

A TARIFF FOR REVENUE.

AN OPEN LETTER TO GOVERNOR WILSON.

By JOSEPH DANA MILLER.

(In a recent tariff speech in which protectionist fallacies are cleverly punctured, Governor Wilson nevertheless seems to imply that considered merely as a mode of raising revenue a tariff has much to commend it. He also expressly says that the National government should continue to raise its revenue through a tariff, and that it probably always will.

This is merely the old democratic position on the question that has divided the two parties and is little more than a difference of schedules, or of rates. It is not too much to say that most of the leaders of economic thought have advanced beyond this point. If the political leaders have not caught up with them it is about time they did.

Governor Wilson has shown a disposition to move ahead. We hope he will see that it is necessary to take advanced ground. To drive protection from its home and leave the house standing and the doors wide open, is to invite the tenant to return. And inevitably the tenant will return. Let him then find the temple demolished.

There are two principles of taxation, one utterly false though largely accepted, that a tax should fall in proportion to the ability to pay; another, and the true one, that it should be apportioned in the proportion of benefits conferred. By either of these two principles, one false and the other true, Governor Wilson may elect to submit the justifications urged for a revenue tariff. They will stand neither test.—EDITOR SINGLE TAX REVIEW.)

The objection to both tariff and excise taxation as a means of raising revenue is that they disturb prices, lessen production, build up monopolies, and bear in proportion to consumption rather than possession or income. No taxation of these two kinds can be so adjusted as to press with equal weight upon all points, which is an economic way of saying that neither of them can be an absolutely just mode of taxation.

Indirect taxes are the most easily collected, and for that reason are the most general. A public tax-gatherer present at private sales would be resisted by a people proud of their sovereignty; but an invisible tax collector, who collects also his profit on the tax, is a beneficent arrangement born in the conception of the very genius of plunder. Let us suppose a poor woman, whose occupation is making shirts at sixty cents a dozen, goes into a grocery store, and buys a pound of sugar for eight cents. As she goes out a revenue officer stops her at the door, and demands three cents, to swell an already overfilled treasury, and to invite schemes of reckless expenditure in naval and harbor improvements, and to tempt the parasites who fatten on national plunder. This is what is done under the cover of darkness; let it be done in open day, and the system would be swept away. But because the thing is covertly accomplished, by secret measures and through dark passages, it becomes a mighty enginery to crush with invisible weight the weak, the helpless, and the unfortunate.

An indirect tax grows with every exchange, as the payment of the tax is

advanced by each intermediary dealer; the accumulated profit may in this way double the price to the consumer. The amount collected under a revenue tariff for one year would be perhaps a third less than the actual increase in price resulting from this mode of taxation.

A tariff upon imported articles not manufactured in the country might, in the absence of other and better sources of taxation, be a convenient means of raising revenue, though subject to the same objection that it takes for public uses less than it forces the consumer to contribute to the profits of intermediaries, who have to advance the tax over and over again. But it would not act with a protective tendency, and, as in the case of tea and coffee, would not increase the price of other commodities. Tea and coffee are the "raw materials" of no industry; therefore those who should refrain from drinking tea and coffee could escape the payment of the tax. But a tax upon iron for instance, whether in the ore, in the pig, or in the bar, cannot be so evaded. The tax is then like some subtle sea monster, from whose outstretched tentacles we flee only to be caught and drawn back into its meshes.

A tariff for revenue violates the first principles of a just revenue. It collects from many things instead of a few; and is a complicated and unwieldy system. It has been well said that certainty in taxation is preferable to equality because certainty under natural laws will lead ultimately to equality. And the uncertainty of a tariff for revenue, and the greater expenses of collection, not involved in some other forms of taxation (that upon land values, incomes,* or bequests) condemn such a tax upon exchange.

