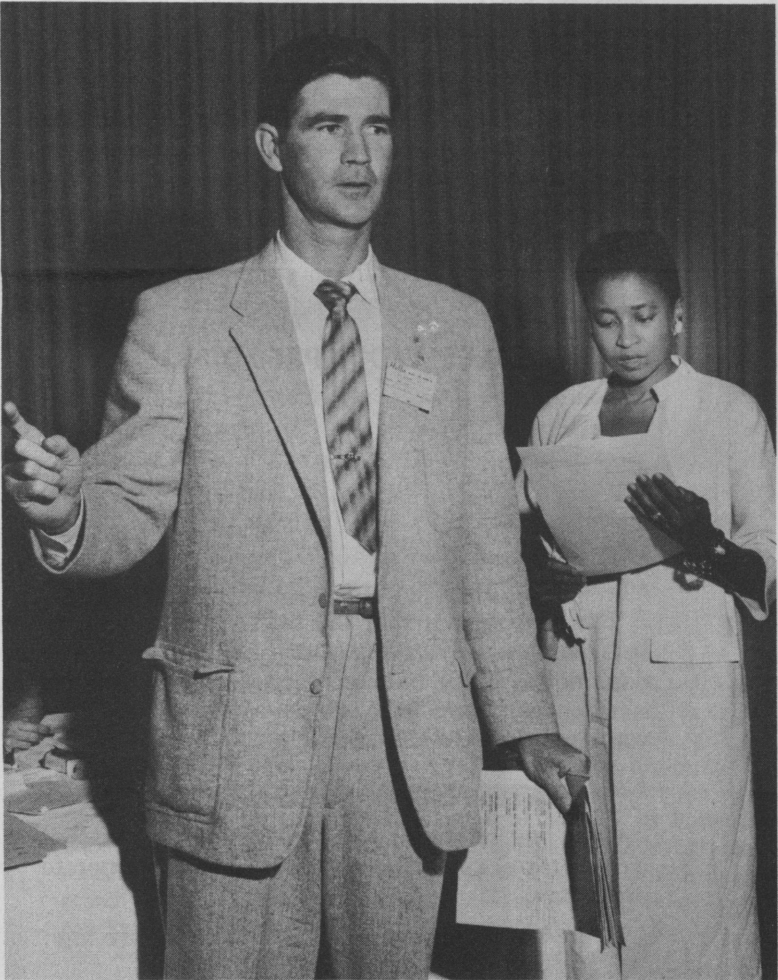


CONFERENCE IN ACTION

WORKSHOP CANDIDS:



REPORT ORALLY



Registration Line . . .



# The Fight for Fair Taxes

With a total national income of about \$340 billion in 1956, we Americans paid out \$94 billion in taxes as the cost of federal, state and local governments.

Out of every \$10 that found their way into our pockets or bank accounts last year, *each of us shelled out an average of \$2.77 for government.*

A great many useful and important things were done with these taxes. Roads and schools and post offices were built and operated. National defense was provided for.

Thinking people do not begrudge taxes if they are fairly collected and wisely spent, because we need and want the things the taxes buy.

Nonetheless, the amounts are huge, and it is well to make certain that such sums really are properly collected and spent.

## PRINCIPLE BREAKING DOWN

Our federal tax system has been based for some 40 years on the principle of ability to pay. Under this principle, tax rates increase as incomes rise. It is known as progressive taxation. The idea is that it is only fair that wealthy people and corporations who can better afford to pay taxes should carry a proportionately larger share of the burden.

This principle now seems to be breaking down.

The federal personal income tax rates are graduated from 22.2% to 94%, depending on income.

But there are so many exemptions and exceptions that *the wealthy do not pay anything near what the rates suggest.* Incomes of more than \$100,000 paid only 45% on the average in 1953; even incomes exceeding \$5,000,000 (!) paid only 48%.

One reason is that incomes above \$100,000 consist 33.8% of dividends and interest; incomes of less than \$5,000, less than 1%.

## DIVIDENDS ESCAPE TAXATION

There are many ways of avoiding taxes on dividends and interest. The first \$50 of dividend income is deductible from taxable income; for married people the deduction is \$100. In addition, 4% of dividend income can be deducted from the tax itself.

