

HOW SHALL THE REVENUES OF GOVERNMENT BE RAISED?

THERE is but one answer to the question it is proposed to discuss in this paper, and that is short and to the point—taxation. We may attempt to evade it or disguise it, we may call it by any other name imaginable; the thing itself remains. The state furnishes no capital, in scarcely any sense of the word does it create wealth; it is simply the agent for the people, and an agent whose expenses must be paid. Some one has said that the government is a watchman whose services are always in demand, and under whose protection we are able to produce both that which repays him and supports ourselves. It is a laborer; but much like one who kindles our fires, sweeps our rooms, cares for our horses, and does the many other odd jobs of life—leaving us free to give undivided attention to our business. We do not create government for its own sake, nor because we care for it; but because we cannot get on without it. In spite of all that it does for us, it is, almost without qualification, a necessary burden,—one might almost say, an economic evil; which we would gladly put away if we could, and of which we always say, “The less we know of it the better.” It is an accident or incident of fallen humanity; so much so, that the higher men rise in the scale of rational and enlightened existence, and the purer they become, the less are they sensible of the existence of government, and the less friction is there in every-day life. As men become more unselfish and far-sighted the apparent

conflict of interests dies away. Only so far as it continues to exist is law necessary. The place for government, then, appears at once. It decides in an apparent conflict of rights; or where there is, on the part of one, a wilful infringement on the rightful well-being of another. It does far better when it prevents this. Its prime object can be summed up in a few words: to secure to all who labor the fruits of their labor. That single sentence defines all its legitimate duties. Like the "common-welfare" clause in our National Constitution, it will naturally and properly cover action in many directions; even in the line of the improvement of the race. But, again like that clause, it is capable of most decided abuse. This much can be safely said; that wherever we step beyond these simple bounds, we tread on dangerous ground. This is neither the time nor the place for more than the mere assertion.

Now, to successfully accomplish this one object, the government may take such part of the fruits of labor as may be necessary for its own support. This is revenue, and it is taken by taxation.*

* The following table has been prepared to indicate briefly the several classes of taxation to which citizens are subject.

Kind of Tax.	Amount Determined By.	Levied On.	Paid To.
National . . .	Congress.	{ Imported goods. Tobacco, liquors, * occupations.	{ Customs officers; and in enhanced prices. District collectors.
State	Legislature.	{ Real estate and personal property.	{ County Treasurer. } †
County . . .	County Board Comm's.	{ Real estate and personal property.	" "
Municipal; as Township .	Direct vote of citizens.	{ Real estate and personal property.	" "
School-District	" "	{ Real estate and personal property.	{ County Treasurer. District Treasurer.
Village } Town } ‡ City } §	{ Trustees Common Council. Board of Aldermen.	{ Real estate and personal property.	{ County Treasurer. Local Treasurer.

* Dealers in liquors and tobacco.

† The county system prevails within the limits of government surveys. The parish system of the South is somewhat analogous to this. The township system gives the utmost local freedom, and belongs to New England and the Eastern States [generally].

‡ These terms are often interchangeable.

§ Different names for the local, representative, government.

It has often been said that those who are self-governed know less about their government than do the citizens of almost any other form of national existence. The indifference which prompts this somewhat exaggerated remark is certainly very manifest, and in many ways very alarming. Undoubtedly it is true that in this country thousands of men vote every year for men of whom they know almost nothing, for offices of whose requirements they are almost wholly ignorant. Issues are made up or suppressed by individuals, only too often for private ends; and are determined by voters who have given the subject almost no thought whatever. It is notorious that on some of the most weighty national questions—as finance—men have acted with no better guides than the harangues of a bitter personal campaign or the utterances of a strictly partisan press. It is very rare that men—even intelligent men—take time from their daily vocations to gather about them the best authorities on any subject, and with such guidance think their way out to wise action. Perhaps in no direction has this carelessness been more manifest than with regard to taxation. We seem to have an impression that this is a free country, and will remain so as long as it is not subject to some foreign power; that, as the people govern themselves, they therefore tax themselves, and consequently all is well. We forget that there is such a thing as the tyranny of majorities, and that the very freedom of our political life makes it only too easy for disreputable and designing men to put their fingers on the national purse-strings and make the purse as full as may be necessary to gratify their private desires. Our wonderful prosperity as a nation has made possible both the payment of taxes and the complacency with which we see the proceeds so often worse than wasted. Few men know what they pay—the revenues of the National Government being collected without a receipt given to those on whom the burden really falls; and we only know that lawlessness and extravagance often mark

national expenditures; that some of our cities are among the worst-governed in the world; that our municipal indebtedness has become a mountain which many believe can never be removed; that we are even venturing on the assertion that public indebtedness is desirable and should be perpetuated; that we have many highways that would disgrace the poorest canton in Switzerland; that we often distrust our judges, and are sometimes weary of our juries. In a word, that fidelity, economy, and integrity in public affairs appear to be rather the exception than the rule.

All economists admit that there is no science of taxation as there is a science of exchanges. There may be errors and injustice and inequalities, but they are all connected with a question of policy and its results. There are no great natural laws running through and controlling taxation and its effects. As Dr. Perry well says: "Nature bids men work and save, buy and sell, invent and transport, navigate and grow rich; but nature has given no whisper, that we can hear, about any taxes." Yet, though there may be no science of taxation, there are a few general principles which, while doubtless very familiar to many of us, should be at least reviewed before entering on the discussion proper. These may be given without any special effort after logical connection.

The purpose of taxation is to make possible a product of greater value than the amount collected. This is one of the surest tests of the wisdom and integrity of both the levy and the outlay. The expenditure should be remunerative, and clearly so. If there is any doubt, the tax-payer should be given the benefit of it, and the levy delayed, at least, till the necessity or desirability be proven. Every possible effort should be made to establish the fact that the amount paid the collector is the best investment that can be made. Much of the dishonesty and delay now known on the part of the payers would then disappear. Let it be understood that no money is

wasted ; that the public service is as efficient as that of a private corporation ; that roads, and parks, and schools, and public benefactions, are "worth all we put into them"—to use a very common phrase, and there will be very little on the part of the public of which to complain.

What is the fund on which this taxation can draw? The question can be best answered by a simple illustration. Occasionally there sweeps over a new community a wave of distress and failure. The elements combine in the warfare against man, and, as ever in such a combination, are successful. A very common remark is: "They will not be able to pay their taxes." In other words, they have no surplus produce from which to pay, and they have produced, during the season, at least no more than the mere necessities of life demand. The production of the community, then,—the combined earnings of all citizens—is the fund from which the revenue of government arises ; and it must be that part of production remaining after satisfying the immediate demands of existence. It should be noticed here that as this is the only fund on which taxation can draw, the capacity to give is not increased by multiplying the directions in which the demand is made. The equivalent of a nine-inch stream will never be secured from a six-inch pipe, no matter how many laterals may be applied. It may seem unnecessary to speak of this, but there are many—and some high in authority—whose actions, at least, would indicate that they thought there was no practical limit to endurance, and that the greater the number of channels the more will reach the common treasury. They remind one of the Eastern monarch who, finding the revenues from a poll-tax—already too high—to be inadequate, sought a remedy in levying on fingers and toes.

The four canons laid down by Adam Smith might well be mentioned here, as being only too often forgotten or ignored. The first is that the subjects of every state ought to contribute toward the support of the government in pro-

portion to their respective abilities. This expressly disapproves of any system which would demand the same amount from each person; for the poor would be crushed by that which would not be felt by the rich. Nor can it mean that which we generally have in mind when we speak of equality of taxation. Our thought is a uniform tax levied on the entire property of all citizens. It is evident, however, that there is positive inequality in this. A tax of five dollars on the outfit of a drayman far outweighs a like tax on the phaeton of a banker. Fifteen dollars paid on a fishing smack, the sole dependence of its owner, is a vastly heavier tax than the same amount on a pleasure yacht. Under such a system, the amount taken from the surplus of the rich must count as nothing when compared with that demanded of the man who never has quite enough for even the decencies of life. All this becomes so clear when we are driven to an income-tax that incomes under a certain sum are always exempt. The same is true in the taxation of personal property. The exemption of two hundred dollars (in most States) is planned to cover that amount of property which we believe necessary to bare existence; and, possibly, with the thought to encourage saving at least to that extent.

