

## BOOK REVIEWS

### A HISTORY OF AMERICAN TAXATION

"American Taxation—Its History as a Social Force in Democracy," by Sidney Ratner. W. W. Norton & Co., New York. 1942. 561 pp. \$4.50.

The history of taxation forms an apt setting for the history of social issues, and in America taxation has been closely intertwined with the development of our democratic structure. In this volume Mr. Ratner traces American taxation, not merely as a revenue-producing instrument, but "as an integral part of the 'American epic'." The book does indeed leave a clear impression of taxation as a vital factor in social trends, a rallying point around which burning issues have been fought from the earliest days of the Republic to our entry into the second World War.

The underlying theme of the book is that there have been two main currents contending with each other—progressive and conservative. Taxation has particularly been a bone of contention in the struggle for and against special privilege. Conservative and reactionary criticism of taxation on huge fortunes has almost invariably been that it is "communistic, destructive of enterprise, tending to diffuse wealth and thus destroy the basis of initiative, etc." The author devotes his attention chiefly to the rise of the income, inheritance, gift, estate and excess-profit taxes as the chief advances in taxation toward economic justice and social welfare. Sales taxes and tariffs seem to have been the chief weapons of vested interests.

Historically, the tax on land did not become associated with any clear-cut progressive elements until Henry George's day, chiefly because it was not conceived as a tax on land values; also because the frontier was rapidly extending, and the character of land ownership was not clearly seen, many of the new settlers being bona fide homesteaders. The issue of land value taxation emerged due largely to the influence of George. And since his day, unfortunately, it has not been a national issue. In 1884 the Knights of Labor adopted at their General Assembly an article providing that "all lands now held for speculative purposes be taxed to their full value." The encouraging showing of Henry George's own campaign as a Labor candidate for Mayor of New York precipitated many strong farmer and labor movements throughout the country, with special attention paid to land monopoly.

Mr. Ratner, in common with most contemporary academic writers, seems to grasp Henry George only as an agrarian reformer who looked back to the Jeffersonian and Physiocratic ideal, but whose eloquence stimulated other progressive movements. Our scholars need to be reminded that George looked forward, not backward; that his analyses and predictions sound more convincing today than those of their more favored writer, Edward Bellamy, whose looking forward to the year 2000 was more in fancy than in realistic analysis; and that George's concentration on the "mother monopoly of them all" was more basic than the analysis of another academic favorite—Thorstein Veblen, whom Mr. Ratner calls "the economist who went most deeply to the roots of social discontent."

An interesting episode in American taxation is provided in the income tax controversy of 1894-95. The income tax law of 1894 aroused opposition, and many cases finally found themselves before the Supreme Court. The controversy over the constitutionality of the income tax centered around *income from land*. Justice Choate, says Mr. Ratner, "argued with great confidence that since the Constitutional Convention of 1787 had considered a tax on land a direct tax, they must also have considered a tax on income from land a direct tax. He even maintained that a tax upon the income from personal property could not be distinguished in principle from a tax on rents and was therefore a direct tax and unconstitutional" (that is, unless levied ac-

ording to population—the so-called uniformity clause). The numerous precedents of a federal land tax Justice Choate dismissed as "perpetuating a century of error." The majority of the judges advanced similar arguments and concurred in the opinion that a tax on rents was unconstitutional. Assistant Attorney-General Whitney centered his opposing opinion on rents also, justifying its taxation and stating that if he could not "get the rents back into the law, perhaps it [the entire income tax law] had better go by the board."

The defeat of the income tax by the Supreme Court led to the campaign for and final adoption of the Sixteenth Amendment ("The Congress shall have power to lay and collect taxes on incomes, from whatever sources derived, without apportionment among the several States, and without regard to any census or enumeration"). It should be noted that the arguments advanced against the unconstitutionality of a tax on land rent have been abrogated by the amendment that enables a tax on income "from whatever source derived." But if the Georgeist proposal to collect the full rent of land should in time become a federal enactment, no doubt some other obscure arguments against its constitutionality would be advanced which would have to be countered.

"American Taxation" proceeds to survey the development of estate, inheritance, gift and excess-profit taxes, and the part taxation plays in the social legislation of the New Deal. He brings his story down to the second World War and the fiscal developments we are likely to expect, and concludes with a statement on behalf of taxation as an instrument for the extension of democracy and a more humane society.

Mr. Ratner has presented an impressive history, with some understandable biases, but on the whole comprehensive. We conclude with a hope that the influence of Georgeists—who are fully aware of taxation as a social force—will once more be felt in national affairs and that the emergence of the land value tax as a burning issue will be recorded in a not-too-far-off history of taxation.

R. C.