

asmuch as the Ordinance provides that the Constitution of any State formed in the old Northwest Territory "shall be republican," and inasmuch as representative government might be abolished in favor of direct democracy without representatives, it is therefore assumed in long columns of print that the Supreme Court of Ohio has knocked out the Initiative and Referendum, wherefore there is really no use whatever, don't you see, in electing delegates to the Constitutional convention of Ohio who will vote for Initiative and Referendum clauses. In other words, don't waste your energies, O prudent Ohioans! but leave the whole matter to the Ohio State Board of Commerce, with power.

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There is more than one way of knowing that the Columbus "mare's nest" is a "mare's nest." To say that a non-representative government is not a republican government, is like saying that a tree that doesn't bear peaches is not a fruit tree; for a non-representative government may be a democratic republic, a representative republic, or a monarchy; and it was to guard against re-establishment of monarchy that the provision in the old Ordinance of 1787 was made. Another consideration is that the Initiative and Referendum do not necessarily substitute direct democracy for representation; they may be limited to preventing representatives from becoming bosses, and in fact this is all they try to do wherever they have been adopted and all they would do wherever they are proposed—including Ohio. Still another thing is the fact that a case is now pending in the Supreme Court of the United States to determine whether the Oregon Initiative and Referendum violates that provision of the Constitution of the United States which requires the United States to "guarantee to every State in this Union a republican form of government." If that court decides that the Initiative and Referendum are inconsistent with this clause, the Northwest Ordinance won't cut any more figure in Ohio than anywhere else; and if the Supreme Court of the United States decides that the Initiative and Referendum is not contrary to the *republican* clause of the Federal Constitution, it is very unlikely that any court will regard it as contrary to the *republican* clause of the Ordinance of 1787.

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#### Municipal Operation of Street Cars.

Our consul at Manchester plays "ducks and drakes" with the protests over here that municipal ownership and operation of public utilities

doesn't pay. His report in the *Daily Consular and Trade Reports* for August 26, shows that in ten years the annual payments into the city treasury by the city's street car system in lieu of taxes have increased nearly four times; that the working hours of employes have been reduced one-fifth; that the maximum wages of motormen have been increased a third and of conductors a half, in addition to allowance of one week's vacation annually and half pay in sickness for a month at least; that there are bonuses for careful service; and that in spite of all this the saving to passengers, as compared with the private service the municipal service has displaced, is two-fifths—equal to two cents in five, or a three cent fare. When American experts testify that municipal operation doesn't pay, they must mean that it doesn't pay the companies that pay them.

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#### RHODE ISLAND AND TAXATION.\*

The primary functions of city, State and national governments are to keep the peace (which properly is to defend each person from trespass), and to make just possession of property secure (which properly is to protect each person in what he earns). Execution of these functions involves expense, for which reason public revenue is *necessary*. Public revenue is secured by some method of taxation. Taxes pay for government or public service.

That the peaceful existence of each individual is closely connected with the correct exercise of the police power and security of property is well enough understood, but that a like intimate relationship exists between individual well-being and the system of taxation is not commonly realized. It is, however, a fact, and to be fully apprehended needs but a small part of the attention habitually bestowed upon matters of relatively trivial importance.

When a warrant for arrest, or a policeman's club, interferes with the free action of a neighbor, we are interested; for if the interference is unjust, we may soon be involved in a like predicament. But if the goods of a neighbor are taxed, we usually pay little heed; for most of us possess little, if any goods. As a matter of fact, however, there is more reason for interest in the tax than in the arrest; for we are much more likely to have occasion to buy those goods than we are to endure arrest. If we do buy the goods the tax is added to the price, and so, although the tax was paid by our neighbor, its burden really falls on the

\*See *The Public* of August 25, page 870.

consumer; and that consumer is you and me and the rest of us. The tax is not so crude as the club, but it is vastly more effective; because instead of falling on a few, as do warrants for arrest, it reaches every individual. History tells us that Cromwell, holding possession of Irish ports, taxed the goods imported, and by that means made the Irish pay the cost of the army with which he invaded their country. It's a simple scheme, and the simple folks are deceived by it.

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Taxation tends to diminish, in quantity and quality, the supply of the things on which it falls. For this reason the primary rule in taxation is, "Don't tax any good thing that could move away from your community, or that could come to you, or that could be made." The rule may be loosely stated as—Tax bad things, don't tax good things.

If Woonsocket, for instance, placed a heavy tax on mills that sought location within her borders, instead of pursuing her far wiser policy of exempting them from taxation for a term of some ten years, not so many mills would come. Having followed the better plan, the city finds itself quite largely excelling all other cities in the State in percentage of increase in population. To this extent the city has obeyed the primary rule in taxation, and finds itself in possession of the legitimate rewards for that obedience.