One may readily believe, therefore, that under no known system is property *equally* taxed; and may doubt whether this is possible, except by what is known as a graded tax, *i. e.*, a tax the rate of which advances with the value to be taxed. But by almost common consent this is believed to be a method so beset with difficulties as to be wholly impracticable. The only equality of taxation that is possible is where the burden falls equally, or as equally as possible, on persons and things in like conditions and situations. Perhaps this is as near the fulfilment of the first canon as a nation can come. Ours will do well—much better than now—if it accomplish this. It certainly departs very far from it, in one class of cases at least. Property

purchased abroad and sought to be entered at our ports is subjected to a discriminating tax and a burdensome one, often almost prohibitive. The American citizen pays a heavy penalty for the privilege of exercising that which is as natural and beneficial a right as the right to existence itself—the right to secure in the market of his choice the best possible returns for his labor. Some people call this tax “protection,” though it is very difficult to understand the appropriateness of the term.

The second canon is that the tax which each is bound to pay should be fixed and not arbitrary; the time of payment, the manner of payment, the amount to be paid, ought be clear and plain to the contributor and to every other person. There can be no question as to the wisdom of all this in a government within which arbitrary power is even possible. A ruler who could lawfully disregard any clause of this canon would clearly have it in his power to ruin his people. A man who could not tell what he was to pay, nor when he was to pay, nor where, nor in what, would be utterly at the mercy of his sovereign; while unless the condition of each was plain to his neighbor there would be no protection against the most bitter inequality, and no witnesses of the most flagrant wrongs. Nor can any reason be given why this canon should be disregarded in this country. It begs the whole question to say that some general law or some system can be trusted to accomplish substantially the same results, though in a blind way. The only assurance we have of individual safety is to see the entire problem worked out, step by step, each factor and combination subject to inspection and correction, in each and every case.

Third, every tax ought to be levied as nearly as possible at the time and in the manner in which it is most likely to be convenient for the great mass of contributors to pay it. This is so generally recognized and so widely sought after that it needs no more than a passing comment. Those

States which have adopted the plan of semi-annual payments, have gone very far toward realizing the best results.

Fourth, the levy should be made so as to take out and keep out of the contributors' pockets as little as possible over and above what it brings into the public treasury; and so as to remain in the hands of the government as short a time as possible. This, of course, simply calls for that system which ensures the least cost of collection (other canons being duly observed); and which, while supplying all immediate needs of the government and making a reasonable provision for the near future, avoids a large surplus of unexpended income,—always far more dangerous to a state than to an individual.

Of these four general propositions Judge Cooley speaks so strongly that I desire to quote. "Of these maxims," he writes, "the wisdom of which has secured for them universal acceptance, the second embodies a rule of absolute right from which the authorities are not at liberty to depart; the first and third address themselves to the legislature which frames the revenue laws; the fourth also appeals to legislative wisdom, and is perhaps less observed than either of the others, especially in those States which have never burdened themselves with heavy debts or been tempted into wild and extravagant expenditures. In such States a tendency has been apparent to heavy accumulations in the treasury—whereas the maxim under consideration would justify any State in having its treasury in condition at all times to meet any possible calls upon it, but would condemn emphatically any exactions from the people in advance of the needs of the government."

To these four an American of prominence, Mr. Walker, has added a fifth; deduced, he asserts, from the united experience, observation, and testimony of all civilized nations in modern times. It is this: The heaviest taxes should be laid on those commodities (things) the consumption (use) of which is especially prejudicial to the inter-

ests of the people. There should be much hesitation about accepting this. It must ever be very hard—almost impossible—to draw the line between useless, liable to abuse, not exactly beneficial, possibly prejudicial, somewhat prejudicial, prejudicial, especially prejudicial. If the line can be drawn, the result is a terrible tax laid on the weak for the benefit of the strong—as in the case of the habitually and irrevocably intemperate. Further, say what we will, it is a legal recognition without a legal rebuke of that which is “especially prejudicial to the interests of the people”—which certainly ought not so to be.

To the words already quoted, Judge Cooley adds: “But taxation must regard not only the mere replenishing of the public treasury, but the general benefit and welfare of the political society.” This principle of taxation arranged for the general good and keeping pace with it, is not new, and has sometimes been considered worthy of the place of the sixth canon. Recognizing it at all, we must recognize it in its full weight and meaning. This involves some admissions which we are not generally willing to make, yet which are logically and irresistibly forced upon us. The most evident and most important is that there is really no principle by which taxation may be arbitrarily limited. Yet, in nearly every State—possibly in every State—in the Union the statutes fix or attempt to fix a limit beyond which taxation shall not go. This is a surprising confession of distrust in our system of government and of weakness in our system of revenue. Legislation may with some propriety limit the amount of indebtedness which a given community may incur, and it may protect the minority by requiring certain majorities to secure certain expenditures, or possibly by limiting suffrage with regard to certain levies; but with no propriety whatever may it curtail the amount which a community may be willing to contribute and expend. Economy, frugality, wisdom in expenditure, cannot be enforced by law. There is too much character involved in each. Nor do

economy and frugality necessarily mean small expenditures or low taxes. Indeed, the connection between the two is so slight as to form almost no ground whatever for judgment in this matter. Other factors are so numerous and controlling that the solution of the problem goes very lame and halting on this one alone. If, as has been already said, taxes are so collected and expended as to make them a good investment, then they may be carried to any extent that individual expenditure may reach. Perhaps this is the best, as it is the only proper, limit. Taxation may be high and yet actually a matter of profit: as where the cost of water-works and a system of sewerage is more than offset by the general rise in property values, the reduction in insurance rates and the decrease in losses by fire, and by a lessening of the expenses attending sickness. Or it may be high and gladly sustained though bringing no money return, as in the case of great public comfort, convenience, or advantage. Just as an individual may be very willing to limit his expenditures in many ways in order to have attractive grounds, or to own a well-filled library, or to make a yearly pilgrimage to the metropolis; so the people of a town may, very properly and wisely, make actual sacrifices in personal expenditures in order to secure a beautiful park, or a public library, or some of the advantages of the metropolis in a course of public lectures. But all these must be secured without an actual crippling of industry, and must be kept within the limits of the sustaining power of future revenues. A park that is allowed to run to weeds or to serve as the pasture for vagrant cows because the expense of oversight cannot be met; a city library which cannot be kept decently abreast of the times by additions to the catalogue, and cannot have room and warmth and care; water-works out of repair just when most needed and when most generally relied upon; and a system of sewerage which only operates to poison both air and water;—these are certainly poor investments, and

they may prove ruinous ones. It is even possible that a community cannot afford these, though rightly managed. A man may bankrupt himself in under-draining a farm; and it is said that there is a city in New Jersey whose debt for improvements already exceeds the actual value of the property within its limits.

After all, these should be considered rather as extraordinary expenditures, to be met by special action. For all general purposes the tax may be, and therefore ought to be, such as to demand no great sacrifice. It should be regarded rather as an incidental expense than as a perpetual burden. A full treasury demands a steady revenue, and a revenue to be steady must be such as can be secured with comparative ease under almost any possible condition of the body politic. Such a revenue, from the very nature of things, must be one that both in amount and in the method of raising it (and the latter, more often than the former, determines the weight of the tax) bears lightly on the people.

There is one special reason for this which ought to be stated. Success in collecting the tax, and the amount of the tax, vary inversely. All experience proves this. The higher the tax, the smaller the proportion collected; and often even the smaller the total amount that reaches the treasury. The United States collected less on whiskey with the tax at two dollars per gallon than when it was reduced to fifty cents a gallon. Heavy import duties have always stimulated smuggling. In these, as in all similar cases, a premium is placed on dishonesty. Financially, it pays a man to defraud; he can afford to take all the chances of detection and punishment. Just as on stock-exchange the gambling spirit is developed by marked and sudden variations in quotations, so the margins of profit in escaping a heavy tax are great enough to tempt thousands of men who otherwise would follow legitimate business and cheerfully meet their share of the public burdens. It has been

well said that there is no ingenuity so marvellous as that with which men seek to evade an unwise law ; and the soil in which this ingenuity grows most rank and ripens soonest is that of unjust taxation. There are iniquitous features in even the best system now in practice, which have much to account for as demoralizing and corrupting the people.

Another principle which we are in danger of forgetting is that the taxing power can be lawfully used for public purposes only. In this connection I cannot do better than quote almost entire the admirable extracts from judicial decisions, made by Mr. Wells in an article in the new "Cyclopedia of Political Science."