Corporation stocks are owned mainly by less than 1% of the people. These dividend credits are almost entirely for this tiny group.

While wages and salaries are subject to withholding by the employer, dividends and interest are not. As a consequence there is much evasion. Some 14% of dividends and 61% of interest are not even reported.

## CORPORATIONS RIDE HIGH

For corporations there are nice opportunities for dodging Uncle Sam in connection with depreciation, depletion and exploration.

*Depreciation* is an allowance to replace buildings or equipment; *depletion*, for the exhaustion of mineral deposits; *exploration*, for finding new minerals.

Excessive allowances for these purposes result in tax evasions of \$3 billion, \$2½ billion, and \$1 billion, respectively.

Until recently, a corporation was entitled to deduct only one half of the total expected depreciation in one half of the expected life of its property; now it is allowed to deduct two thirds.

This is like the so-called "accelerated amortization" or depreciation feature of the war and defense tax laws which allow complete depreciation of defense plants in five years.

These arrangements are really interest-free loans of the money that would otherwise be paid right away in taxes; compounding the interest they result in gifts from the government of two or three times the amount deferred.

## SOME NECESSARY IMPROVEMENTS

All this adds up to a pretty ugly picture. There are several things which can and should be done to change it.

*The burden of federal taxes on the lower income groups should be reduced.* Exemptions should be increased by \$100, or the tax rate on the first \$1,000 taxable income should be cut from 20% to 15%. Either step would cost the government less than \$3 billion in revenue.

This loss can be made up several times over by plugging the leaks in the tax bucket. If taxes were withheld on interest and dividends; if dividend credit, split income, family partnership and stock option features were eliminated; and if the capital gains, depletion, depreciation and estate tax features were either eliminated or corrected, the increased revenue would be about \$9 billion.

The net gain in tax revenues thus would be about \$6 billion.

## STATE AND LOCAL SYSTEMS BACKWARD

The principle of payment in accordance with ability never got off to a fair start in the state and local tax systems.

It is mainly the federal government that uses the progressive taxes: Graduated personal income tax, graduated corporation profit tax, and graduated estate and gift levies.

The state and local governments rely on taxes on general and selective sales, payrolls and property. All of these, except perhaps the property tax, are *regressive*; that is, they put the burden mainly on those least able to pay.

About 80% of federal revenue was derived from progressive taxes in 1956. Only about 17% of the revenue of the states came from such taxes that year; 58% came from sales taxes. While 85% of local revenues came from property taxes, which do not necessarily have any exact relationship to income, local sales and payroll taxes were coming into wider and wider use.

## STATES THE BIGGEST TAXERS

As far as the civil functions of government are concerned, state governments, contrary to Big Business propaganda, are the heaviest collectors. They collected \$13.3 billion in taxes in 1956.

The federal government comes second, with \$13 billion. Three billion dollars of that total, however, are refunded to the states as grants in aid.

The local governments are third, but not far behind, with collections of \$12.7 billion.

Considering the federal grants to the states as state tax money, the federal government would come last. The order would be: States, \$16.3 billion; localities, \$12.7 billion; federal, \$10 billion.

True, total federal collections in 1956 amounted to \$68 billion. But \$58 billion were for war—old public debts incurred for past wars, new defense preparations, and new economic activities, including overseas aid, considered necessary for defense.

## SALES TAX UNFAIR DEAL

The principle of graduation in proportion to income is lost entirely in the sales tax; everyone pays on what he buys.

