

CHAPTER IV.

TAXATION OF PERSONAL PROPERTY.

§ 1. **General property tax.** The first natural impulse of most men, when called upon to devise a system of direct taxation, is to propose a general property tax, that is, to make a valuation of all property, of every kind, and to tax every man in precise proportion to his share of the general wealth. Our law divides property into two classes, real and personal, or, as the civil law describes them, movable and immovable. The difference between the two species of property is so great, especially when considered with reference to taxability, that we must separately discuss the proposed taxation of personal property.

In every State of this Union the attempt is made to tax personal property, as well as real, by a direct tax upon its appraised value. In many States this attempt is sustained by stringent legislation; in some by the use of arbitrary and despotic powers. In other States the laws are crude, loose, and easily evaded. In all, there is a clamorous popular demand for more stringent legislation, in support of which farmers, especially, are almost unanimous.

Before inquiring into the testimony of experience as to the practicability and effects of such taxation, let us consider what is to be said from the theoretic point of view. What is personal property? Is it desirable, in the inter-

est of the whole community, that all or any of it should be taxed? Does reason indicate that it can be fairly and equally taxed?

§ 2. **Taxation of credits.** Personal property may be divided into two classes: chattels and credits. Under the name of credits are to be included, not only book accounts, bills, notes, bonds, mortgages, bank deposits, and the like, but also shares of corporate stock, and probably shares in any partnership. "Our" chattels, properly speaking, are only those things which we have in our immediate custody; but chattels on special deposit may be included, since they are in the custody of our agents, who have no right to use them, even for a moment, for their own purposes.

Even including chattels held in partnership, in the class of strict chattels, it is universally admitted that, in all civilized countries, credits form by far the larger portion of personal property. It is easy to see why this is so. Credit may be given for more than two thirds of the value of both chattels and real estate, and it is continuously given to the extent of at least half the value of both. Prof. H. D. McLeod maintains, with tremendous energy and some ferocity, that the wealth of the community is actually increased by credits, to their full amount. This is a doctrine dear to the farmer's heart, as justifying all his favorite theories of taxation. It can be easily tested. It would be quite possible to form a syndicate in this country, owning property readily salable for two billion dollars. Let the syndicate mortgage this property for half its market value. That will add one billion to the national wealth. As loans might safely be made upon this mortgage to its full face value, let A, the first lender, hypothecate it as security for another loan of a billion, and B pledge it again to C, C to D, D to E, and

so on, until promissory notes are outstanding to the amount of sixty billions, all secured by the original mortgage for one billion. All this, on the farmer's theory, is an actual increase of national wealth, for every note is perfectly good. The wealth of the United States is doubled in one day. The philosopher's stone and Fortunatus' purse are completely outdone.

But why confine ourselves to paper promises? Is not our word as good as our bond? There are more than ten million men in the United States accustomed to business of some kind. Let each of them agree to pay to his next neighbor one million dollars. No writing is necessary. The promise of No. 1 to pay No. 2 will be good, because founded upon the promise of No. 10,000,000 to pay the same amount to No. 1. It will cost them nothing, because all their promises can be literally fulfilled, without using a dollar. But (on the McLeod-farmer-credit tax theory) the United States will increase its wealth by the gigantic sum of ten million million dollars (\$10,000,000,000,000), all in talk. How little knew the ancient sage, who said: "The talk of the lips tendeth only to penury." (Proverbs, xiv., 23.)

§ 3. Debt cannot increase wealth. But what says plain common-sense? Debt cannot increase the general stock of wealth. Every credit implies a debit. One gives exactly as much as the other gets. A loan, secured by the pledge of a chattel, divides the equitable title to that chattel between the borrower and the lender, giving to the lender the meat and leaving to the borrower whatever may cling to the bone. The mortgage of land, at common law, transferred the actual ownership of the land to the mortgagee; and although equity has nominally altered this rule, the bottom fact is that the mortgagee still has the best half of the ownership. He is the real owner of

the land, to the extent of his loan; although he can only enforce his ownership through a sale of the land. Or, to put it in another form, the title is divided between the mortgagor and the mortgagee: the mortgagee having the cream and the mortgagor the skimmed milk.