But while this uncertainty must condemn any system for the raising of revenue where more certain methods are at hand, it is always a recommendation for its adoption to those who benefit by such a tax. What other reason can justify the combination upon the same article of specific with ad valorem duties, save to conceal the real amount of the tax from the pastoral mind?†

It is true that Americans exhibit a marked distrust of all direct taxation. But a direct tax is always preferable to an indirect, as straightforwardness in conduct is preferable to all shuffling and evasion. The more indirect a tax is the worse it is. A tax on wealth is not so bad as a tax on the process of production, since one interrupts industry, and the other does not. The first may retard it, but to retard it by interruption is to retard it more. This is why a tariff for revenue—a tax upon the process of production, or, what is the

*There is, however, an essential injustice in an income tax, preferable as that is to all other forms of taxation. Even where small incomes are exempt, as is the case in England, it must bear harshly upon professional incomes and casual salaries. It cannot make a distinction between fixed revenues derived from land, and those derived from unstable enterprises, or from incomes to be terminated within certain periods.

†The revenue tariff of Great Britain and the protective tariff of Germany are comparatively free from ad valorem duties. There are disadvantages in specific duties absent in ad valorem duties, and there are disadvantages in ad valorem duties absent in specific, but the combination of ad valorem with specific duties eliminates the advantages and combines the disadvantages of both.

same thing in the end, a tax upon exchange—is not a wise way of raising revenue.

Were our burdensome system of taxation a direct one, it would not be tolerated. Had that poll-tax against which Wat Tyler and his men rose in rebellion been levied in a more indirect way, its essential injustice would never have been perceived. It is instructive to note that time and time again men have arisen in rebellion against taxes unjustly imposed; and half the wars of Christendom have had their origin in shameful attempts to rob the poor in the guise of revenue. But these ancient measures differed in their brutal directness from the secretive nature of modern taxation.

A tariff for revenue has a disturbing influence upon trade, less in degree than but not different in kind from a protective tariff. It must also act with a protective tendency. For example, if the annual needs of a country are twenty millions, and duties of ten or twenty per cent. are levied to that amount upon imports, much more than that must be contributed to industries protected to the extent of the duties levied. Rates of duty may easily be too high for revenue, but they never can be too high for protection. A tariff with uniform rates of duty would not be a revenue tariff. A rate of duty that might produce a large amount of revenue if laid upon a certain article, would be absolutely prohibitory in the case of another.

But let us suppose that sufficient revenue could be derived from the importation of a single article—as iron, or a single manufacture of that staple, as iron in the pig—would that be a revenue tariff? Assuredly not. The duty would not operate as a revenue duty alone, but would act with a strong protective tendency. Most all of the tax upon tea and coffee found its way into the treasury, but most of this supposititious tax upon iron would not go there.

No one can defend a protective tariff as a means of raising revenue, since the treasury gets the lamb's share, and somebody else the lion's. No free trader can advocate a tariff for revenue, since the reasons that condemn the one as unmistakably condemn the other. A really protective tariff ought not to, and actually would not raise any revenue, and a revenue tariff must always in a variety of ways act as a protective tariff, whether it be applied with that purpose or not. Our internal revenue system is largely protective, and is therefore subject to the same objection. Protectionists are not inconsistent who tell us that indirect taxation should never be laid save on articles whose consumption it is desirable to discourage. But they are not quite consistent in advocating the removal of the internal revenue system, since, as I have said, it is largely protective.

All taxes collected through a third person increase as fast as the tax is shifted. They compel the small capitalist to pay as much to the government as the large capitalist. It will be seen, too, that the tendency of trades subject to excise duties is to concentration in the hands of a few large capitalists.*

*An excise duty upon tallow, wax and spermaceti in England long operated to prevent improvement in the quality of the candles. When this was finally removed, candles increased in quality and lessened in price.

Their tendency is to increase prices and degrade quality. Whiskey manufacturing is practically a monopoly largely by reason of internal taxation.

There is this objection against even an ideally perfect tariff for revenue. It could not be kept a revenue tariff. Not only must it fail, in the very nature of things, to discriminate with justness between necessities, conveniences, and luxuries, but the door of a revenue tariff swings ever outward into a protective tariff. Theoretically, it may do to hold that a revenue tariff may remain after a protective tariff is abolished. But, practically, it would not do. The protective fallacy might be scotched, but not killed, while there remained, in the form of a revenue tariff, a possible means of resuscitation.