"Of all the powers conferred on the government, that of taxation is most liable to abuse. * * * To lay with one hand the power of the government on the property of the citizen and with the other bestow it on favored individuals to aid private enterprises and build up private fortunes, is none the less robbery because it is done under the forms of law and is called taxation. This is not legislation ; it is a decree under legislative forms. Nor is it taxation. Beyond a cavil there can be no lawful tax which is not laid for a public purpose. * * * If it be said that a benefit results to the local public of a town by establishing manufactures, the same may be said of any other business or pursuit which employs capital or labor. The merchant, the mechanic, the innkeeper, the builder, the steamboat-owner, are equally promoters of the public good and equally deserving the aid of citizens by forced contributions. No line can be drawn in favor of the manufacturer which would not open the public treasury to the importunities of two thirds of the business men of the city or town."—United States Supreme Court, 20 Wallace, pp. 665-668. "Constitutionally a tax can have no other basis than the raising of a revenue for public purposes ; and whatever governmental exaction has not this basis is tyrannical and unlawful. A tax on imports, therefore, the purpose of which is not to

raise revenue but to discourage or indirectly prohibit some particular import for the benefit of some manufacturer, may well be questioned as being merely colorable, and therefore not warranted by constitutional principles."—Cooley: "Principles of Constitutional Law," p. 57. "No public exigency can require private spoliation for the private benefit of favored individuals. If the citizen is protected in his property against the public, much more is he against private rapacity. * * * If it were proposed to pass an act enabling the several towns by vote to transfer the farms, or the horses, or the oxen, or a part thereof, from the rightful owner or owners to some manufacturer whom the majority might select, the monstrosity of such proposed legislation would be transparent. * * * But it is the taking that constituted the wrong, no matter how taken. * * * Taxation, by the very meaning of the term, implies the raising of money for public uses, and excludes the raising if for private objects or purposes."—Supreme Court of Maine, in an opinion adverse to the right of a town to grant aid under a permissible statute of the State Legislature, to a local manufacturing enterprise. "A law authorizing taxation for any other than a public purpose is void."—Black, C. J., in 21 Penn., p. 167. "No authority or even dictum can be found which asserts that there can be any legitimate taxation when the money to be raised does not go into the public treasury or is not destined for the use of the government. * * * Taxes are to be imposed * * * not for private objects or special benefit of individuals. * * * While the State is bound to protect all, it ceases to give that just protection when it affords undue advantages or gives special or exclusive privileges to particular individuals and particular and special industries at the cost and charge of the rest of the community."—Dillon, C. J., in 27 Iowa, p. 28.

But even public enterprises are to be undertaken only when the work can be done better—all things considered—

than by private hands. Public aid simply supplements private enterprise. If the police side of government cannot protect each man in life and property better than he can care for himself, then government is but a travesty. If such protection costs citizens more than it would to hire a private watchman, then we ought to have the latter. If the city cannot pave a street as well or as cheaply as the property-holders can, then the pavement tax is simply another species of robbery. The government carries the mails only because it can insure greater safety, uniformity of service, and despatch than would be possible otherwise. The same principle controls or should control all State enterprises. Because of this supplemental feature the public should be required to do all it can, to be as independent as possible, both before and after the State acts. This is sometimes forgotten, as in State asylums, in which none of the expenses are borne by the family or friends of the dependent class, even though these may be amply able to meet such a requirement. Wherever this occurs, the tax is unduly burdensome and unjust.

One more general statement and we are narrowed down to what might, perhaps, be justly called the question for this essay. The taxing power should never be used for the purpose of diverting either capital or labor from those modes of employment to which it would resort if left to itself. This is given in the words of Prof. Sturtevant ("Economics") as being on the whole the best expression of the thought I have yet seen. For this there are several reasons which present themselves at once to every intelligent and thoughtful mind. Two only will be sufficient for my present purpose.

The first is that all mercantile projects should be as free as possible from any interference, except that of restraint where there is positive wrong-doing. All exchanges are natural, and all exchanges are beneficial, and therefore all exchanges (which in fact constitute commerce, and make

the "business world") should be as free as possible. Capital is a peculiarly sensitive barometer, quickly and surely foretelling both fair weather and storm. Capital seems to be peculiarly able to take care of itself. The younger Vanderbilt is credited with having said that nothing would look after itself, if let alone, better than a dollar—unless it were two dollars! Freedom is really indispensable to the prolonged existence of capital and labor. Mr. Beecher says: "It is the breath of all true prosperity. Freedom in politics makes strong States. Freedom in religion makes pure and intelligent churches. Freedom of capital—of trade—makes a sound commerce. Freedom of labor—freedom of the individual to emigrate, to chose his own market, to make his own bargains, to augment his own wages by augmenting the value of his own labor—this is indispensable to the permanent prosperity of the great community of workingmen."

Second, if capital and labor are to be interfered with, to be directed and spurred, or restrained and hampered, to have their paths marked out for them and to be told to walk therein—a Legislature, and especially the National Legislature, is the last body to be entrusted with such a task. It has hardly one of those qualifications which are desirable and necessary to enable it to determine in what way capital ought to be employed with profit. No better proof of this can be adduced than that the advice of Congress as to any investment has never been asked; nor has it ever been followed, except as business men determine for themselves the desirability of the course. The results of all Congressional action in this direction have been such that the instinctive feeling of the great mass of the intelligence of the community is that the two Houses should content themselves with providing for the legitimate expenses of government in the most simple and economical way possible, and avoid all tinkering and experimenting with either capital or labor. Restrained from wrong-doing and left to take their own course, they will find a far more

healthful growth and far greater strength than is possible to either if forced under the dome of the national capitol, in an atmosphere hot with partisanship, and tainted with self-aggrandizement, personal rancor, and schemes for individual preferment. Professor Perry sums up the whole discussion tersely and truly when he writes: "Taxes that affect no prices are the best; taxes that affect prices the least are the next best; taxes that are designed to affect prices are the very worst." Any man in business knows that he has enough against which to contend without his success or failure hinging on a popular election and the mutations of a Legislature. If there is a place in our entire economy for the *laissez faire, laissez passer*—the "let me alone, give me room"—theory, it is the relations of the Legislature to the interests of capital and labor.

Two questions are now before us. First, what shall be the method of taxation? Second, what shall we tax?

Under the first are two well-known lines of action, direct and indirect taxation. But far better titles would be straight and crooked taxation. No one will claim that the latter are any thing more than full and fair equivalents for the former, and yet we do not quite like them. There is something in a name, after all; and these names are only too plain truth-tellers. They denote with great exactness the character of each method. The latter expression does not look nearly as respectable as the former; and at once impresses us with a feeling that unless we are to abandon some cherished prejudices and inherited beliefs we must hurry under cover of the older and more dignified nomenclature.

For all purposes of local (State, county, city, and township) taxation we have with singular unanimity and steadiness preferred the straight method; while for national revenues we have just as strongly and strangely adhered to the crooked. Right at home, where we can most readily detect the exact extent of the crookedness, and in those

(properly) far heavier taxes in which we ought to give ourselves the benefit of every advantage claimed for the crooked system, we have rejected it and chosen the far more reputable, honest, above-board plan. In the affairs of the nation, far more remote from the average line of citizen life and activity, and so related to the masses as to make knowledge difficult and detection almost impossible, we have deliberately accepted a system which is full of uncertainty, darkness, and deceit. For this strange choice of measures there were two reasons. The first was the influence of precedent. When we began self-government it was found that the crooked method had been that generally pursued in national finance. But, beyond all else—if any thing—that can be reasonably adduced in favor of the system, there are evident and overmastering reasons for this precedent. The first is that taxation had always proceeded from what was virtually a foreign power. Sovereigns stood in such relations to the governed that there was no conception whatever on the part of the latter of a tax in that sense of the word in which it has been used in this paper. There was no thought of it as an investment, or as an expenditure for the sake of return. It was an arbitrary exaction, to be expended for the personal use and gratification of the sovereign, from which the public only secured such returns as were necessary to keep it in a productive and remunerative condition. This had been the attitude of the governing and the governed from the earliest times—with some modifications, of course, and with a constant tendency to self-control, as shown by the development and growth of the democratic spirit.

Second, arbitrary rulers chose this crooked method for the simple reason that they desired to use the amounts thus raised for very crooked purposes. This needs nothing but the assertion to sustain it. Such a thing as a sovereign who made a detailed statement of all the expenditures of the realm would have been a white blackbird.