The same thing is true concerning every form of debt. Notes (unsecured by pledge or mortgage), book accounts, and debts of every kind are of no value whatever, except so far as they constitute a good and readily enforceable claim against equivalent visible, tangible things in the hands of the debtors. And to this extent the property in the hands of the debtor really belongs to the creditor; although the latter has no right to select any particular article or to seize anything, until his debt is due. If the debt stands against no tangible property, it is worthless; and, even under the McLeod theory, it would add nothing to the general wealth. If it does stand against such property, it diminishes the general stock just as much, by its lien on that property, as it adds by its own face value; and therefore it still adds nothing to the general wealth.

It may be asked: "Is not wealth in fact greatly increased by credit? Does not wealth grow more rapidly in a country where credit is freely given, than in one where no man will lend anything?"

Certainly. But only because credit is the instrument by which capital is transferred, for a time, from the hands of the men who cannot use it most productively, into hands of men who can. The gain in general wealth consists only in the difference between what such capital will produce in the hands of the borrower and what it would have produced in the hands of the lender.

§ 4. **Taxation of credit a useless labor.** Considered from the tax collector's point of view, it may be conceded that, as he has a definite sum to collect, the total burden

of taxation will neither be increased nor diminished by any duplication or omission of wealth. It may, therefore, be further conceded that, if all forms of credits could be effectually reached and taxed, the tax would simply be divided among those who divide the ownership of things, and so no injustice would be done. Assuming, for the moment, that any form of personal property ought to be taxed, it may also be assumed that the double taxation involved in taxing credits would do no harm, *if they could all be reached.*

On the other hand, what advantage is there in doing this, if it can be done? Why take the trouble to collect taxes from two, three, or four persons on account of one piece of property? It increases the cost of collection without the slightest benefit to the State; and it confers no benefit upon the taxpayers. "The borrower is servant to the lender." He must eventually repay whatever tax the lender may be compelled to pay upon the loan, if the tax is impartially laid and fully collected, as we are now assuming that it can and will be.

§ 5. **Taxation of corporate credits.** But it is now time to inquire (still upon theoretic grounds) whether it is possible to collect taxes upon credits impartially and fully, or even to approximate such a result. It would seem possible to ascertain the amount and value of the stock and bonds of domestic corporations, especially of railway companies; because they can be compelled to make a full disclosure of their affairs; they must keep regular and full books of accounts; and their officers have not usually such an overwhelming interest in their finances as to make them willing to run great risks, merely for the sake of evading corporate taxation. This is far too liberal a concession; because immense blocks of shares are now owned by individuals, who either personally man-

age the corporations in which they are interested, or would make it a condition of the appointment of managers that they should commit whatever amount of perjury could prudently be used for the purpose of evading taxes. It is idle to say that managers of such easy consciences will not be trusted with the administration of great affairs. It is notorious that bribery, upon the most extended scale, is practised by the managers of some corporations, conducted otherwise with more than ordinary integrity; and we are all familiar with the story, undoubtedly true in substance, of the railway president who told all the other members of a presidents' conference that he would take the word of any of them, as a gentleman, for a million dollars, but as a railway officer, not for a cent.

Assuming, however, that the direct taxation of corporations could be successfully enforced, this could only be done in those States in which their business is and must be carried on. The stock and bonds of a New Jersey corporation are often owned entirely in New York; but in nearly all cases they can only be taxed in New Jersey. If the corporate property is situated in New Jersey, the same result would be secured by taxing the property itself. If that is done, the stock and bonds should be exempted; or, if they are taxed, the visible chattels and real estate of the corporation should be exempted. Is not the natural and sensible method to tax *things* and exempt *stock*?

The Federal Constitution stands in the way of taxing corporate bonds, by confining local taxation to bonds held by citizens or residents of the taxing State.¹ If such taxation became heavy, it would soon be found that all bonds were held outside of the State in which the corporate office was situated.

¹ Foreign-held Bonds, 15 Wallace, 300.