Increase in population brings more buildings, more customers for merchants, more jobs for workmen, more prosperity, fewer vacant lots. Idle lands are useless, and usually belong to the idle rich, as the figures show to be the case in Woonsocket. Vacant land employs no one. Vacant lots not only employ no one, but they prevent employment. They are tramp factories.

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The effect of taxation has been hazily recognized in nearly all localities in the United States. So, we find that most municipalities have taxed dogs. As a consequence (under the primary rule of taxation) increase in their number is checked, and the community is saved from the nuisance of being overrun with dogs.

If, however, a tax on dogs prevents an increase in their number, will not a tax on buildings, on machinery, on furniture, on clothing, on food, have a like effect on these? A tax on dogs checks their increase by making them more costly to possess. In the same way a tax on the good things of this world checks their increase, and makes the limited portion of them that must be secured, more expensive. Some cities levy a tax of two dollars

on dogs and the same tax on marriage; so that a man is put to the same expense whether he takes unto himself a wife or a dog. Our tax laws are both nonsensical and burdensome.

Where the greater part of the revenue for public administration is raised by taxes on good things, life will be hard, because such things are artificially made expensive by such taxation. As articles of ordinary consumption become thus expensive, business declines for the simple reason that the masses of the people have not the power to buy in quantities sufficiently large to make business good.

The income of the masses of the people, received as wages, salaries, commissions, fees, etc., is their purchasing power. The total of these amounts constitutes the cost of production. If the masses were left in possession of their income, unimpaired, they would be able to buy back what they have produced, and production and consumption would go smoothly forward, uninterrupted by stagnation, depression, collapse and panic. If, however, the normal price of articles produced is increased by adding the burden of taxation, the income of the masses will be insufficient to buy back what they have produced, and goods will be unsuccessfully seeking purchasers. The misuse of the taxing power, which is presumed to be exercised that property may be secure and the peace kept, is the cause of disturbed business. Business depends on the people buying and consuming. They will buy if they can.

For instance, taxes on building material and on buildings make them cost more to erect and to hold. As a necessary consequence a higher charge must be made for their occupancy. Therefore tenants crowd, with the result that fewer buildings are erected, and fewer artisans in building trades find employment. Their purchasing power is artificially reduced. The primary rule of taxation has been violated.

The total burden, thus needlessly placed on productive processes, is more than sufficient to account for our industrial ills, and every wise community will recognize that as a change must perforce begin somewhere, it would best begin on its own affairs. This notion is emphasized by the fact, plainly evident upon slight consideration, that the town or city that first moves in the matter will profit most by the change. It is a fact that in Vancouver and Wellington lands increased in value when all taxes were removed from industry. Although a greater tax was laid on the value of land, that burden was more than offset by the higher value following the increased demand

arising from an increase in population. Men are still seeking those locations because there their efforts are not burdened by the artificial weight of taxation. This is but a larger development of Woonsocket's successful plan of exempting mills.

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People go where industry is not taxed. There they can most easily earn a living. The value of land does not decline under an increasing population. The value of land falls at the points from which the people go—not at the points to which they go. Therefore the places that first apply land value taxation, as the only way of avoiding taxes on industry, will invite population, and by so doing will profit most by the change.

This is the rational, business-like proceeding—unless Woonsocket is fearful, through her own success, of injuring her neighboring cities, Attleboro or Worcester!

Is there any reason to believe that jewelry houses, freed from all taxation in Woonsocket, could not successfully compete with taxed jewelry houses located in Attleboro? Could not untaxed manufacturing plants in Woonsocket hold their own against taxed plants in Worcester? And would not these new concerns need the aid of thousands of new workers? This increased population would cause increased demand for land and so raise its value; and thus is furnished the revenue needed by a growing city. To provide houses and factories for this larger number of workers, building operations must be extended.

That this is no idle dream is shown by the building record of Vancouver. In 1902 that city taxed improvements equally with land. During the year building permits numbered 417, the buildings being valued at \$833,607. In 1903 taxes on buildings were reduced to 50 per cent of value, and building operations advanced, the number of permits being 580, and the value \$1,426,148. During 1904 and 1905 this rate of taxation was maintained and the city grew, the number of permits in 1905 being 940, and the value \$2,653,000. In 1906 one-half of the remaining tax was abolished, leaving only one-quarter of the original tax, and building operations again advanced, 1906 showing 1,006 permits, with value at \$4,308,410. This rate was held during 1907, 1908 and 1909, when permits had become 2,054 in number, and \$7,358,555 in value. In 1910 all taxes were removed from buildings, and again operations responded. The first seven months shows a greater value in new buildings than the whole year of 1909. The monthly value of 1909 was \$604,880.41, for 1910 it is \$1,075,053.57. Every time taxes were re-

duced building operations showed the effect; and not in a spasmodic burst of speed, but in steady growth.