Third, there was a profound distrust of the people. This distrust touched two points in particular: first, their ability to understand; second, their willingness to respond. The first came from the aristocratic idea, the thought which finds expression in caste and in marked social distinctions, the idea of government by the *élite* of the race as opposed to that in which the common people have part, the thought of the patrician as against the plebeian. The second sprang from an instinctive recognition of wrongdoing, and was a tacit admission of injustice and malfeasance.

Now this third reason for the resistance of the precedent was the second reason for its adoption in this country. Struggle against the conviction as we may, all historical research shows us that in the days of the struggle for the Constitution, and during the years in which our financial affairs were being adjusted to the new basis, very little was known of a democratic republic. Any well-drawn picture of American life during the last fifteen years of the eighteenth century will show in sharp outline the aristocratic thought which permeated both social and civil affairs. It had marked colonial life in every detail—even in the retention of old English class-names; and though the Revolution had been a great leveller as far as appellations were concerned, the spirit remained. Hamilton and Jay and the Adamses—even Washington—had very vague ideas of a government of and by the people. This distrust of the people, therefore, was the second reason for the choice of indirect taxation.

And this distrust, in its double character, is at the bottom of the retention of the system to-day. We may talk about convenience of collection and ease of payment as much as we please; the real reason is that we dare not face the people with the truth. A member of the Kansas National Delegation said to me not long since: "I don't believe in letting the people know. The people are captious. Charge

them so much for their dinner and they pay without a murmur. Give them a bill of fare with prices attached—European plan—and they are sure to kick at some item, and refuse the dish. I believe in the American plan—so much per day, and none of their business how the money goes.” I assert now, as then, that such a doctrine is pernicious in theory and infamous in practice. If this republic is to hold together it will be because of the strong and practical participation of the common people in every department of government. Wealth cannot save us, culture cannot save us, so-called leaders cannot save us, partisan success cannot save us. Popular intelligence, popular *political* intelligence, is the only safeguard and the only promise of perpetuity. “Responsibility is the greatest educator.” So far as the people of this country have felt this responsibility they have responded well. In most political questions they have been for more than half a century about ten years ahead of those who have arrogated leadership. They can be trusted—they must be trusted—with every detail of the government. It is a flat contradiction to the very essence of our civil system to relegate governing to some favored class, or to attempt to succeed by cajolery and deceit.

This frankness with the people is the first reason for adopting straight taxation. “Come, let us reason together,” should be the key-note in all public transactions. If we ought to assist the struggling manufacturers, for instance, let us say so and openly determine the amount. Let the estimate be made up something as follows :

For the Executive Department.

For the War Department.

For the Naval Department.

For the Legislative Department.

For bounties for the manufacture of pig-iron	\$25,000,000
do do of iron and steel rails	26,000,000
do do of woollens	100,000,000

For bounties for the manufacture of cotton .	\$55,000,000
do do of iron-cotton ties,	500,000
do do of salt	3,500,000
do do of sugar	1,000,000
do do of silk	17,500,000

and other items to the grand total of \$600,000,000, about what our system of crooked taxation has cost us each year since the close of the Rebellion. Put this in a bill, and drive it through to enactment—if possible! Or, if a somewhat less open method than this, though a much more honest way than the present, be preferred, let it be announced as a plank in our State platform: “We hereby favor the levy of a tax of forty mills on the assessment rolls of each county in the State, for the purpose of providing for the expenses of the National Government and for premiums to be paid to stockholders in a limited number of manufacturing enterprises, including among said stockholders several influential members of Congress.” As this is about what we have been doing, and the system is in such high favor among the people, there can be no harm in throwing off all disguises. If it be asserted that the people would not submit to this if it were generally known, then it is fraudulent by confession.

Again, straight taxation is a wonderful preventive of hasty and unwise legislation. To levy a crooked tax that will give “enough—with a good margin” is a very easy matter. But it is not statesmanship. It is dissolute legislation. Further, it is not taxation, but is a decree under legislative forms. Let the results be what they may, the representative is almost completely shielded from accountability to his constituents. If a member understands, however, that before he can reach his home every man in his district will have computed the amount which he himself must pay to advance a given project, and will charge any undue drafts on his pocket and any unwisdom in action directly home on his representative agent—his hired man,

for that is precisely the position of a Congressman,—that hired man will go very slowly, make fewer mistakes, and will keep his own hands clean. Nine tenths of our present jobbery and corruption would be wellnigh impossible; while no gigantic surplus would constantly tempt to individual dishonesty. It is said that Great Britain's surplus—that is, the difference between estimates and actual receipts, including an intentional surplus—reached \$1,000,000, while ours was aggregating \$150,000,000. Comment is entirely unnecessary.

Further, the crooked tax fails to meet any of the four great canons which govern taxation. First, each member does not contribute to the support of the government in proportion to his ability, but in proportion to his expenditures. This means that the millionaire *may* escape with less actual tax than the mechanic. The possibility is there. It means that he always does escape with a vastly less proportional tax. The man with an income of one million per annum, living as such naturally would, pays about one thirtieth of his possible savings toward the support of the government. The average laboring man pays about three fifths of his possible savings for the same purpose. Or, expressed differently, living in the utmost luxury the man with an income of one million can save more than thirty times the amount of his tax burden; while the mechanic, living with the greatest frugality, can save an amount equal to but about one half of his share of the federal taxes. There are several Americans whose annual expenses in the directions contributing to the national revenue do not reach \$100,000 each, though each is worth \$10,000,000. In almost any city you can find 200 men whose living expenses are \$500 each, though their joint wealth is not \$10,000. These men, then, pay just as much tax as the millionaire; or, \$10,000 pays as much tax as \$10,000,000. If any one thinks that the showing will be any better on the scale of income, try it. At six per cent., the millionaires will have an income of

\$600,000. The 200 men will have an income of not more than \$120,000. The tax account, then, stands five to one against the poorer class. No estimate is made now of the fact that the trade-profits on taxes thus levied—the aggregate gain of such taxes in the hands of exchangers, or middlemen—has been estimated by experts to reach the sum of \$75,000,000 per annum. This means that under the indirect system the consumer pays not less than eighty per cent. where the government receives sixty per cent. It costs about two dollars to collect eight, in addition to the actual and legitimate expenses of the revenue officers,—which is about as crooked as a transaction well could be. And the farmers and mechanics pay more than nine tenths of all the taxes. The system, then, has no equity.

The second canon is violated, generally and specifically, in tenor and in effect, as a whole and in each and every clause. The tax is not fixed, and neither the time of payment, the manner of payment, nor the amount to be paid, is clear; neither to the tax-payer nor to any one else. As has been remarked, we have constantly before us the picture of a great government collecting the heaviest taxes without giving a single receipt, and utterly unable to determine, on request, even approximately, the amount any citizen has paid. Such work is left to those who oppose the system; and even under the spur of an assured wrong the best experts can explain to the most intelligent only what is the gross amount of such taxation, and where in a general way the burden falls. Were any sovereign guilty of such action, had any foreign power thus burdened us, we would fight it out as long as there was a gill of powder, or an ounce of lead, or a single man to use them. As it is, we even boast of this as the "American system," and are inclined to malign those who show us the evil in its true light.

The third canon, that of convenience, is that which is claimed as the most strikingly favorable feature of the crooked system. This must go without question. If we

must be robbed, then let it be, as far as possible, in a succession of small amounts, and without our knowledge—further than that for some reason we are kept poor. Undoubtedly modern society rests more at ease while the butler and the cook and the chambermaid are draining its pockets by pilfering and misuse, than when surrounded by honest serving-men but suffering from an occasional attack on Hounslow Heath. But the pilfering and misuse are not a matter for boasting, as one of the advances made by modern civilization—nor as an “American system.”

The American advocates of an indirect tax abandon the fourth canon without any hesitation whatever. As has been shown, even where there is no intentional meddling with prices the system involves a cost of two dollars for every six that reaches the treasury. But under the “American system,” which includes the so-called protective tariff, arranged for the express purpose of enhancing prices, the citizens of this country pay a positive tax of not less than \$600,000,000 per annum, (some experts, whose work in other directions has given them authority, assert that the annual amount is fully \$1,000,000,000,) not a dollar of which ever finds its way into the national treasury. This is not far from \$12 for every man, woman, and child in the country, in addition to the vast amount raised for local purposes. And this again follows the uneven distribution already set forth, falling most heavily on those least able to pay. I shall not discuss whether such a tax should ever be levied for such purposes; whether such a levy does not fall under the definition, “a decree under legislative forms”; and whether a penny of the amount thus raised ever goes where it is assumed to go, to benefit the American laborer. The most philosophic thought in economics, the most scientific accuracy in statistics, establishes the truth that this, being one of those methods of taxation designed to interfere with prices, is in all its results the worst method possible.