The ingenuity of corporations in evading taxation, even now, is well known. Is it supposable that, under a much heavier rate of taxation, such as must follow the abolition of all indirect taxation, this ingenuity would fail to put corporations upon an equal footing with individuals? If it did fail, the burden would become so heavy that the number of corporations would rapidly diminish; and the revenue from this source would fall off accordingly.

§ 6. Taxation of individual credits. Turning now to the case of individuals, it is certain that a very large majority keep no detailed account of their property or income, and that a majority of those who do would cease to do so, if by that means only they could avoid excessive taxation. Let us therefore inquire how heavy the general property tax would probably be, if there were no other taxes.

Assuming that property to the nominal value of \$250 and the real value of \$500 would be exempt, as it certainly would, and that all citizens handed in true lists of their property, as they certainly would not, not more than 2,500,000 of the 12,500,000 families in the United States would have personal property of sufficient value to subject them to direct taxation. Reckoning the total wealth of the country at \$60,000,000,000, including the value of land, but allowing for inevitable exemptions in favor of poverty, of public property, charities, etc., and for the low rates at which property must always be assessed (say, at the utmost, 80 per cent. of its full value), the most honest and rigid assessment would fail to reach more than \$40,000,000,000 of property.

As the federal and local taxes together exceed \$850,000,000 per annum, the general property tax, if adopted as the only tax, would exceed 2 per cent. upon capital, even if there were no considerable evasion of

taxes. This would be equivalent to a tax of more than one third of the income of all capital.

Call the tax only one third of the income from capital; and would not such a rate offer ample inducement for evasion? It has been found by experience that half this rate has sufficed to drive several hundred millions of wealth out of Boston and other cities; while under a two per cent. rate in New York, personal property has become almost invisible. It is manifest that practically all owners of credits would use their utmost efforts to conceal them from the assessor. Those who would not take a false oath would simply make no returns, submitting to any arbitrary tax which might be imposed upon them. Others would, in the vast majority of cases, make a false return. Some, knowing that the assessor would not believe them, if they denied the possession of any credits, would admit a part of their holdings; others would deny them altogether.

Thus the amount of taxable property discovered by the assessor would be further decreased; and, as the same amount of taxes must still be collected, the rate would rise to 3 per cent. This would make it simply impossible for strictly honest persons to hold credits at all, unless by their gradual withdrawal from the loan market the rate of interest should be increased to an amount equal to the additional tax. The more probable result would be to throw all such securities into the hands of less scrupulous persons; who, partly by a free use of perjury, and partly by an outward show of poverty, would blind the eyes of the most incorruptible assessors. Add to all this the possibility of corruptible assessors; and the field for evasion is enormously extended.

We may therefore safely conclude that by far the larger part of all credits would escape from taxation, that strictly

honest holders would pay an outrageously disproportionate share of the taxes, the timidly dishonest or highly ingenious a moderate tax, and the utterly unscrupulous practically none at all.

§ 7. **Taxation of money.** Money, which is the one thing above all others which farmers desire to tax, is the very thing which, above all others, ought not to be taxed. A really effective and uniform system of taxing money would ruin every farmer in the country.

Money is as important to the prosperity of the community as blood is to the life of the individual. Taxation tends to drive money out of the State; and, if any successful method of taxing all coin and other money could be put in operation, *all* money would be driven out of circulation; and a frightful prostration of business would ensue; in which none would suffer more than the farmers. Farmers always want to get high prices for their products; and no more effective scheme could be devised for cutting down the prices of those products to the lowest point, than a tax which should really reach every dollar of money in the State.

Under the name of money, legislatures seek to tax:

1. Deposits in banks;
2. Treasury notes and bank notes;
3. Gold and silver coins.

§ 8. **Bank deposits.** Bank deposits are not money, in any sense whatever. Nobody owns any money on deposit, unless it is a special deposit, in a separate bag or box. No bank accepts such a deposit, unless it is well paid for the trouble and risk. That is the business of safe-deposit companies; it is no part of a banking business. Bank deposits are mere credits, like any other loan, payable on demand. No bank ever keeps on hand an amount of coin or notes equal to its deposits; which

proves that the depositors cannot possibly have "money on deposit," since the money is never there to be had. Every reason for not taxing credits applies to bank deposits. But in addition to those reasons, success in taxing deposits would destroy the whole banking system and paralyze commerce, by compelling all exchanges to be settled in coin or bank notes, which are entirely insufficient for one tenth of commercial transactions.