Where taxes of necessity must interfere with production, which is true of all taxes upon exchange, and true also of the vast amount of taxation levied by state and national government, a tariff for revenue would seem the very worst method of supplying the public funds, for the reason that such a tax must be levied at all points, and in infinite variety. To concentrate taxation upon one point, while relieving production at all others, would be an ideal form of taxation if it were practicable. But a revenue tariff, if sufficient revenue is to be raised, could not be a tax on special exchange, but on all exchange. It is therefore the worst possible tax on production, and possessed in a lesser degree of all the evils of an avowedly protective tariff. Then, too, as I have endeavored to show, a revenue tariff would be a foolish economy of paying twice where once would do as well.

It is sometimes thought that tariffs originate in the idea of protection. Such is not the genesis of tariffs. They are born of a revenue mother into the hands of a protection *accoucheur*. The debate on the tariff of 1861, by which the schedule of the tariff of 1857 was gradually raised to the highest protection standard ever attained, dealt entirely with questions of revenue.

It is impossible so to adjust a revenue tariff as to make it a system of equal taxation. Ad valorem duties must invite undervaluation, and specific duties must operate as prohibitions on the inferior and more abundant kinds of the article affected by them, even though such duties be extremely moderate.*

A free commerce makes for peace. Revenue tariffs being interferences with commerce are, therefore, though in lesser degree than protective tariffs, impediments to peace. Revenue tariffs, too, must retain much that is incidental to protective tariffs—ignoble governmental espionage, with its baggage searching and inquisitorial methods. It is not a manly mode of raising revenue; is not, as our ancestors might have said, upright nor *forth-right*.

All indirect or unseen taxation is out of place in a democracy. All systems of taxation which accumulate revenue beyond immediate needs are a peril to the nation. All taxation which looks even incidentally even if not

*Gloves imported from France into England worth twenty-four shillings a dozen pairs were not excluded by a duty of four shillings and six pence, but gloves worth eight shillings and ten shillings were excluded altogether.

avowedly to the business of the citizen, rather than to the needs of government, is a menace to free institutions.

LAND HISTORY OF THE AMERICAN COLONIES.

· IN SIX CHAPTERS.

(For the Review.)

By THOMAS L. BRUNK, B. S., M. D.

CHAPTER III.

MASSACHUSETTS.

In the study of the founding of the American colonies, it is well to know that according to Blackstone, (I, Vol. I, p. 107) there were three sorts of governments granted by the mother country.

The first were chartered as civil corporations with the power of making by-laws for their own interior regulation not contrary to the laws of England; and with such rights and authorities as are specially given them in their several charters of Incorporation. To this class belong Virginia and the New England colonies.

Then followed a series of proprietary grants by the Crown to individuals of feudatory principalities with all the inferior regalities and subordinate power of legislation which formerly belonged to owners of Counties Palatine; yet with these express conditions, that the ends for which the grants were made be substantially pursued, and that nothing be attempted which might derogate from the sovereignty of the mother country. Such were, first, Carolina, then Pennsylvania, Maryland, Maine and New Hampshire.

The third were Royal Provinces which depended for a government upon the respective commissions issued by the Crown to the Governors and the instructions which usually accompanied their commissions; under the authority of which provincial assemblies were constituted with the power of making local ordinances not repugnant to the laws of England. Under this form all the colonies, except Pennsylvania, finally came before the Revolution.

In addressing ourselves to the land history of the New England colonies, especially Massachusetts, we are confronted by a system of government so radically different from that of Virginia, that it rouses a deep interest to know why such varying charters were granted by the same sovereign authority. Let us see how it was accomplished. History is made by people. As the people think and act, so is history moulded. Naturally one would think that we should begin by relating what the Pilgrim Fathers did in the way of forming a progressive government. But while the pathetic story of their landing at Plymouth Rock in 1620, their sufferings from the rigors of an inhospitable