Frankness, honesty, economy, equity, the spirit of Ameri-

can institutions, demand direct taxation. Distrust, deceit, extravagance, injustice, are and always will be both the causes and the results of the indirect method. The straight way appeals to the common-sense of the people. The crooked way is the resort of arbitrary rulers, commercial politicians, and self-asserting place-seekers. Not that there are no honest men who accept the practice of generations as a fixed policy, and even a desirable one. But it is simply notorious that every political speculator and every mercantile gambler favors this "precedent." It is equally well known that what is profitable to the speculator and gambler is not profitable to the farmer and the mechanic.

Last, then, on what shall this tax fall? As a people, we have thus far said that it ought to fall on all kinds of property. Therefore we have taxed, or tried to tax, individuals, products (including incomes), notes, bonds, mortgages, credits of all kinds, mercantile stock, corporation stock, farm chattels, houses, lands; in every conceivable way we have tried to reach the entire resources of each citizen,—and we have always failed. Let us consider these briefly, in the order named.

Individual taxation includes poll-taxes, licenses, and occupation taxes. The characteristic feature in each of these is that the tax is levied with little or no regard to the ability of the payer. It is true that all these taxes are placed at what might be called the minimum, the amount being so low that every one taxed is generally able to pay without hardship. But this does not at all affect the equity, or the want of it. A three-dollar poll-tax on a laborer is about one per cent. of his income. But it is not more than the one two-thousandth of one per cent. for the millionaire to whom we have already referred. Nor does this consider the fact that the day-laborer earns only that which is absolutely necessary for bare subsistence, while not less than five sixths of the millionaire's income is the sheerest surplusage. Something of this same injustice fol-

lows both the occupation tax and the license. The amount of capital invested and the amount of profits received are almost entirely ignored. The groceryman employing ten clerks and three delivery wagons pays no more under this system than one only raised above the position of a street huckster by somewhat greater permanence in his place of business. The injustice of such a tax is now so widely recognized that it is only used as a sort of supplementary tax, like the poll-tax; or as a restrictive tax, like the fees for license of saloons; or as establishing public control of a *quasi*-public calling, like the license paid by hackmen. To-day no civilized country relies entirely, or even mainly, on taxation of this character.

The remaining sources of the tax fund may be divided into two great classes, viz.: productions and accumulations. Unquestionably the most equitable tax of all, theoretically, is that which falls on production. The fund from which all taxes must be paid is the production of the community. Part of that which is produced must be used to meet the expenses of the government that protects the producer. Evidently, if we proportion this to the amount produced, levy it at regular and comparatively frequent intervals (say each six months), and collect it "as we go along," as the processes of production are completed, we have reached the desired result, and have brought the system as near perfection as is possible. On this theory the levy is made but once, it is strictly proportioned to the ability to pay, it distributes itself with considerable ease and fairness, and it has nearly every characteristic of a desirable tax.

But experience proves that in practice such a tax always has been, and doubtless always will be, one of the most unfair and demoralizing that can be levied. For this there are several reasons. Productions are generally personal property, and therefore a tax levied on them is subject to all the objections which meet every attempt to tax personal property. These will be considered in detail here-

after, and it should then be recalled how strongly they apply here. Even were people thoroughly honest, it would be almost impossible to secure equity in this process. Many individuals and families are so situated that they can with difficulty determine their income. He who has a fixed salary and absolutely no investments can answer the question without a moment's hesitation; so can he who has a money return on all investments: but beyond that all is uncertainty. The merchant can tell something about it at the end of the year by most careful and comprehensive book-keeping and invoicing and by the most exact personal account. The mechanic may know, if he keeps track of the actual days worked and eliminates his "poor pay." But how difficult the task for thousands of others. One example only, though covering the entire farming community and nearly all those who have country residences. A owns a fine farm, well stocked. He has the natural increase of flocks and herds, the yield of field and orchard. He lives well, and indulges in the luxury of carriages and horses and servants; but his table and his stable are almost entirely supplied from his farm. Fuel, too, "costs nothing." I dined with A once. His carriage met me at the little depot on his own grounds, the horses sleek with home-raised grain. In the ample fireplace crackled huge hickory logs, the refuse of the timber lot. The dinner was fit for a king. There were fish from his private pond; mutton, beef, veal, pork, and fowls, of his own "killing"; vegetables in profusion, from his own garden; bread, made from the wheat of his own fields; walnuts, chesnuts, hickory nuts, butternuts, from his own trees; grapes, apples, peaches, apricots, pears, melons, and every variety of small fruit, the results of his individual care; even the cider and the mead and the wine had never been off the farm. I know what such living costs, when attended with all the appropriate provision for a family of six persons. Yet A returned his total income at \$1,800! and I really think he

tried to be honest. Of course, practically, he went un-taxed. Any assessor or collector can give a hundred such illustrations of those natural conditions which make an equitable income (or production) tax almost impossible. As the arguments against the taxation of personal property are given, it will not be difficult to understand why we ought to avoid as far as possible a tax on production.

Consider, then, the tax on accumulation. Notice, first, that a tax on accumulation is a tax on savings. All accumulation is the result of effort and self-denial. A tax upon it has two distinguishing features. It is really a penalty imposed on frugality; it punishes a man for his wise forethought; it burdens him as he is trying to create a fund which finds its only remuneration in public service. Second, it is a recurring tax; that is, the dollar saved to-day is taxed again and again and again. The tax is repeated until the entire amount saved is taken by the government, unless it is made in some way self-protecting, as by investment. Every year this penalty is imposed on industry and thrift, and not only on that of the present season, but on that of all the past as well. Now if any thing needs repression, it is the tendency to spend the results of production. Taxation should, if possible, strike at idleness, wastefulness, and thriftlessness; but we deliberately arrange our system so as to put a premium on these undesirable qualities.

Following are some of the general objections to a system which taxes personal accumulations, most of which apply also to taxation of income and production, as was stated when considering these topics.

First, such a system is very expensive; requiring a large force of revenue officers. Where the entire resources of each individual citizen are to be examined, valued, and spread upon the rolls each year, the assessing force must be large; it must be composed of men of unusual sagacity, energy, and strength of character, and such men must be well

paid; and there must be numerous boards of adjustment and equalization; or the work will be done with great injustice.

Second, it involves a catechizing and inquisitorial process. A troop of tax officers constantly running to and fro, inspecting every detail of one's household as well as of one's business, shadowing men as though they were criminals, examining all public records, and carefully cherishing every casual rumor;—this is any thing but desirable. Yet this is an absolute necessity if the working of the system is to be much more than a farce. Any citizen, honest or dishonest, feels the annoyance and embarrassment of such *espionage*. It is useless to assert that citizens should make their own returns. They never have done so, there is no reason to believe they ever will do so, with any great measure of equity and correctness. As was said in the case of an income-tax, even if men were honest, their standards of value and measurement differ so that the greatest injustice must constantly prevail. But taking mankind as it averages, and our system of government must be adapted to the middle line of life, we tax honesty and subsidize fraud. There is said to have been one Canton in Switzerland where the people came together annually and, making a plain statement of their resources, determined the amount of tax which each should pay. But such simplicity and pure democracy are virtually impossible here. As commerce is extended and becomes intricate, such statements are not only impossible but often dangerous. Many a man would find his projects ruined and his credit broken at a critical moment, were he compelled to disclose the real state of his circumstances; a strong objection, by the by, to the whole scheme of personal taxation.