§ 9. **Paper money.** So far as what is called money consists of paper, it is very clear that all this paper is mere evidence of debt. Treasury notes represent a debt of the United States; and bank notes represent debts of the banks. If the property which is represented by these notes is taxed, it ought not to be taxed a second time by taxing the notes themselves. If that property is *not* taxed, this only proves that the legislature, with the strongest desire to do so, has never been able to invent any method by which it could tax visible property; and if the legislature is not able to find and tax the houses, merchandise, food, and furniture, against which these notes were issued, these being things which cannot be put out of sight, how absurd it is to try to tax the notes themselves, which can so easily be put out of sight.

§ 10. **Coin.** Coin, like all other money, is nothing but a representative of wealth, an order for wealth, which everybody honors; but not wealth itself.

Gold or silver *coin* is of no earthly use, except for the purpose of exchanging one kind of merchandise for another. Nobody can eat coins, or wear coins, or build a house with coins, or even make a piece of plate with coins, or, in short, put them to any use of any kind whatever, *so long as he keeps them in coin*. The only purpose for which money is good at all is the purpose of getting rid of it, as quickly as possible, for something

more practically useful. Accordingly, no man, who is not partially insane, habitually carries any large amount of money with him, or keeps it in his house. The very richest men have the least amount of money. A well-known citizen of New York, who is reputed to be worth \$50,000,000, never possesses so much as \$5 in actual money, if he can help it. He is supposed to have a large amount of money in banks, but he does not have a dollar of his own in any bank. All which he has is the promise of banks to pay a large sum to him, whenever he wants it; but, as a matter of fact, he never does want it, for his own personal use, and never takes possession of it. He only orders it to be paid to other people.

These views are supported by the Ohio Tax Commission of 1893. They say: "As to money, there is much reason for saying it is a mere tool, and that it should not be taxed at all. . . . Money is, after all, in almost all of its forms, a mere credit."¹

It is a striking illustration of the total failure of reasoning power, in a majority of intelligent human beings, that the popular demand for more rigid taxation of money proceeds exclusively from that class of the people (mostly farmers and their associates) who at the same time most clamorously demand the issue of more money. Millions of voters demand, in the same breath, that money shall be issued in such quantities as to reduce the rate of interest to 2 per cent. and that the same money shall be taxed $2\frac{1}{2}$ per cent. More than this, they insist that the men to whom they give their promissory notes for money lent shall be taxed $2\frac{1}{2}$ per cent. on the notes, while they themselves shall be taxed $2\frac{1}{2}$ per cent. on the money. In short, they want the price of money reduced to 2 per cent. and

¹ *Report Ohio Com.*, p. 65.

yet to bear a tax of 5 per cent. Thus the State would, if they could have their way, collect \$5 out of every \$2; an income tax of 250 per cent.

§ 11. **Taxation of banks.** The capital of incorporated banks is the one brilliant exception to the general failure of the personal-property tax. After many unsuccessful experiments, the State authorities finally devised a plan for taxing the shareholders of such capital, upon the value of their shares; and this tax is fairly assessed and effectually collected, with certain exceptions not necessary to be stated. The essential features of this plan are that the tax is laid upon the shareholders, not upon the banks, while it is paid by the banks and collected by them from the shareholders. Incorporated banks are always subject to rigid governmental inspection; and therefore it is impossible for them entirely to conceal the value of their assets from the government. Their entire business depends upon their credit; and their credit cannot be sustained without regular public reports of their financial condition. Thus the value of their stock is a matter of general knowledge; and, as a rule, it is estimated too high rather than too low. If, for the sake of evading taxation, the officers of a bank should contrive to depreciate the nominal market value of its stock, they would certainly lose more business than the saving of taxes would be worth, and they might lose their clientage altogether.

