

The Public

A National Journal of Fundamental Democracy &
A Weekly Narrative of History in the Making

LOUIS F. POST, EDITOR
ALICE THACHER POST, MANAGING EDITOR

ADVISORY AND CONTRIBUTING EDITORS

JAMES H. DILLARD, Louisiana
WILLIAM LOYD GARRISON, Massachusetts
L. F. C. GARVIN, Rhode Island
HENRY F. RING, Texas
WILLIAM H. FLEMING, Georgia
HERBERT S. BIGNLOW, Ohio
FREDERIC C. HOWE, Ohio
MRS. HARRIET TAYLOR UPTON, Ohio
BRAND WHITLOCK, Ohio

HENRY GEORGE, JR., New York
ROBERT BAKER, New York
BOLTON HALL, New York
FRANCIS I. DU PONT, Delaware
HERBERT QUICK, Iowa
MRS. LONA INGHAM ROBINSON, Iowa
S. A. STOCKWELL, Minnesota
WILLIAM P. HILL, Missouri
C. E. S. WOOD, Oregon

JOHN Z. WHITE, Illinois
R. F. PETTIGREW, South Dakota
LEWIS H. BERENS, England
J. W. S. CALLIE, England
JOSEPH FELS, England
JOHN PAUL, Scotland
MAX HIRSCH, Australia
GEORGE FOWLDS, New Zealand

Vol. XII.

CHICAGO, FRIDAY, JUNE 25, 1909.

No. 586

Published by Louis F. Post
Ellsworth Building, 267 Dearborn Street, Chicago

Single Copy, Five Cents Yearly Subscription, One Dollar
Entered as Second-Class Matter April 16, 1898 at the Post Office at
Chicago, Illinois, under the Act of March 3, 1879

EDITORIAL

CONTENTS.

EDITORIAL:

Nothing to Brag Of.....	601
Stentorian Commonplaces.....	601
Ripe for Prosperity.....	601
The Income Tax.....	601
President Taft's Corporation Tax.....	603
From Seed-time Toward Harvest.....	604
Misrepresenting Mrs. Catt.....	604
Louis Prang.....	604
The Boston Idea.....	604
Protectionism and Consumers' Rights.....	606
Our "Ripening" Prosperity.....	606
Does Capital Gamble?.....	606
Railways and Manufacturers.....	607
Heredity and Environment.....	608

NEWS NARRATIVE:

The British Finance Bill.....	609
The British Land Reform Movement.....	610
The George Movement in Germany.....	610
Preferential Voting in Australia.....	610
The Tariff in Congress.....	610
The President's Taxation Message.....	611
Stock Exchange Speculation.....	611
Charter-making in Colorado.....	612
Nullification of the Illinois Primary Law.....	612
The Cleveland Traction Fight.....	612
News Notes.....	613
Press Opinions.....	614

RELATED THINGS:

Responsibility (E. K. Parrish).....	616
To the Oppressed of All Nations (Chas. Brad- laugh).....	617
Let Each Bird Sing Its Native Song (J. W. Stimson).....	617
Keep Fatherless Children With Their Mothers.....	617
Old Man Harder Remarks (Geo. V. Wells).....	618
Land Value Taxation in Germany.....	619

BOOKS:

Woman Suffrage.....	620
The Family.....	621
Hints for Agitators.....	621
Books Received.....	621
Pamphlets.....	621
Periodicals.....	622

Nothing to Brag Of.

Those whom men call strong, are often only
brutal.

+ +

Stentorian Commonplaces.

In his latest editorial remarks through the Out-look, Mr. Roosevelt characteristically propounds the philosophy of a Tupper in the voice of a Stentor.

+ +

Ripe For Prosperity.

"The times are ripe for a great business revival," is one of the assurances of President Taft's Secretary of the Treasury. That describes the situation very neatly, but it would have described it as well at any time this year and a half. The times have all along been ripe for prosperity, much as a hungry man is ripe for something to eat.

+ +

The Income Tax.

President Taft's message recommending a Constitutional amendment authorizing income taxation regardless of differences in population, ought to be adopted by Congress and the States. But there is no reason for postponing income tax legislation until its adoption, unless to defer and possibly sidetrack the whole movement for the taxation of swollen incomes.

+ +

The reason given by Mr. Taft is merely a law-

yer's reason, and lawyers' reasons for legislation are to be taken with much salt. Mr. Taft argues that inasmuch as the Supreme Court has nullified one law for the taxation of incomes, on the ground that it imposed a direct tax regardless of population, no other such law should be passed in the expectation that the Supreme Court may reverse itself. But the Supreme Court did reverse itself when it made that decision. And as it reversed itself by 5 to 4, only one man on that bench upset an act of Congress which conformed to the precedents of a century. This one man did this by changing his opinion "over night." The court stood 4 to 4 on the question, one judge being absent from illness. When that judge returned, he voted for sustaining the law. Consequently the law would have been sustained, had not another of the judges, one who until then had stood for the law, changed his vote suddenly to the other side. A decision so made is the decision to which President Taft asks Congress to pay the special respect of pigeon-holing the pending bill for income taxation, and postponing the whole subject, adopted with so much enthusiasm in his inaugural, until two-thirds of the Senate, two-thirds of the House, and three-fourths of all the States shall have voted to change the Constitution.

+

There is no reason for this, we repeat, except to sidetrack the movement for income taxation. If Congress and the President wish to tax incomes, really wish to, let them enact the proposed amendment, so that, if finally adopted by the States, it will secure the desired power of income taxation beyond peradventure for the future; but meanwhile let them also enact the income tax law, so that if the Court as now constituted shall hold that it does not come within the prohibition of the Constitution as that document now stands, this method of taxation for Federal purposes will have been made immediately effective. If the amendment is necessary, an income tax law in anticipation of it would do no great harm; if the amendment is not necessary, such a law would be of great use. It would prevent a long postponement and a possible sidetracking of the whole subject.