Third, this system duplicates taxation. Indeed, it often does worse, for there have been several instances where the same property was taxed three and four times in the same year, though in different States. This duplication arises

generally from taxing both credits and the property which they represent. A sells a horse to B. B is taxed on the horse, and A is taxed on the note received for it. C sells a threshing-machine to D, and D is taxed on the machine, and C is taxed on the credit given D—the book account. E lends a thousand dollars to F with which the latter purchases cattle for his farm. F is taxed on the cattle, and E on the mortgage. G lends \$50,000 to the Santa Fé Railway with which to build additional miles of road; and the property is taxed in every township and county and by the State as well, while the bonds are taxed to G. Stranger still, H is one of a company which builds the road, putting in \$50,000 and taking that amount of stock as signifying his share in the partnership; and we tax the property brought into being by this expenditure, and the certificates of title as well. This is like taxing Jones on his farm and then on the amount of purchase-money specified in his deed. Last of all, K owns a farm in this county and sells it to L for three thousand dollars, half down and the rest secured by mortgage; and we actually assume that because the property has simply changed hands, the amount of taxable property in the county has in some mysterious way been increased by fifteen hundred dollars, and the assessment-roll so records the result of the transaction. This is the worst kind of *fiat*ism known. There is neither common-sense nor common honesty in it. It is worthy to be remembered that a careful avoidance of all kinds of double taxation would set free nearly three fourths of that which we now tax as personal property.

The amount of inaccuracy, injustice, and open dishonesty and perjury this system fosters is simply appalling. Men honest in all else are here guilty of most disreputable practices. Many assert, and doubtless in perfectly good faith, that they are driven to these resorts in order to save themselves from absolute ruin. In many municipalities the per cent. of taxation is almost as great as the current rate of

interest; in some it is even greater. Both real and personal property are assessed at much less than their value; real property at from one to two thirds; personal property at capriciously varying fractions. Constant and powerful temptations to defraud surround every citizen. The common practice warrants his so doing, and assures him that the act will in nowise affect his social or commercial standing. Where returns are not required, the assessors make little effort to reach the truth. The result is frightful. In the State of New York, in 1869, the valuation of personal property was \$484,000,000; in 1880 it was only \$340,000,000. In Massachusetts, in 1869, it was \$503,000,000; in 1880, only \$493,000,000. In Ohio the falling off in the same time was from \$460,000,000 to \$428,000,000. These figures tell their own story. Utterly inadequate as was such an assessment at the outset, the steady decline in the face of well-known and simply marvellous accumulations shows how wide-spread had become the dishonesty of the citizen or the inability or neglect of the official. The common statement, the truth of which was freely admitted in the New York State Convention of 1867, was that not one fifth of the personal property of the State was known to the assessor. In Massachusetts, under most rigid administration of most stringent laws, it is generally asserted that more than half the personalty escapes its lawful burden. The insurance books of the city of Lawrence,* show more personal property to be insured within the city limits than is placed on the rolls for the entire county.

Now on whom does the burden of this iniquity and inequality fall? As usual on those who can least afford to carry it, and who have already been most heavily and disproportionately taxed. The farmer and the mechanic, the widow and the orphan, shoulder the immense load imposed by the dishonesty or evasion of the richer classes, and are obliged to stagger along as best they can. The former, too,

* Kansas.

are the very ones—the only ones—whose burden is increased if the laws are made more searching. Mr. Thomas G. Shearman puts it very shrewdly in this way: “Widows and orphans would suffer most, because they do not know how to cheat the assessors themselves, and their property is largely in the hands of trustees who have not interest enough in the matter to cheat for their clients’ benefit. Farmers and people living in small towns would come next; because, if they are disposed to evade, their neighbors know all about them, and the assessors can easily learn all the facts. Rich men in large cities would suffer least, because nobody knows much about their affairs, and all estimates are mere guess-work. Jay Gould, for instance, is estimated by many shrewd men to be worth not more than fifteen millions; while others, equally shrewd, believe him worth fifty, seventy-five, and even a hundred millions. No assessor could possibly find out. The farmer’s cows, sheep, and horses can be counted and his barn surveyed, and most assessors can tell very nearly what these are really worth. But the sharpest assessor cannot make a list of the personal property of Gould or Vanderbilt which would include one fifth of their real possessions.” This same uncertainty as to value runs through nearly all the assessor’s work in personal property. The farmer will be put in the list pretty fairly in an honest assessment, because the value of his personal property is well known and easily determined. But the valuation of furniture in city residences is almost a farce. The assessor generally leaves this matter entirely to the owner. If he attempts personal inspection he is not much nearer the truth. An expert furniture dealer can scarcely say what even slightly-worn goods will bring—and some housewives have a knack of making five dollars go as far as others would fifty. I remember once pushing an assessor to the point of putting a value on a large dressing-table in a guest-chamber. He said: “\$50 at least for the original cost, and \$30 now”; and was surprised to learn that it was

made of a dry-goods box turned down on its side, some cheese-cloth and bright ribbons, and considerable taste and brains. This is but one of many illustrations that could be given. When he passes from furniture to books, paintings, jewelry, solid- and plated-ware, and the like, he is utterly lost. And this, too, even if it is all displayed to him, and we know that it is not. As one illustration of this tendency to secretiveness in small ways, the treasury officials assert that there is not less than \$100,000,000 in gold, to-day, hidden in old stockings, under hearth-stones, and in chimney-corners. Does the assessor reach this? And what does he know of the value of a stock of goods on the shelves, unless it is in a business in which he has himself engaged?

Nor is it necessary that there should be any great amount of perjury to escape the tax burden. There are a thousand ways known to the dishonestly shrewd and the shrewdly dishonest which do away with the necessity of a false oath. But any one knows that men have not hesitated at perjury, and that more men will commit perjury if tempted to it by more stringent laws. The number of individuals who are constantly and most successfully putting forth strenuous efforts to escape taxation is so great that one is half afraid to speak plainly even among friends. Any national revenue officer, any local assessor or collector, can tell a story that will bring a blush of shame to a cheek of bronze. So, too, any officer will admit that perjury is most difficult of detection and almost never punished. The result is a tax system that excuses any one and every one who wishes to swear off, and adds their burden to that of honest men.

Notice another result of taxing accumulation. Remember what has been said about such taxation being a penalty on saving, and therefore tending—more strongly than we generally admit—to diminish it. This general principle will be readily admitted unless it be said that it is counteracted by the hope and expectation of being able to secrete such

accumulation. The direct result of personal taxation, or of even taking the chances of personal taxation, aside from those already mentioned, may be summed up in two words—*added cost*. The magnitude of this will more readily appear if we look at it in a negative way. Suppose Douglas County * should say, no taxation on money loaned. Without question it would be clamoring at our doors, and at five per cent. instead of being hard to get at eight and ten. Suppose the State should free all investments in buildings, machinery, and appurtenances used for manufacturing. Capital from all over the country would be fighting for precedence, and the commonwealth would enjoy a "boom" such as was never even dreamed of. Or relieve all railway stocks, bonds, and chattels of the tax burden; or say that telegraph and telephone lines and stock shall not appear on the assessment roll, and the material advance in any given direction would at least be unprecedented, while the moral gain would be beyond computation.

This suggests another thought. Of those things which are of value to the State, we should never tax any that we wish to come to us, or any that could or would run away. The reason for this is evident. Men are constantly delaying improvements or deferring investments in this city or that county "because taxes are so high." For the same reason business men often withdraw from a life-long residence. So, too, shrewd business men always carefully inquire about the rate of assessment and taxation before settling in a new place. No one finds great pleasure in paying for his own "dead horses," and he positively objects to paying for those of others. In matters of State, as in those of Church, men instinctively draw back from an association which simply means that they are to be perpetually harassed and burdened because of some one's blunders in the past; to which high taxation generally points. As we never

* Kansas.

can tell just when the line of high taxation is reached for any man or business, since it must be relative,—that is, higher for some than for others, determined by the kind of investment, the returns which it makes, and the industry and shrewdness of the investor,—we are certainly in danger of driving some desirable property from us if we levy on it at all.

Lastly, it seems perfectly impossible to make this system of personal taxation a success. It has been tried from the earliest times to our own, under all possible conditions, and it has always failed. Even physical torture has not been able to wring from men the secrets of their wealth. Every memory of the feudal age proves this. Gradually all nations except our own are recognizing this; and with the exception of a light and decreasing tax on incomes appear to be abandoning the use of personal taxation.