Banks are thus more effectively taxed than any other form of personal property. But is the result profitable to the people who lay the taxes? A little reflection will show that it is singularly disastrous. The success of the tax on banks is the chief source of American currency troubles.

§ 12. **The currency problem.** The widespread demand for more currency, which is so often treated with contempt

by financiers, is at its foundation perfectly reasonable and natural; although every form of relief, which has thus far been demanded, would be ineffectual; while all that has thus far been done, in compliance with this demand, has brought ruin, instead of relief. The greenback craze, the demand for "free banking," meaning only the unlimited issue of bank notes, the silver mania, the 2 per cent. sub-treasury scheme, and all other proposals for an enormous expansion of the currency, arise from a common and permanent cause. The uneducated masses are not to be condemned for seeking relief in wrong directions, so long as the educated classes do not offer relief in any direction.

It is perfectly true, as alleged by the advocates of inflation, that there is not money enough to do the business of the country. But it is also true that *there never can be money enough to do the business of the country*. It can no more be done with fifty dollars per capita than with five. It must be done by barter, by book accounts, or by banking. As a matter of fact, it is done by a species of banking. But the banks of the South and Southwest are mainly cross-road grocery stores. Here, nine tenths of the farmers' and planters' produce are settled for. No matter to whom the products are sold, the producers get their pay only in trade at the village grocery. The process is as truly one of banking as is any transaction in a national bank of New York or Chicago. But it is enormously expensive, clumsy, risky, and unsatisfactory. Precisely the same transaction which, in a large city, would cost the farmer less than $2\frac{1}{2}$ per cent., costs him, at his village store, 20 to 25 per cent. Yet the clumsiness of the village transaction is so great that the storekeeper does not, in the long run, make any remarkable profit from this enormous commission.

Why is this? Because there are no regular banks, within the reach of the farmer. But why are there no such banks? Simply because the farmer himself has taxed them out of existence. Or, more accurately, because his beloved system of taxation has made it impossible for good banks to come into existence in his neighborhood. The real business of a bank is to enable goods to be exchanged, without the use of any money. Issuing notes is not at all essential to a banking business. But the strictly regular business of a bank cannot be carried on, in a purely farming district, under the burden of local taxation. There is not enough profit in it to pay the tax. In Canada and Scotland, where banks pay no local taxes, every little village has a branch bank, supported by the wealthy bank of some large city. In the United States, where all banks are heavily taxed, there are not one fifth of the number necessary to supply the demand; and as no branches are allowed, most of the country banks are not thoroughly safe. In Canada and Scotland there is no currency question. Nobody wants greenbacks or sub-treasuries, or cares anything about bimetallism. In the United States we hardly think about anything else.

The moral is plain. Abolish taxation on personal property, including all taxes on banks, allow branch banks to be set up everywhere, and the currency question will settle itself.

§ 13. Taxation of visible chattels. Some writers on the subject, who fully admit that invisible and intangible personal property ought not to be taxed, nevertheless insist that everything should be taxed, which can be seen and touched. They see clearly that mortgages represent real estate; that promissory notes and book-debts represent the cloth, groceries, metals, or the like, for which they are given; that the stock of a railway company represents

the railway and its equipment, and that there is no sense or justice in taxing both the things which are represented and the pieces of paper which represent them. They see, too, that bonds, notes, and money can be hidden, and that any attempts to tax them must result in doubling the burden of simplicity and honesty and exempting shrewdness and roguery. But they insist that all such personal property as can be seen and handled, and cannot easily be concealed, ought to bear its share of taxation, and that it can be reached, effectually and equally.

Let us first consider what articles of personal property can be seen and touched, so as to be reached by faithful assessors. The results of actual assessments, in States which adopt stringent methods of personal taxation, show that these "visible and tangible things" are principally animals, stock on hand of merchants and manufacturers, household furniture, farm implements and carriages, in the order named. As the only reason for taxing these things, while letting invisible property pass, is that the assessment of invisible property must depend upon the oath of the taxpayer, we must inquire how far these visible articles can be fairly reached and valued by assessors, without depending upon the statements of their owners.

