

rich held out for an ad valorem tax of 15 per cent, and this was voted on the 22d by 46 to 30.

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The President's Taxation Message.

In view of his inaugural address recommending income taxation, and of the favorable action of the House in that respect, coupled with unfavorable probabilities in the Senate and a disposition of the Republican "progressives" to re-enact the substance of the income tax law that was nullified by the Supreme Court several years ago by a vote of 5 to 4, President Taft has recommended to Congress the proposal to the States (1) of an amendment to the Constitution conferring the power to levy an income tax without apportionment among the States in proportion to population; and (2) an amendment to the tariff bill imposing upon all corporations and joint stock companies for profit, except national banks (otherwise taxed), savings banks, and building and loan associations, an excise tax measured by 2 per cent on the net income of such corporations. These recommendations were made in a message delivered to both Houses on the 17th.

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In advocacy of the Constitutional amendment, the President's message argues:

Although I have not considered a Constitutional amendment as necessary to the exercise of certain phases of this power, a mature consideration has satisfied me that an amendment is the only proper course for its establishment to its full extent. . . . This course is much to be preferred to the one proposed of re-enacting a law once judicially declared to be unconstitutional. For the Congress to assume that the Court will reverse itself, and to enact legislation on such an assumption, will not strengthen popular confidence in the stability of judicial construction of the Constitution. It is much wiser policy to accept the decision and remedy the defect by amendment in due and regular course. . . . It is said the difficulty and delay in securing the approval of three-fourths of the States will destroy all chance of adopting the amendment. Of course no one can speak with certainty upon this point, but I have become convinced that a great majority of the people of this country are in favor of vesting the national Government with power to levy an income tax, and that they will secure the adoption of the amendment in the States, if proposed to them.

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The Presidential explanation of the proposed corporation tax is that the Supreme Court seems clearly to have established, "the principle that such a tax as this is an excise tax upon privilege and not a direct tax on property, and is within the Federal power without apportionment according to population." Its equity is argued as a tax "upon the privilege of doing business as an artificial entity and of freedom from a general partnership liability enjoyed by those who own the stock." But the

principal apparent purpose of the proposed corporation tax is disclosed in the latter part of the message in this language:

Another merit of this tax is the Federal supervision which must be exercised in order to make the law effective over the annual accounts and business transactions of all corporations. While the faculty of assuming a corporate form has been of the utmost utility in the business world, it also is true that substantially all of the abuses and all of the evils which have aroused the public to the necessity of reform were made possible by the use of this very faculty. If, now, by a perfectly legitimate and effective system of taxation, we are able to possess the government and the stockholders and the public of the knowledge of the real business transactions and the gains and profits of every corporation in the country, we have made a long step toward that supervisory control of corporations which may prevent a further abuse of power.

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Stock Exchange Speculation.

The investigating committee appointed by Governor Hughes to investigate speculation in stocks and commodities through exchanges (vol. xi, p. 922), and composed of Horace White, chairman; Charles A. Schieren, David Leventritt, Clark Williams, John B. Clark, Willard V. King, Samuel H. Ordway, Edward D. Page, Charles Sprague Smith and M. L. Muhleman, secretary, has reported. Its report covers the two New York stock exchanges and seven commodity exchanges. While it makes a distinction between exchange trading and gambling, the report finds that the rules make so easy a technical delivery of property contracted for that the practical effect of much speculation which in form is legitimate is not greatly different from gambling; and it finds the problem to be the elimination of what is wasteful and morally destructive and the retention of what is beneficial. In the solution of this problem action by the exchanges is regarded as more important than legislation. The committee, therefore, makes several recommendations to the exchanges, among them being that—margins be raised to 20 per cent; that the rules against fictitious sales be more strictly enforced; that corners be declared when discovered and settlement prices be fixed; that the financial condition of members be examined before failure as well as after; that transactions in unlisted securities be abolished; that stricter penalties be imposed upon "bucketing"; and that sales records be preserved for six years.

The recommendations for legislation are as follows:

That it be a misdemeanor for a broker to receive securities or cash from any customer or to make purchases or sales for his account after the broker has become insolvent.

That it be larceny for a broker to sell securities purchased by a customer who has paid for them in whole or in part, or to dispose of them for his own (the broker's) advantage, except upon the customer's default.