What then is left? All will admit that we need a system of taxation that will be permanent, that will have publicity, that can be administered with the greatest economy and at the lowest per cent. of expense, that will have the greatest possible justice and equality, that will interfere as little as possible with the commercial and mercantile interests of the country, that will encourage thrift and industry, and that will give the least possible opportunity for evasion and fraud. A direct tax has greater possibilities in these directions than an indirect. Moreover, it is less liable to partisan or personal misuse. No one questions for a moment that the injustice and loss of character under personal taxation are simply terrible, and very few think that there is any reasonable hope of change for the better. Indeed, most of those who consider the question at all are inclined to believe that we are rapidly going from bad to worse. The question then is, Have we no remedy? Is there nothing on which we can lay a tax that meets all or most of these requirements, or at least more of them than any thing we have yet known?

Of the sources of revenue which were first enumerated, land has not yet been referred to except as it appears in the list. It has been reserved till the last, because the arguments in its favor need to be more carefully considered, and because a system of taxation on land alone is as yet untried, and therefore has no precedent from which we may judge of its workings. Every position assumed for it must be judged by the reason alone, and from the weight of argument and illustration must we determine whether it is worth a trial.

At the outset we should be careful to determine just what we mean by a land-tax. The reference should always be to a tax laid on land assessed at the value of strictly unimproved lands in the immediate vicinity. There is surely enough of the nature of personal property about improvements to make applicable to them nearly all the arguments which can be used against personal taxation. First, all improvements are in the nature of accumulations, and therefore ought to be left free if possible. Again, the element of uncertainty, and therefore the bitter inequality of taxation, enters into all valuations of improvements. A barn can be estimated with some degree of accuracy, but assessors are notoriously wide of the mark on residences. In their eyes, five dollars in putty and paint go farther than fifty dollars in solid work. Whether the house is boxed or simply sided, whether the floors are double or single, whether foundation walls are light or heavy, whether wood-work is mill-finished or hand-finished, whether the workmanship is sloppy at \$2 per day or first-class at \$4, whether ornamentation is cheap stucco or hand-carving—to all such questions they give no answer, and such conditions are of no determining weight. I have been shown a house in a certain city in this State (Kansas) which cost, on receipt of the keys from the contractors, \$8,000, and which has never been assessed over \$1,000; and it is not many years since a residence in this city (Lawrence), assessed at \$1,200 on a valuation of \$3,500, was shown by the bills to have cost but \$1,500.

What is true of buildings is even more true of such improvements as fences, drains, orchards, planted timber, and all that work which adds to the beauty and attractiveness of the grounds. My judgment, therefore, is that a land-tax should be levied on the basis of unimproved land. A's farm should be assessed at that amount per acre which unimproved land adjoining him will bring in a fair market. B's city lot should be entered on the rolls at the same amount as is the vacant lot next him.

A land-tax tends to discourage all land speculations. If it costs a man just as much to own a piece of land covered with mullens as with millet, with cockles as with crops, the millet and the crops will be growing on every foot of what we now call wild land ; or the acres will remain in the hands of the State, waiting for a home-builder rather than a speculator. If the taxes are just as heavy on a lot lying common as on one which has a good tenement, tenements will multiply. The lots standing at the same figures, it will always be simply a choice between a pig-pen or a palace, with all the chances in favor of the palace. There would be no snapping up of the best lands in every county by moneyed speculators, to be held for a rise,—a rise always occasioned by the hard work and self-denial of others. Look at our own county as an illustration of this. The unremitting toil on the part of those who have in person, for twenty-five years, borne the heat and burden of the day, has scarcely doubled the tax of non-residents, who have done nothing, and have seen their wealth trebled and quadrupled ; while it has increased tenfold the draft made on the workers themselves. Under a wise land-tax, the vast estates which have been multiplying on every hand, creating a patrician class, and already threatening us with all the evils of absenteeism and with an army of landlords, would melt away. All land would be at a low price, there would be no investments without improvements, and improvements would be stimulated in every direction. What

this country needs to-day is a great increase in the number of land-owners who occupy and cultivate their own soil. These are the true units in American civil life. These should have smaller farms than now, with far more intensive cultivation. This means more houses, more barns, more cattle, more orchards, more drainage, more agricultural implements,—in a word, more chattels and more personal property to the square mile than now ; and this is precisely the condition fostered and almost forced by a wise land-tax, as it is that condition which renders such a tax least burdensome and most equitable. What we need in this county, for instance, is vastly more improvements on farms ; not as a source of tax revenue, and to further burden the owners, but as a source of comfort and happiness and contentment and enlightenment to the people, and as adding value to every foot of land in our limits.

Note some of the most marked differences between a land-tax and a tax on either production or accumulation. Land is always in sight, cannot be hidden. Precisely the reason for its bearing to-day, under any honest assessor, a far greater share of the tax burden than it ought, than any thing else does, is one of the reasons why it is a desirable property to tax. Money and diamonds and jewelry and plate may be secreted, notes and bonds and mortgages may be kept from the assessor's knowledge, cattle may be driven into the Indian territory about assessment time,—in a thousand and one ways, as has been shown, personal property may conveniently disappear when the government is most anxious to know something of it ; but land is fixed and tangible.

Land may be assessed without any inquisitorial process, and its true value determined more readily and accurately than can be done in the case of any other known property. There need be no oaths leading to perjury, no prying into all the secrets of a man's business or domestic affairs, no searching records or compiling street rumors. It is not even

necessary that an assessor know by sight or name the owners of real estate. The books of the county could be kept entirely by description, though this would be determined by the convenience of all concerned. As to values, it would be almost impossible for any well-informed man to go astray. The price of unimproved land in any given vicinity is notorious, and can be determined with very little chance of error or fraud, even without leaving one's office.

Such assessment as that proposed would be the most economical possible. Without doubt one assessor could do all the work in an agricultural county, and find time hang heavy on his hands at that. This, and the fact that all the rolls and entries and re-entries of personal property would disappear, would reduce the county force to a minimum.

The adoption of a pure land-tax will not hamper production but quicken it. For as we relieve personal property of the burden which is now so unjustly distributed, interest will fall and manufacturing and commercial and transportation enterprises will be stimulated in a hitherto unknown degree. This means, of course, cheapness in all these directions, and *this* means more bread and more meat, more butter and more cheese, more fruit, more wool, more horses—all increasing the demand on the farmer, the land-owner, and the tax-payer. Remember, too, that it means more land-owners and fewer landlords. If the tax falls on land only, it will be to the interest of every farmer to place on his land the largest possible amount of remunerative personal property. The tax on accumulations being removed, the desire to accumulate would receive new energy. In all directions, then, the increase of wealth would be stimulated rather than prevented.

A tax on land, even the highest, would not affect the number of acres in existence—evidently it could not; nor the powers nor qualities of land, which are not at all reached by the assessor or the collector; nor the inducement to use land, except as this was heightened by an in-

creased demand for all that land could produce or sustain. It is even supposable that we take the entire rental value of land each year by taxation, which Mr. Henry George points out as being equivalent to the government's assuming entire ownership of land and leasing it rather than selling it, yet the land would remain just as desirable because just as useful as before. Probably just as much of it would be cultivated. However, these peculiarities of a land-tax are scarcely practicable for consideration, but are mentioned simply to show how very different would be any of these effects from those of equivalent taxation on either production or accumulation. It is not difficult to tax a manufacturing interest to death. Capital disappears as levies increase, and few would desire to save if the government took each year even a fourth part of the results of frugality.

It is natural to inquire, just here, whether land-taxes would tend to diffuse themselves; that is, whether they could be thrown on the consumer, and if so, how far and at what added expense. We have already seen that our indirect system levies a tax which very largely falls on the consumers, and that to the amount originally collected by the government a large per cent. is added before the whole is finally paid. Two factors determine whether a tax is paid by the consumer or the producer, viz.: whether the only source of supply is the taxed one, and whether the increase of price lessens the demand. This principle, now so generally received as to render needless any thing more than the statement, would seem to warrant the belief that a land-tax would distribute itself to some extent; probably to a greater extent than we now think, and doubtless enough to relieve any apparent inequalities. Further, unlike our present revenue tax, which is levied by the pound, yard, or dollar, and therefore can be exactly estimated on any given import, and so admits of exactness in the added per cent. of profit in the hands of the middle-man, the tax on land must be distributed over many and varied products with-

out determining the exact added price of each; which products, from their very nature, know less of middle-men than do almost any other subjects of exchange. Thus there would be undoubtedly a direct lightening of the land-owner's tax, without any material increase of the amount before it is finally paid.

Let us consider, then, the practical workings of such a tax, with reference to both national and local results.

As to the first, there would be, of course, the immediate and certain gain which would follow any scheme of direct taxation. Not only should we throw off the burden now levied under the so-called protective tariff, but all the benefits heretofore referred to would be at once realized, resulting in a large decrease of national expenditures.