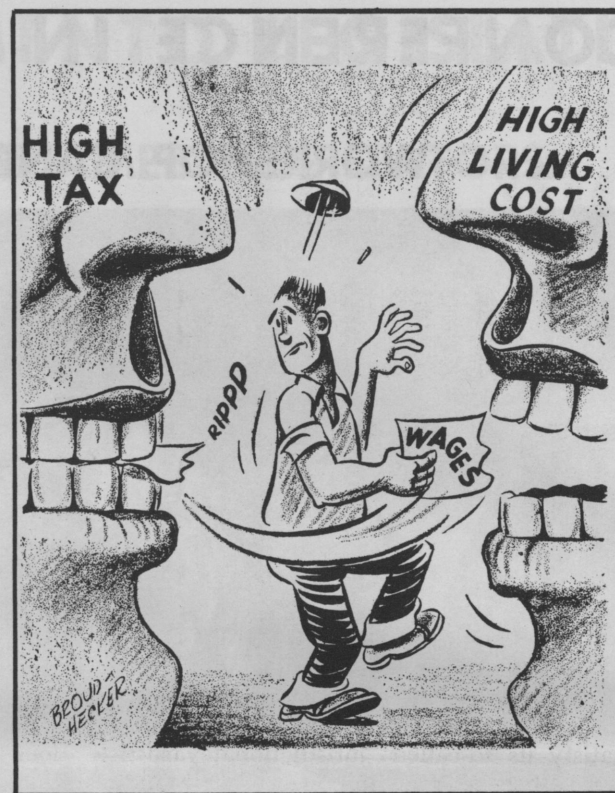
Rich men pay out a relatively small part of their incomes for their living expenses; the rest is salted away and never turned into buying power, and no sales taxes are paid on it.

In all progressive tax systems there are exemptions to protect the lower income groups; these cannot be used in sales taxes.

Persons who make a lot of small purchases—by and large, lower-income people—often pay a sales tax *two or three times while they spend \$1.*

General sales taxes apply across the board; but even where there are specific exclusions—such as medicine, food or housing—the effect is the same. The sales taxes are plainly regressive.

There are also *selective* sales taxes. In this case, only specific items are taxed, usually so-called luxuries, tobacco, cosmetics, jewelry or the like. Many of these things are actually necessities of modern life . . . and *so the burden continues to fall on those least able to bear it.*



The payroll tax works the same way. Sometimes an effort is made to graduate such taxes. But the degree of graduation is always very slight, and the tax falls only on wages and salaries.

## 'GAMBLERS' INCOME' GETS OFF LIGHT

The kind of income called *capital gain* is important in the big-income picture, insignificant with the lower incomes. This income is derived from buying and selling land, stocks, and many other forms of property. It is essentially "gamblers' income," not earned by work.

Capital gains are not taxed at the high rates. Half of such income is exempt—not taxed at all. The rate on the other half is 25%, about what working people pay on their hard-earned wages and salaries.

Another gadget is the *split-income* return. A taxpayer divides his income between himself and his wife for tax purposes. Having two lower incomes instead of one high one often gets him out of the high tax brackets.

Or he makes members of his family *partners* in his business for tax purposes. He can then divide his income among all of them and get still farther away from the high brackets.

And then you have the *stock-option* scheme, a complicated bit of phenagling which helps the top executives of the company cut in on the business, escape taxes, and build themselves a sizeable little nest-egg. The little fellow lacks the inside-know-how, and anyway he never gets the invitation.

*Failure to report income* is a widespread practice. It is mainly the kind of income received by the wealthy which can go unreported. Wages and salaries are easily checked up—indeed, they are mainly withheld. But *about \$1 billion in dividends (14% of the total) and \$3½ billion in interest (61½%) goes unreported.*

## ESTATES AND GIFTS GET BY

Estate tax rates run as high as 77% on the big money, but the average tax was only 12½% in 1951. Gift tax rates run up to 57½%, but the average tax was only 7.1%.

One reason is the high exemptions. A man can leave \$60,000 without an estate tax. He can give away \$6,000 a year to any one person free of the gift tax.

By setting up a series of so-called life estates in his will, a man can delay the time when an estate tax must be paid for several generations.

## SALES TAX SPREADING

General sales taxes are now in effect in almost three fourths of the states. In most cases, the tax extends *even to food and medicine.*

Every state in the Union, without exception, levies selective sales taxes on specific items.

The cities and counties have been getting into the act. More than 1,000 of them now have sales taxes.

The argument is that the sales tax is "painless." It is painless like having your pocket picked: You don't notice it at the time. When it is really painless is when you have \$100,000 a year to spend; then you never feel the difference.

## STATES NEED INCOME TAXES

Over one fourth of the states have no personal income taxes; and over one fourth have no corporate profits tax.