§ 14. Farmers hold most visible chattels. Judged by this standard, it is manifest that the property of farmers would be more easily reached and more accurately valued by honest assessors, than would be the property of any other class. For farm animals and implements are always readily open to inspection. Their value is generally nearly uniform. Most farmers, in the same county, pay about the same prices for their horses, cattle, plows, tools, and furniture. A few own highly expensive cattle; and these will escape full assessment, just as other chat-

tels of very rich people will, in any line of business. But the mass of farmers own things which their neighbors can value easily. Very different is the case of merchants. What assessor, however honest and competent, can personally value all the stock of even one grocery store, not to say the stock of all the stores in his district? Fancy an assessor making a personal appraisal of the stock of fifty drug stores, a hundred dry-goods stores and as many grocery stores. In every large store, there are hundreds of different articles, at different prices, by the yard or the pound or the gallon. Bales of goods lie side by side; some worth four cents a yard, some ten cents, some two dollars. The difference between goods worth one dollar a yard and those worth two dollars is often imperceptible to the eye of any one but an expert. But how can an assessor have time to open all these bales, to look at them, much less judge accurately of their value? All the assessors of New York City could not approximately value Clafin's stock alone, without relying upon the word of Clafin's clerks. Therefore the stock of merchants and manufacturers would be assessed upon the valuation given by themselves; as, in fact, it is now. Thus the assessment of "visible and tangible property," in these important cases, is made and must be made in exactly the same manner as the assessment of bonds, notes, and other invisible property, resulting in a double or treble burden upon the simple and truthful, as compared with their unscrupulous neighbors.

The same thing is true as to household furniture. Farmers have a certain average quality of furniture, the value of which can be ascertained far more nearly than the value of that of well-to-do city residents. In proportion to the wealth of the taxpayer, would be the failure of the most honest assessor to estimate the true

value of his property. Anybody can estimate the value of a two-dollar chair; but few indeed can tell the difference between a chair costing fifty dollars and another costing one hundred and fifty. To many assessors there would be no apparent difference in value; to none would the fair difference seem to be more than twenty dollars or thereabouts. In many household articles, such as bedding, for example, a difference of 200 per cent. in cost is attended with no outside indications. Many honest assessors would reckon the value of a \$15,000 set of furniture as no greater than that of a set costing less than half the price.

§ 15. Assessment of merchandise. Let us, however, imagine a sustained and general attempt to appraise visible chattels by public officers. How can that vast mass of visible chattels, known under the general name of merchandise, and which is obviously that which the advocates of chattel taxation are most anxious to reach, be fairly, equally, and effectually taxed? In the first place, they must be appraised, all over the United States, on the same day. Merchandise is constantly changing its ownership and constantly changing its situation. A bale of cloth, for example, manufactured in Lowell, is sent, unbroken, to New York, and there divided among buyers from Cleveland, Indianapolis, Chicago, Milwaukee, Minneapolis, Des Moines, Omaha, and Denver. Thus the title to this one parcel of goods passes through ten different owners, residing in ten different States, each of which has its own appointed day of assessment for purposes of taxation. Under a system of assessment, executed by public officials, without depending upon the false returns of interested taxpayers, it would certainly happen, in many cases, that the cloth would be taxed once in Lowell, taxed again in New York, taxed again in each of the cities to which it was next sold, and taxed once more

in the retail stores of the country districts where it would be finally sold for actual use. This would make four taxes upon one thing. Side by side with cloth thus taxed will be found other cloth, of precisely the same quality and make, which had luckily been started on its way from Lowell before Lowell's assessment day, slipped through New York and Chicago before their assessment days, and finally received by the country dealer just after his assessment day. At the present average rate of taxation, the country dealer who was clever enough thus to escape the various local taxes would have an advantage of 8 or 10 per cent. over his less ingenious neighbor. All dealers who paid the tax on their goods would thus be driven out of business by the competition of those who did not.