Those most familiar with the expenditures of the government, even many who oppose direct taxation, assert most emphatically that a change from the crooked to the straight method would mean a lowering of the national levy by not less than \$100,000,000 per annum. Now a saving of from \$700,000,000 to \$1,000,000,000 per annum, or from \$14 to \$18 for every man, woman, and child in the nation, is surely worth at least careful thought, if not an experiment.

What would be the proportion of taxes borne, as between Kansas and, say, New York? Remember that the proposition is to tax at the actual value of unimproved land. Kansas has about 25,000,000 acres of taxable land; the actual average value of such portions of this as are unimproved is not far from \$3 per acre. That would place our assessment at \$75,000,000; to this our cities, on the basis of unimproved lots, would add about \$5,000,000, making a total of \$80,000,000. New York has about 30,000,000 acres. The average value of unimproved land cannot be less than \$20 per acre; this makes New York's assessment \$600,000,000. Her cities would add not less than \$6,000,000,000, or a total assessment of \$6,600,000,000; this would levy on

New York a tax more than eighty times as large as that of Kansas.

To-day we pay in proportion to the amount we eat, drink, wear, and use. We have 1,000,000 people, New York about 5,000,000. Of the latter a large class are very poor, the great mass of day-laborers and the mechanics of the cities. All things considered, it is hardly possible that the people of New York spend, on an average, for such things as make returns to the national treasury, more than twice the average similar individual expenditure in Kansas. New York, then, to-day pays but ten times the amount contributed by Kansas.

This proportion between different States, and between the agricultural communities and the cities and large towns in the same State, will be found to fully sustain every test of values, areas, and population. While such a system is not absolutely perfect, while it would be far better if we are to have a direct tax to make the levy on the basis of population, and let each State collect it under its own laws and methods, and save the cost of the national collectorships, it is surely more equitable than our present method; and it may well be asked, Is there any thing better, all things considered? Indeed, is there any method quite as good?

When we attempt to work out this problem in local affairs, a more difficult task is encountered. The great incentive which comes from the saving due to direct taxation is no longer a factor. Our State taxes are substantially direct, and in the main our local expenditures, outside the larger cities, are made with considerable economy. So far is this true, that in Kansas, although a comparatively new State, and making many necessary though expensive improvements, with a large levy for interest and sinking fund for municipal indebtedness, the total tax is equivalent to about \$6 per capita, as contrasted with \$5 per capita for the direct expenses of the national government. This showing is all the more creditable to us, and proportionately discreditable

to the national management, when we consider that the expenses of protection to life and liberty and property, the creation of all public roads and nearly all buildings, the maintenance of all courts of justice except those which affect comparatively few citizens, the expenses of all educational and eleemosynary institutions; in fact, the outlay for nearly all the ordinary functions of government is met by the State. If a change is to be made in the method of local taxation, therefore, the facts must be carefully considered, and the actual working of the proposed system shown as clearly as possible.

Let us take Douglas County, Kansas, as an example. The total number of taxable acres of land is 293,143. The actual market value of unimproved land is not less than \$8 per acre; it is generally placed at \$10. This would make the assessment, outside of cities and towns, \$2,345,144. In the city of Lawrence, the county seat, there are 5,538 lots; that is, that number of legal descriptions of real estate, though many of these descriptions cover what are parcels of strictly city lots. The value, on the basis of unimproved lots, is not less than \$1,150,000. In the various town and village plots, aside from Lawrence, are 7,039 lots, with an aggregate value of \$75,000; this makes the total assessment of the county \$3,570,144. This falls just about a million dollars short of our present rolls, in which we pretend to include all personal property and all improvements on real estate. Nothing could better demonstrate the worthlessness of such pretensions.

How will such a tax be distributed, as compared with the present? In 1882, the total tax was \$191,580; of which the city of Lawrence paid \$89,713, or 46 per cent. of the whole. But under the proposed system Lawrence would pay but about 32 per cent. of the whole. Taking the county and State tax alone, since local taxes are determined largely by local causes, and cannot be satisfactorily averaged, Douglas County sustained a levy of \$103,259, of

which Lawrence bore \$39,049, or 37 per cent., and other towns and villages about \$2,650, or $2\frac{1}{2}$ per cent., leaving the county with about 60 per cent. Under the proposed system Lawrence pays 32 per cent., other towns and villages about 2 per cent., and the county about 66 per cent. Thus there will seem to be a discrimination between cities and farm property against the latter. But this decreases as cities increase in size and wealth, until the discrimination is largely the other way. Unimproved land in New York City is said to be worth, on an average, not less than \$150,000 per acre, or more than 7,000 times as much as the unimproved land of the State. Unimproved land in Leavenworth [Kansas] is worth about \$1,250 per acre, or but about 400 times as much as the unimproved land of that State. In other words, as wealth gathers about great centres, the value of land there rises much more rapidly than in the farming communities under any circumstances; so that a land-tax will gain, or increase, proportionately quite as rapidly in cities as would a personal tax under our present system.

Let us carry the test to individual cases. The total county levy in Douglas County for 1882 has been given at \$191,580. Under the proposed system the county carries 66 per cent. of this. All these computations exclude railway taxation on the value of the road-bed for railway purposes, as I have no means of determining such values. This would make the total amount to be levied on the farms of the county \$126,442. On the assessment of \$2,345,144, as appears above, would be the rate .053, or $42\frac{1}{2}$ cents per acre. The average farm of 120 acres, therefore, would pay \$51. A careful examination of the treasurer's books shows that the present tax sustained by the owner of 120 acres, with fair improvements and the usual amount of personal property, is about \$65.

Turning to cities: Lawrence would pay under this system, of the whole amount named, 32 per cent., or \$61,305.

On the proposed basis of taxation the rate would be about $5\frac{1}{3}$ per cent., as against $5\frac{1}{2}$ per cent. under our present system.

This would seem to be a gain to every citizen, but some one must pay the difference, must make good the apparent loss. On whom would the burden fall? Who will pay more than now, that personal property may go free? The question can be easily answered. In the country, non-resident owners of land—the land speculators—the landlords. To-day the average farmer on 120 acres pays \$65 tax, while the speculator in land, whose adjoining 120 acres are every day being made more and more valuable by the labor and self-denial and expenditure of the actual settler, pays but \$10. The same is true with regard to unimproved property in cities and towns. To-day the men who are quietly waiting for some one else to “boom” their property, pay but a trifle of the necessary expenses of the city. Let the following table speak for itself; the amounts being computed from a large number of averages made from a careful inspection of the treasurer’s books of Lawrence :

STREET.	Present Tax.		Tax on Each, under Land-Tax.
	Improved Lots.	Vacant.	
Massachusetts	\$350 00	\$45 00	\$150 00
Tennessee	47 00	9 00	22 00
Ohio	15 00	5 00	13 00
Park	38 00	7 00	17 00

Perhaps these figures will explain what is meant by what has been called in this paper a penalty laid on speculation, and a premium offered for accumulation.

In conclusion it is safe to assert :

Our present system of national taxation is wrong in theory and infamous in practice. It is an expensive, secret, unjust method; constantly liable to abuse; constantly tempting to injustice and fraud; easily made to contribute

to extravagance ; shielding those guilty of hasty or partisan legislation ; and levying each year an enormous tax on the many to swell the profits or to make good the losses occasioned by the ignorance or indolence of the few.

For securing national revenue, almost any form of direct taxation would be preferable to the prevailing method, and would at once accomplish an enormous reduction of the annual levy.

A land-tax is practicable, and would adjust payments more equitably by far than our present method.

Action in this matter, immediate and radical, though thoughtful and cautious, has become not only desirable but necessary.

In our local system there is much inequality and terrible injustice, largely connected with the attempt to assess personal property.

We can at least legislate against inconsistency, against double taxation, by throwing out stocks, bonds, mortgages, and all credits where that for which the credit is given can be taxed ; and against inequality, by insisting on a more rigid performance of all the assessor's duties, including that of entering property on the rolls at its market value.

As the nation is made up of several integral parts, each of which has complete power to experiment at will in taxation, we have every desirable facility for testing new methods.

In the light of the world's failures in taxing personal property, and to encourage economy and thrift, we may well experiment with a land-tax ; which seems more desirable and more feasible than any other method of taxation yet proposed.