Even where they have them, the yields are low:

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# LABOR WINS HISTORIC VICTORY AS U. S. SUPREME COURT UPHOLDS BUILDING TRADES IN GARMON CASE

(Reprinted from "Weekly News Letter" of California State Federation of Labor)

Labor won a major legal victory . . . when the U. S. Supreme Court ruled that the "mere failure" of the National Labor Relations Board to assert its authority in labor matters because an issue fails to satisfy its so-called "jurisdictional yardstick" does not vest the states with power to act in the resulting "twilight" or "no man's" zone.

Charles P. Scully, chief counsel of the California State Federation of Labor, had argued labor's position in the case before the nation's top legal body.

By its action, the court reversed the decision of the California Supreme Court in the case of *Garmon vs. San Diego Building and Construction Trades Council*, in which the highest California court had held that the state court had the authority to enjoin conduct which might be illegal under the Taft-Hartley Act even though the NLRB had rejected jurisdiction.

NLRB jurisdiction generally prevails in all labor cases where the character of the business falls within the NLRB's "yardstick" definition of interstate commerce. Included in the "yardstick" judgment are such issues as the "dollar volume" of interstate business.

In the Garmon-building trades dispute the State Supreme Court cited federal law against certain organizational and picketing rights of labor unions, despite the NLRB's refusal to assert jurisdiction, and despite the legality of these rights under California law.

The U. S. Supreme Court ruled that states could not act in such a vacated area unless they obeyed pertinent sections of the Taft-Hartley law and adopted a state statute consistent with the federal act and administered wholly in accord with it.

Chief Justice Earl Warren spoke for the court in announcing the decision. The vote was 6-2, with Justices Harold Burton and Thomas C. Clark dissenting.

C. J. Haggerty, secretary-treasurer of the state AFL movement, said the importance of the decision could not be "over-stated." He noted that the case had been handled and argued by the State Federation before the Supreme Court by counsel Scully at the request of the affiliates involved, and also because the principle at stake had far-reaching possibilities. He revealed that the State Federation entered the case following the adverse decision by the California Supreme Court.

## TAXES

(Continued from Page 6)

10% of state revenues came from income taxes in 1956, 7% from profits. The reasons: Absurdly high exemptions, slight graduation of rates.

The argument always comes up that income and profits taxes drive business out of the state. *This is not true, because federal government allows taxpayers to deduct state taxes from their taxable income.* On the contrary, *where sales taxes are eliminated, retail trade may be greatly stimulated.*

Working people ought not to be fooled into thinking that they are better off without a state income tax. A family with an income of \$2,500 a year pays no federal income tax, but under the common 3% sales tax it may pay \$75.

Trade unionists and other liberals must get busy and reconstruct both federal and state tax systems on the progressive principle.

## CITIES AND COUNTIES NEED INCOME TAXES

Cities and counties have been left with the property tax as their main source of money.

These taxes are difficult to administer fairly. Some properties in the community escape the tax rolls entirely. Rates may vary with different kinds of property. *Sometimes industrial property is taxed much more lightly than residential property.* Almost always the assessment level for tax purposes is much too low. At the very least, these things have to be corrected if a property tax is to work reasonably well.

But even after such corrections, much *income* will escape taxation entirely if the system is based only on a *property tax*.

Payroll taxes, which are another form of sales tax, have been taking the place of property taxes, or supplementing them in more and more cities. Along with local sales levies they must be opposed as seriously regressive.

## LABOR WORKS FOR EVERYBODY

In championing taxation on the basis of ability to pay, organized labor seeks no special advantage. On the contrary, it seeks to benefit all people of low or moderate incomes, whether business, professional, farming or wage-earning people.

A truly progressive tax structure in local, state and national governments would be fair to everyone, and a guarantee against the impairment of purchasing power which can lead to a depression.

Tax collections will continue to rise in the future. The many services governments are called on to perform—valuable services which people want and need—make it certain that high taxes will stay with us. *They need to be fairly collected and economically spent.*

(For a more complete discussion of tax issues, write to the AFL-CIO Research Department, AFL-CIO Building, Washington 6, D. C., for copies of "Labor's Economic Review" which discusses federal, state and local taxes. Vol. 1, No. 6 discusses federal taxes; Vol. 1, No. 10 discusses state and local taxes.)

