

THE "PONS ASINORUM" IN THE ART OF GOVERNMENT.

(For the Review.)

BY ALEXANDER MACKENDRICK

Students of geometry are familiar with the famous fifth problem in the first book of Euclid known as "the asses' bridge," over which many geometers stumble. It is probably true that in every science there are encountered at the outset some such problems, the mastery of which is essential to a complete understanding of the science, and the failure to solve which causes confusion and error in the subsequent deductions. In astronomy, physics, chemistry, and indeed in all departments of human knowledge, real progress has been possible only after some preliminary and far-reaching though far from obvious principle has been reached; and it seems as though in the art of human government we are still stumbling at some fundamental difficulty analogous to the asses' bridge of the geometrician.

We venture here to suggest that a difficulty which gets in our way and prevents further progress is that we have not yet solved the question as to the standard by which the revenue of a government should be collected from, and the burden apportioned among, the governed. A general impression prevails that if a certain sum of money must be raised annually for the support of the government, it is of no great consequence how this is done so long as no insupportable inequity in its incidence is felt. No clear and definite principle is enunciated as to the right by which a government official may confiscate a citizen's private earnings, and the lack of such a well-defined principle is evidenced by the contradictory attitudes adopted by authorities on taxation, some maintaining that taxes should be so levied that the payers may be unaware they are really paying (plucking the goose with the least amount of squawking), while others affirm with equal assurance that the sense of citizenship with all its duties and responsibilities, is promoted by the payer being fully aware that he is contributing from his earnings to the support of the country. Protagonists of these views are frequently led into many unintended positions; the first into a tacit condemnation of all taxes except those on commodities where the tax is concealed in the ultimate price, and the latter into a rejection of all taxes other than those levied directly on individuals. The resulting confusion as to methods of revenue-raising becomes worse confounded as society becomes more complex, and raises the presumption that we have left unsolved a fundamental problem which must be dealt with before further progress is possible.

The "ability to pay" standard of obligation to support government has taken a much firmer hold of the public mind than is generally supposed, notwithstanding its specious resemblance to the principle on which the high-

way robber collects his tribute, and the fact that many of those who hold it imagine themselves to be guided by quite other principles in their efforts to adjust public burdens equitably. We have heard economists discourse eloquently upon the duty of legislators to produce an "equality of sacrifice" in the imposition of taxes; we have heard others admitting that taxes are simply payments for services done publicly just as we might pay privately for the service of a street-cleaner in front of our doors or a watchman to guard our premises, and that payment is exacted for the same reason:—but invariably the ultimate refuge has been in the theory that the rich man should be made to pay in proportion to his wealth, and the poor man exempted in so far as is possible without detriment to his sense of citizenship.

It may be interesting to inquire what element of equity or conformity to principle the "ability to pay" theory really does contain that can explain the hold it has taken of the sociological mind. Why should men so unanimously have embraced the idea that citizens should contribute to public expenses in proportion to their income? For it must be remembered that all taxes even as at present collected are at bottom income taxes. This is a truth that is frequently lost sight of. Taxes are paid by men and women, and not by things; and one has only to imagine a piece of land, a house, an automobile or a piano fumbling in its pocket for greenbacks wherewith to pay a tax, to see the absurdity of supposing that things or commodities can pay taxes. When we speak of taxing a house or the personal property of a man, we really mean that we are taking his possessions as a rough-and-ready measure of his degree of affluence as compared with the man who has no possessions. We estimate his income by the number and value of the things he possesses. Similarly with tariff duties, we assume that if a man's income is sufficient to permit him to wear woolen or silk, he can afford to pay a little more towards the upkeep of government than the wearer of cotton. If he is sufficiently affluent to indulge in wine-drinking the appropriate income is assumed and the tax imposed according to the amount he consumes. If he lives in a house costing \$10,000 he is naturally supposed to be twice as rich in income as the man occupying a \$5,000 house. All taxes are and have always been roughly adjusted efforts to make each citizen pay according to his income or supposed income, and the tendency towards Income tax at present is merely a movement to apply the income tax directly in a partial degree, instead of indirectly, as it has been clumsily done in the past. We submit then, that despite our efforts to persuade ourselves to the contrary, the idea underlying all our past systems of taxation has been that income is the only just basis for the apportionment of public burdens.

The reason for the deep-seated assumption that income is a just measure of the financial obligations of citizenship, is perhaps not far to seek. The element of truth hid in the elaborate economic theory known as Marxian Scientific Socialism, lies in the obvious fact that a man can do little of himself to earn more than the living of the primitive savage; that it is society, with

its complexities and co-operative adjustments that makes it possible for him to have "an income," and that in proportion to his ability to earn one does society offer him a ready-made field of operation. Therefore should he contribute to the support of society according to the amount of that income.