+

What we have said is upon the assumption that there ought to be an income tax for Federal purposes. Essentially there ought not to be such a tax—not as income taxes are now understood. For no distinction is now made between *earned* and un-

earned incomes. The issue over that distinction is being drawn in England, and doubtless it will soon be drawn in this country. But at present the income of the man who by his own brain or brawn or both, gives as much in service as he gets in income, is bundled into the same taxing category with that of the man who, through disordered social laws and institutions, gets an income from others without service of his own. Or, for this is not so much a matter of personal classes as of economic interests, no distinction is made with reference to any man's income between that for which he gives a *quid pro quo* in his own service, and that for which he gives nothing but his consent to the use of opportunities for which no one is indebted either to him or to his predecessor in title. To tax incomes in general, therefore, is to tax the man who has made two blades of grass to grow where but one grew before, equally with the man who has stolen two blades of grass where before he stole but one. The true principle of income taxation is to exempt incomes that are earned, be they little or great, and to tax only the incomes that are not earned. Whether this is practicable or not is another question, and a secondary question. The first thing to decide is whether that is what we wish to do. He who too promptly springs the objection of impracticability is to be regarded with suspicion as one to whom the wish is father to the thought. But this distinction, vital as it is, and practicable as it can be shown to be, is one which Congress cannot make under its present Constitutional limitations.

+

In those circumstances one of the first steps toward making the distinction between earned and unearned incomes is to impose a tax upon all large incomes—the larger the income the heavier the tax. Not only is this a step toward the distinction indicated above. It would in considerable degree automatically produce the distinction in practice. For most of the larger incomes of the country, and all of the largest, are for the most part unearned. Another consideration is the fact that we are facing the alternative, on the one hand, of custom-house tariffs with their wretched inequalities even as revenue producers and their devilish favoritism for protection purposes, and on the other of income taxation. Customs tariffs are economically indirect and corrupting, as well as unequal and full of favoritism, whereas income taxation is direct and its incidence plain to the sight. The worst direct tax is better than the best indirect tax. On this ground alone, at the present stage of fiscal

development, income taxation is to be approved. It should not be sidetracked by confining its legislative expression to a Constitutional amendment, when, as the fact is, there is no practical conflict between starting the amendment upon its slow course, and enacting a law to go into immediate effect upon the probability that it would be sustained without a Constitutional amendment. We doubt if Mr. Taft, were he again in private practice as a lawyer, would advise a corporation client to proceed by Constitutional amendment alone, and not also and concurrently by legislation, to secure for his client an object of somewhat uncertain constitutionality.

+ +

President Taft's Corporation Tax.

Two objects are declared by President Taft as the purpose of his recommendation of a 2 per cent tax on the net earnings of corporations. The first is to secure an addition to the Federal income; the second, to bring the corporations of the country within the reach of Federal control indirectly through the taxing power.

+

In so far as the object is to open a source of Federal income from direct taxation, the purpose is defensible upon the same grounds as those that apply to other forms of income taxation. It is open also to the same objections. The same inquisitorial necessities are present. So are the possibilities of fraud; and so is the fact that the tax would fall alike upon earned and unearned incomes. But this tax (though an "excise" in law, and therefore not legally "direct") is economically a direct tax, and as such preferable to the indirect taxes which are the alternative. Falling as it does upon the net incomes of corporations, its incidence is determined by the same economic laws that determine the incidence of income taxes in general. It falls not upon the processes of the corporation business as they operate, but upon the net results after the operation. It is in effect a tax upon the stockholders in proportion to their dividends. Bitter opposition may for that reason be looked for from powerful sources of political influence.

+

For this Presidential recommendation it may also be said, as we have pointed out regarding the income tax, that although it makes no distinction between the earned and the unearned profits of corporations, precisely this distinction would ex-

press itself automatically in great degree. Some profitable corporations do earn most of their net profits, and these would be unfairly hit. As to most if not all of these, however, there is little valid reason for their being corporations, and none at all that could not be removed by State legislation. The corporations that would bear the heaviest part of the tax burden which President Taft proposes are those which, out of the necessities of their privileges, must be corporations. These derive their net profits chiefly from the privileges or franchises which they control. This method of getting at unearned incomes is, like that of the graduated income tax, crude and awkward and to a degree unfair; but it would make a beginning that could be improved in the right direction easier than the right thing could be secured by direct action. Let all corporations be taxed on their net profits, and ways for clarifying the distinction between earned and unearned incomes, between production and privilege, between law-made values and back-ache values, would speedily open up.

+

As to the President's purpose by this fiscal innovation to bring the corporations of the country within the reach of Federal control, he would appear to have learned of the British ministry. They wanted an Imperial valuation of all the lands of the kingdom with a view to making those values a resource for public revenue. Realizing, however, that the House of Lords would not consent to this exhibit so menacing to their privileges, the Ministry have proposed in the budget, with which the Lords cannot interfere, a tax on land values, so small and so adjusted that it cannot evoke complaints from the landlord class without making them seem contemptible; and in order to provide for the levy of this tax, the Ministry have created a valuation scheme as part of the sacred budget itself. Thereby the House of Commons will bring within their reach indirectly through taxation the control of that whole great landed monopoly of Great Britain which has made and is making a few enormously rich and the masses poor. President Taft quite as candidly proposes in a somewhat similar manner to get Federal control, without Constitutional amendment, of the railway and other trust corporations of the country. By levying a tax upon their net receipts, there would be necessity for a fiscal mechanism through which the regulation of these corporations could be brought indirectly within the authority of Congress and the Departments.