## ORGANIZED LABOR PROTESTS JAPANESE FARM WORKER SCHEME

Arguments pointing out shocking worker exploitation in the present Japanese farm worker importation scheme were voiced before the House Judiciary Subcommittee hearings in San Francisco.

Organized labor in California called for an immediate end to the program and cited the following major objections: 1) Japanese workers must work as long as 43 weeks to serve out the cost of round trip expenses between Japan and the U. S.; 2) Fixing of the Japanese workers' wage scale rests with the government of Japan and California farm employers' associations with no guarantee of a "prevailing rate" clause; 3) Japanese workers have no right of representation, no right to select their own spokesmen in dealings with the employers; 4) Japanese workers may be used as strikebreakers against American workers; 5) Worker grievances committees stipulate that the Japanese worker disputes can be resolved only by the government of Japan and a representative of the farm employers' association; 6) Japanese workers must contribute 5% of their wages to a welfare fund over which they have absolutely no control, and which goes in large measure

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A mobile disaster canteen for use in emergency feeding in disaster relief operations in eight western states was recently presented by the American Federation of Labor and Congress of Industrial organizations to the American Red Cross in ceremonies at the Pacific Area headquarters office of the Red Cross in San Francisco. The truck-size canteen unit, containing its own water, heat, refrigeration, sound, and lighting systems, so it can function in areas where normal utilities have been disrupted, is one of four donated to the Red Cross by the national AFL-CIO through its Community Services Committee as an expression of appreciation for the work of the Red Cross in the Eastern States Floods of 1955. The four units were constructed at a cost of \$38,000 by union labor at plants in Ohio. One unit will be based at Atlanta, Ga.; one at Alexandria, Va.; one at St. Louis, and the one presented above will be based in Los Angeles.

Above, left to right: Manuel Dias, President of the California Industrial Union Council; John F. Henning, Director of Research and Publicity for the California State Federation of Labor; Walker L. Millner, Pacific Area manager of the American Red Cross, and Dan Flanagan, AFL-CIO regional director. About 50 labor representatives from five San Francisco Bay Area counties attended the presentation ceremonies.



**DON'T BE HESITATORS...**  
*Write* **YOUR LEGISLATORS!**

FORM 3547 IS REQUESTED

## TIDELAND OIL BILLS MOVE TO SENATE... TAXES INVOLVED

Whether the working men and women of this state will be asked to assume an additional tax burden may well depend on the final outcome in the controversy over tidelands oil royalties.

Two bills on the matter have received assembly approval *although they sharply differ in the matter of how much the state can and should collect from tideland oil royalties.* They are AB 47 (Miller, D.), supported by the California CIO Council, and AB 2237 (Shell, R.), opposed by the Council.

### VOTE ON SHELL BILL — AB 2237

(Opposed By California CIO Council)

Passed, 52-20

**AYES**—Don A. Allen, Backstrand, Beaver, Belotti, Bonelli, Bradley, Britschgi, Burke, Caldecott, Chapel, Conrad, Coolidge, Crawford, Cunningham, Dahl, Dills, Donahoe, Donald D. Doyle, Erwin, Francis, Frew, Gaffney, Ernest R. Geddes, Grant, Hanna, Hansen, Hawkins, Hegland, Holmes, House, Johnson, Kelly, Kilpatrick, Klockslem, Levering, Luckel, Marsh, Masterson, McCollister, McGee, Meyers, Pattee, Porter, Rumford, Schrade, Sedgwick, Shell, Thelin, Thomas, Wilson, Winton, and Mr. Speaker (Lincoln)—52.

**NOES**—Bruce F. Allen, Bee, Biddick, Burton, Busterud, Collier, Crown, Davis, Elliott, Henderson, Lowrey, MacBride, Miller, Munnell, Nisbet, O'Connell, Rees, Sumner, Unruh, and Weinberger—20.