Where does the fallacy lurk which we believe underlies this extremely plausible and apparently reasonable argument? It will be found, we feel sure, in the ignoring of the circumstance that all the advantages resulting from the field of operation provided by society to the individual are reflected in the land upon which civilized men stand and live out their lives. The holders of these values which have been created by society and through the spending of tax-raised money, hold a power of exacting income which becomes ever larger as society expands. It is a form of income which men know by instinct should be taxed, and which indeed society has a peculiar right to lay hold of for public purposes. But this particular form of income has become so involved with that other form of income which comes as the natural reward of service, that the possibility of distinguishing between and separating them has not become apparent to the average politician. Therefore the principle of taxing according to income or the evidences of income, has taken hold of men's minds and we need not deny it the element of reasonableness it really contains relatively to the average understanding of economic forces at work in society.

The time has come, however, when every thoughtful citizen must bend his mind to the detection of the fallacy underlying the popular theory of taxation, and to the possibility in the near future of completely distinguishing between what Dr. Scott Nearing has described as "property income" and "service income" respectively, and Dr. Ellwood, of the University of Missouri, has in a seemingly unwilling recognition of an unwelcome truth defined as "earnings" and "findings";—between income that is produced by individuals and represents the value of those individuals to the world, and income that is produced by society in its corporate form. For never before has the dissatisfaction with existing methods of tax-collection been so acutely felt as now. The mildest-mannered men will become turbulent in their efforts to describe the badness of the prevailing system—its costliness in collection, its inequity of incidence, its encouragement of evasion and dishonesty, and its constant tendency to strangle legitimate industry and to repress the use of both capital and labor. A large amount of earnest effort is being expended in attempts to mitigate these evils, and in the making of recommendations to Legislature to amend the more glaring of them. But in the minds of the more thoughtful of those society physicians we fear the suspicion stubbornly lurks, that the removal of one inequity will only produce another, and that the suppression of one evident disease will avenge itself in the development of another "symptom." And if, in spite of these suspicions (well-grounded as we believe) our taxing authorities persist in the patching methods they have followed in the past, we believe it is because they are too near the problem to see it in its

true proportions and to have a chance to discover what may be more apparent to the plain and detached man, that a fundamental error is vitiating all their conclusions and frustrating their well-meant efforts. And this must stand as the plain man's apology for trespassing upon a territory where experts are assumed to have a right of pre-emption.

If, in the morning of philosophy men had stumbled into the error that two and two make four and a quarter, and on the top of that error had constructed the multiplication-table and the higher mathematics, all our systems of counting and mensuration would have got into the wildest confusion. The mere correction of errors would provide employment for our most skilled calculators. Their tasks would in a literal sense be interminable, for the removal of a plus error here would inevitably produce a minus elsewhere. A finality of arithmetical truth would be for ever impossible, and yet the probability is strong that those accountants being "practical" men with a natural aversion to the doctrinaire, the abstract, or the theoretical, would resent the suggestion of the onlooker that the cause of the trouble should be sought at the foundation where it would be discovered that two and two make four. Such an onlooker might be pardoned, as we trust the present writer may be, for deploring the waste of energy in attempting to remedy the irremediable, and for refusing to interest himself in such efforts while the fundamental error remains uncorrected.

We now ask the reader to conceive of a primitive community of settlers in which each household performs for itself all the necessary functions of comfortable living, providing its own lighting, its own water-supply and its own fuel; and governing its own sanitary arrangements and health-conditions. We may further suppose that each settler performs his quasi-public duties as well as his private ones, by keeping the roadway in order opposite his homestead, by policing his property with the ever-ready shot gun, and by doing many things at his own expense which in a more complex condition of society he is relieved of. In imagination one can see such a community becoming gradually more complex in obedience to the law of evolution which ordains a constant movement from the homogeneous to the heterogeneous in industry and the immense economies in the subdivision of labor and co-operation of effort, and when these advantages have materialized in the increased well-being and comfort of the community, it is evident that from this cause alone differences in the value-of-situation enjoyed by the various settlers will at once arise. The "lot" situated nearest to the central store, the blacksmith's forge, the village school or the meeting house, would be considered the most highly favored, and a land-value or value of position would attach to it. Now, when by the mutual consent of these settlers a public authority is called into existence and instructed to do certain things, what is it that really happens? It is simply that these people have discovered that by doing some things collectively such as bringing water in pipes from a neighboring lake, they

can be done more effectively and at less cost of time and energy than when done separately. But immediately there emerges the question as to the principle on which each settler's payment should be determined. Were it simply the cost of cleaning and lighting the part of the roadway contiguous to each settler's location, that would be determined by the wage-cost involved in the work done for each settler. The greater part of such public expenditures, however, is applicable to improvements which effect the governed area as a whole, which make its entirely a more desirable locality to live in, and which add to the district certain amenities which no private citizen by mere attention to his own patch of territory could have conferred upon it.