§ 16. Work for assessment day. Let us imagine, then, that the States all agree upon one day for assessment. The first of April, which is the day selected in some places, is decidedly the most appropriate day for this purpose. On that day, all over the country, a swarm of assessors must besiege the factories, mills, shops, and stores, taking an honest valuation of all merchandise on hand. The valuation must be completed in one day. Otherwise, Smith's valuation being completed on April 1st, while Jones is left to April 2d, there would be a midnight exodus of easily portable goods from Jones to Smith, so that the assessor should find little value in charge of Jones on April 2d. No help must be asked in the work of valuation from the owners or their employees; for if that is done, the assessor might just as well accept the sworn returns of the owners, as is done now, with most ludicrous and iniquitous results. As it is well known to be an impossibility for the owners themselves to make such a valuation in one day, even with the aid of all their

clerks, there must be a number of official assessors employed, exceeding all the number of persons employed in holding and selling merchandise. The work might, however, by extreme diligence, be done in a rough way by two million local assessors. As it would take them at least one day to receive instructions and two days to tabulate their returns, besides the one day occupied in valuing, each would serve at the very least for four days. If they were paid less than \$5 per day, on an average, their services would be worthless. The lowest cost of such an assessment would therefore be \$40,000,000.

§ 17. Vanishing merchandise. On "assessment day" there would be universal concealment of all articles of small bulk and great value. Watches, jewels, gold, money of all kinds, and all concealable things would vanish from sight. Men would walk about stuffed with valuables. Old stoves, pots, and pans would be filled with money and jewels. Valuable goods, which could not be hidden, would be covered with dust or otherwise made to look almost worthless. In every mill and factory manufactures would be kept in an unfinished state, as far as possible, until assessment day had passed. A thousand devices would be resorted to, in order to reduce the apparent value of the things which the assessor would inspect, or to prevent him from seeing them at all.

In order to make this plan of official valuations successful, the assessors must enter every room in every house, and strip naked every man and woman whom they suspect of concealing taxable property. This is the method by which tariffs on imports are executed; and it is the only way in which visible, tangible personal property ever was or ever can be fairly, equally, and effectually taxed.

Americans, boasting loudly of their freedom and personal dignity, do submit to all these outrages, under the

tariff and excise system ; and only a few moonshiners in Southern States resent them. The whole system of indirect taxation is enforced by the violation of all privacy, decency, and natural rights. Everybody is presumed, by our tariff and excise laws, to be a thief and a liar ; and everybody who comes under the operation of those laws is actually treated as such. But, meek and spiritless as the residents of American cities have shown themselves under corrupt and brutal police, and indifferent as all Americans have shown themselves to innumerable forms of plunder, carried on under the pretense of collecting indirect taxes, is it probable that they would submit to the universal application of these methods, under direct local taxation ? Would they long submit to have their beds searched for concealed money and their wives stripped to discover concealed jewelry, as is now done by custom-house officers ?

And, when all this was done, the system would none the less fail. The official valuation of visible chattels could not be completed within ten days ; and it would therefore be successfully evaded. It could not be made even approximately correct. Every article would be valued very much too high or very much too low. Nor would the average produce any fair result. The goods of Jones would be appraised at twice their real value ; while the goods of Smith would be appraised at nearly their value, and the goods of Brown at half their value. Jones would thus be cheated heavily, Smith moderately, for the sole benefit of Brown.

The fact is that all systems of assessing personal property are about equally bad. Probably the nearest approach to a fair assessment would be reached by requiring every citizen to make a return for his next neighbor.

Such a system would be as absurd as an old-fashioned donkey race, in which each man rides a competitor's donkey, and the last donkey wins. But, like such a race, it might work out rough justice—*very* rough, it is true, but not so bad as the results of any system now in use.¹

¹ While these pages were going to press, the writer discovered that this very method had been tried in Rhode Island, a hundred years ago, with only the difference that each assessment was to be made by *ten* neighbors. And the Romans (A.D. 300-800) had an even more effective plan. *They compelled the assessor to pay all the taxes which could not be collected from his neighbors!* And yet both Rome and Rhode Island failed to make their systems work.