### VOTE ON MILLER BILL — AB 47

(Supported By California CIO Council)

Passed, 57-12

**AYES**—Bruce F. Allen, Backstrand, Beaver, Bee, Belotti, Biddick, Bonelli, Bradley, Britschgi, Brown, Burke, Burton, Busterud, Caldecott, Collier, Conrad, Crown, Cunningham, Dahl, Davis, Dills, Donald D. Doyle, Elliott, Erwin, Francis, Frew, Gaffney, Ernest R. Geddes, Samuel R. Geddes, Hanna, Hansen, Henderson, House, Kilpatrick, Levering, Lindsay, Lowrey, MacBride, Marsh, Masterson, McCollister, Meyers, Miller, Munnell, Nisbet, O'Connell, Pattee, Rees, Rumford, Schrade, Sedgwick, Sumner, Unruh, Weinberger, Wilson, Winton, and Mr. Speaker (Lincoln)—57.

**NOES**—Don A. Allen, Chapel, Grant, Hawkins, Holmes, Johnson, Klockslem, McGee, Porter, Shell, Thelin, and Thomas—12.

**EDITOR'S NOTE**—It is worthy of note that a goodly number of Assemblymen voted *in favor* of both measures, an unusual situation in view of the fact that the respective measures have major substantive differences.

With a state general fund shortage of \$85 million foreseen for the next fiscal year, and with the possible necessary tapping of new income to finance the ever expanding needs of a growing state, it seems pretty obvious that the California legislature has an inescapable responsibility to obtain the maximum possible return from state oil and gas tidelands.

### Present Law Inadequate

Under existing law about all the state can hope

for from an estimated \$10 billion of oil in the tidelands is about one-eighth of the value. As so aptly stated in an editorial in the Sacramento Bee, "THIS IS BARTERING AWAY A PUBLIC RESOURCE TO THE IMPOVERISHMENT OF THE PEOPLE."

The present law is inadequate in that it sets a flat 12½% oil royalty plus an indeterminate cash bonus for unproved land; it sets a 16% minimum with a sliding scale for proved land which is practically meaningless because virtually all the remaining leases will be on so-called unproved land.

Both the Miller and Shell bills recognize this and offer a remedy by calling for a 16% royalty on unproved lands also. But here the similarity ends.

The Shell bill could be a give away of the state's potential. While increasing the minimum oil royalty on unproved state tideland oil from a 12½% to 16% it does not provide for a *mandatory* upward sliding scale. It would give the lands commission the right to use either a flat 16% plus a cash bonus or a sliding scale plus a cash bonus.

Thus at the discretion of the commission state royalties could be stopped at 16% plus a cash bonus, a mere 4% step up for the state.

By contrast, the Miller bill, AB 47, would establish a *mandatory* upward sliding scale with the minimum set at 16%. In other words, this measure would not permit the lands commission to flatten out the state's take at 16%.

In addition, AB 47 would permit the lands commission to call for bids solely on the basis of royalties without including the cash bonus. This would give the smaller companies and genuine wildcatters without large cash reserves an opportunity to compete for anticipated production.

**ACTION NEEDED:** WIRE YOUR STATE SENATOR TODAY URGING HIS SUPPORT OF THE MILLER BILL—AB 47—WITHOUT CRIPPLING AMENDMENTS. STRESS YOUR OPPOSITION TO THE SHELL BILL—AB 2237.

## JAPANESE FARM WORKER SCHEME

(Continued from Page 7)

to finance the Japanese government's administrative costs; 7) Japanese workers must contribute 50% of all earnings above \$20, after deductions, in each pay period to a fund which becomes the property of the Japanese government in the event the worker dies in America or fails to return to his homeland.

Endorsement of the present program was made by representatives of the U. S. Immigration and Naturalization Service and the farm employers' associations. Ernesto Galarza, research director of the National Agricultural Workers Union, charged that the Japanese program would further depress wages in California farm areas.

Testimony was heard by Subcommittee Chairman Byron G. Rogers (D), Colorado, and Patrick J. Hillings (R), California. Hillings argued consistently in favor of the importation program and differed strongly with labor spokesmen.

## STEELWORKERS TO HOLD ANNUAL EDUCATION INSTITUTE

Charles J. Smith, USA Director of District 38, has announced that the annual education institute of the United Steelworkers of America, in cooperation with the University of California, will be held at the Mark Thomas Inn, Monterey, June 9-15, 1957.

The school this year will devote itself to a vital problem: how to introduce the new member to the union.

Clerical and technical locals will find that special arrangements have been made to provide their delegates with an opportunity to study the problems of their segment of industry.