And here we reach the "pons asinorum" on which local and national governors have stumbled and continue to stumble. Until we can establish a just principle on which public expenses should be distributed among the people, it is futile to attempt the holding of a just balance between the various beneficiaries of the public services. For, let it be carefully noted that previous to the setting up of the public authority, it did not cost more to the industrious and affluent man to do his part in the quasi-public work of the community than it did the poor and inefficient man, and there seems no reason now for taking his self-earned affluence as a measure of his obligation to pay. It is only when we realize that the public authority has done much more than merely to relieve the settler of the trifling duties of cleaning his doorstep and removing his ash-buckets, that we get sight of what we believe to be the true principle by which the burden should be apportioned. For these amenities which the action of the public authorities has conferred on the governed area as a whole have been accurately reflected in increased values-of-position, and in proportion to the unequal advantages of position they previously possessed. To him who had much, much has been given. The already-valuable site in the most favored position within the settlement will have had a large addition made to its market-value by the action of the authorities, while the less valuable position in a less favored locality may only have benefitted slightly in the increase of its selling-value. To an onlooker with something of the seer's vision, it must surely be evident that the only just way of apportioning the public burden will be to take the relative values of the various situations or sites as the standard by which to determine each contributor's payment. Such pre-vision might also foresee that such apportionment would not only be just, but expedient in the highest degree, as it would prevent aggressive or selfish action on the part of individual settlers. It would make it unprofitable for any one to hold a valuable piece of land which he did not intend to use to its highest utility, whether that might be for purposes of industry or ornament. It would make fore-stalling of natural opportunities, or anti-social use of the limited land surface at the community's disposal, forever impossible. From every point of view it seems clear that an unprejudiced advisor would have recommended the adoption of the site-value standard as the right one for the fixing of each contributor's payment.

Now, a fundamental law or principle governing simple or primitive conditions, must of necessity be equally valid under any complications that may subsequently arise. If we conceive that the force of gravitation is, according to the well-known formula, acting constantly upon a heap of unrelated pieces of metal, then it must continue to act upon all of them just as rigidly and impartially when they are re-shaped, polished, and adjusted to each other in relationships that make a printing machine. And under the most complicated conditions society may have attained to, as in the simplest and most primitive form, it will, we believe, be found on examination that the only way of distributing public burdens that is both just and expedient is to ask each citizen, "What is the present value of the limited earth-space which you occupy or monopolize to the exclusion of the remainder of your fellow-creatures?" and to take that declared value as the measuring-stick by which to determine his proper contribution to the communal purse.

It has at all events now become evident that the Income standard of taxation, whether applied directly, or indirectly, as our past systems have been, is sufficiently discredited by the quagmires of dissatisfaction into which it has led us. But what should we have expected? It was conceived in error and shapen in envy. It wrongs the man whose income represents his true value to society, and it equally wrongs the liver on "findings" by making that kind of living respectable. It saps the incentives to industry at their very source, and engenders an unnatural antagonism between a citizen and his governors that must be destructive to the kind of patriotism we covet for The United States. Our sincerest hope is that like the wage-fund theory, the "ability to pay" standard of taxation will in a few years be found among those curiosities of human error that make up the interest of the Sociologist's Museum.

ECHOES FROM THE NATIONAL CAPITAL.

(For the Review.)

BY BENJ. F. LINDAS

A SINGLE TAXER HONORED.

It should be a source of considerable gratification to the Single Taxers of the country to know that Congressman Warren Worth Bailey, of Pennsylvania, the brilliant editor of the Johnstown *Democrat*, has been appointed chairman of the sub-committee on Taxation and Assessment for the District of Columbia. This is one of the most important committees in Washington having charge of the local affairs, and gives Mr. Bailey a splendid opportunity to suggest to Congress some very necessary changes in the chaotic tax laws of the District. That Mr. Bailey intends to take full advantage of this opportunity is evident from the fact that he has already introduced a bill