

# TAXATION'S NEW FRONTIER

A Businessman's Study of  
Dignified vs Contemptible  
Taxation

JOSEPH S. THOMPSON

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MANUFACTURED IN THE UNITED STATES OF AMERICA

DEDICATED  
to  
AGNES DE MILLE

Inspired choreographer and writer,  
eager supporter of the vital prin-  
ciple presented in this book, and  
the worthy granddaughter of that  
great thinker and leader in human  
progress:

HENRY GEORGE

## Publisher's Note

The author, Joseph S. Thompson, belongs to that breed of Americans who inspired the Horatio Alger stories so popular at the turn of the century. Alger's heroes were strong-minded young men who made their way up the ladder of success despite the handicaps of early poverty. Although the formula of "from rags to riches" is vastly oversimplified, its broad outlines fit the pattern of our own author's long and distinguished career.

A native and lifetime resident of San Francisco since 1878, he claims descent from the "pick and shovelry of the Irishstockracy." If the phrase reflects a healthy dislike of snobbery, it also reveals a deep affection for a people who helped to build the America he loves. The contribution of the Thompson family did not end with Joseph, the first-born. It included his sister Kathleen, who as Kathleen Norris became one of the country's best-loved and most prolific novelists.

Mr. Thompson's introduction to industry dates back to 1895. As an employee of an electrical firm he learned to install some of the first X-ray machines used in California. Other assignments called for the installation of storage batteries in early models of electric automobiles as well as

in the gun emplacements at the mouth of the Columbia River.

This exposure to the potentials of electric power made a profound impression on the lad and he decided to learn the business of power transmission "from the ground up." His next job provided that opportunity in a very literal sense. It found him digging pole holes and climbing poles for a predecessor of the great Pacific Gas & Electric Company before moving on by rapid stages to the post of Division Superintendent.

At this period of his life, disaster struck. In attempting to board a train, his arm was badly mangled. Although amputation was necessary, ten days was all that he could spare the hospital for its ministrations. Self-pity was something foreign to his nature. He accepted the inevitable and went forward as though nothing had happened.

In 1906, a brief nine months after the loss of his arm, he was ready to test his wings as an entrepreneur in the production of high-voltage switchgear. With four young associates, whose interests he later acquired, he organized the Pacific Electric & Manufacturing Company. Here he began to show signs of the inventive ingenuity and the business acumen that propelled him to the top. He mastered the rudiments of bookkeeping by studying textbooks in his spare time. He familiarized himself with the intricacies of patent procedures, using the government's manual as a silent mentor with such good effect that he was able to secure many patents on his own devices without recourse to expensive professional counsel.

In 1928, 51 per cent of the company was sold to the Gen-

eral Electric Company. The 1929 stock market crash and the depression years that followed made all parties concerned amenable to another change. When Thompson proposed, in 1936, that General Electric resell their interest in the company to him personally, at book value, the offer was accepted. It was a dramatic moment for him when Gerade Swope, after examining the statement, said briskly, "Let me see. We lose a quarter of a million dollars by that. Well, so do you. What cash payment can you make?"

"Anything less than 10 per cent would probably be undignified," replied Thompson. "Oh, at least that," said Swope, and on that note the bargain was sealed. In 1953, when Thompson and his associates again sold Pacific Electric, he stayed on as President until the formation of the Federal Pacific Electric Company, where he also served in the same capacity.

At a dinner given by the company in October 1956 to mark his fiftieth year as President, those who paid tribute to him said:

"Joseph S. Thompson symbolizes the spirit that has made America great . . . [his] dreams . . . grew as fast as the infant electrical industry of which he was so firmly a part . . . now [the enterprise he founded] includes 12 manufacturing plants whose output grosses more than \$50 million annually and stands with the greatest in the electrical industry . . . tonight, he joins ranks with only a handful of American industrialists who have been so honored . . . the future of Federal Pacific Electric is unlimited, thanks to the pioneering spirit, personal integrity, inventive genius and genuine love for life that is Joseph S. Thompson."

On the attainment of his eightieth birthday, Thompson resigned from active duty and was promptly elected Honorary Chairman of the Board.

During the fifty-odd years since he planted the seeds of this success story, he not only found the time to serve his industry and the general business community, but to think long and deeply about those forces that act as a brake upon the economy. His first published work appeared in 1942 under the title, *More Progress and Less Poverty*—a title reminiscent of his interest in the works of the great American economist and social philosopher, Henry George.

Partial retirement from the business scene has enabled him to re-examine this subject and to incorporate his findings in *Taxation's New Frontier*. "This country," he maintains, "has reached a point where it must make a fresh appraisal of its tax policies."

We believe that the author's views, buttressed as they are by such a wealth of practical experience and the absence of selfish motives, merit the attention of all thinking people. It is with a deep sense of privilege, therefore, that we offer this book to a discerning public.

THE PUBLISHERS