Woonsocket is surrounded by a large industrial population, both employers and employes trained to take advantage of every opportunity in production or economy. Vancouver's offer was made to people living far away. If Woonsocket shall say to all manufacturers: "Locate here and you will not be taxed," her future growth will be more certain than is now her future existence. Meanwhile, do not overlook the fact that without any growth, the majority of the voting taxpayers of Woonsocket will save money by abolishing taxes on personal property and improvements. Houses make a demand for everything the store has to sell.

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The present system is not only unfair but it checks the growth of the city as a whole. No one is so well conditioned as he would be if tax burdens were removed. If the present system were good for the whole, even though unfair to individuals, it might be patiently borne—but, instead, under it, society is becoming degenerate.

All towns and cities are continually advertising the advantages of their particular municipalities, in hopes of attracting industries, which, of course, means the coming of more capital and labor. Much effort and money is expended in this way, but in recent years, what city has secured the amount of advertising that has been donated to Vancouver? To secure this widespread attention that city spent no money. It merely used a bit of plain common sense, by obeying the primary rule in taxation. Obedience to that rule, however, is so unusual and so unexpected that it gave Vancouver an advertisement not to be had by any other course. She stopped taxing good things, and as a result, although not favored with the climate of Southern California, bids fair to outstrip all of her Pacific Coast rivals.

What is the sense of taxing one man ten dollars because he is intoxicated, and taxing another man ten dollars—not once, but every year—because he builds a barn? It looks like the Irishman's rule in the free fight—"Whenever you see a head, hit it."

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Public revenue is necessary. Taxes are vital. Throughout the States of America public revenue is usually secured by a "general property tax." This system has been condemned by practically every investigator.

In a report dated February 1, 1911, a joint

special committee of the Rhode Island legislature said: "The general property tax, under which Rhode Island operates, stands today discredited **even more conclusively than a year ago.**"

Many years ago the Governor of Illinois condemned **the tax laws** without reservation. A special committee of the Ohio legislature did the same. Also a committee of the legislature of Minnesota. The tax commissioners of Chicago (Cook County), according to the newspapers, said that the more they tried to enforce the personal property tax the more they were impressed by the George plan.

In spite of this wholesale condemnation, however, the general property tax persists in nearly all States. This condition is maintained because those who agree in opposing the general property tax cannot agree upon a substitute system. The land value plan steadily makes headway. Not only do many towns in Australia, Canada, Germany, and New Zealand raise part or all of their revenue in this way, but quite recently the Imperial governments of both Britain and Germany have moved to raise revenue from the same source. Incidentally it is an interesting fact that when a city or town changes to land value taxes, there is no tendency to return to old methods. The proof of the pudding is said to be in the eating.

After the committee in the last Rhode Island Legislature had joined in condemning the general property tax, a bill was introduced as a first step toward establishing a different, and it was believed, a better system. It failed of adoption.

For several sessions there has been before the legislature a bill to amend the tax laws by giving to each town and city in the State power to exempt from taxation personal property, or improvements, or land, or any two of these classes of property, as its good judgment, its circumstances, and modern analysis of the question might determine. This bill did not alter existing tax systems. It merely gave to each city and town the power to alter its own methods if it so desired. This bill also failed of serious attention.

The present law declares as to taxes in the cities and towns of the State: "They may raise, by a tax on real estate or personal estate, or on both, such sums of money as shall be necessary," etc.

The proposed change in the law is expressed in thirteen words (in italic) as follows: "They may raise by a tax on real or personal estate, or on both, or on improvements, or on land, or on both personal estate and land, such sums of money as shall be necessary," etc.

It will be observed that, under existing law, any

town or city may exempt either real estate or personal estate. The proposed change extends this option to any one or any two of the three classes of property named—land, improvements and personalty.

As the amendment is in no way compulsory, but merely permits each town or city to tax itself in such way as will best satisfy its own citizens, it really is difficult to understand the attitude of the members of the legislature. If the voters of Woonsocket wish to tax mills, or do not wish to tax mills, what difference does it make to voters in Providence or in Pawtucket, or in Newport? If the voters of the named cities give their attention to their own affairs will they not find themselves rather fully occupied? Is there any good reason why the voters of any city should not be able to administer their own affairs in their own way? Upon what ground may it be assumed that some other voters can do it better? Or, is it feared that if voters control their own affairs they will increase the efficiency (and maybe integrity) of public administration?

In view of the continued refusal by the legislature to give favorable attention to this matter when introduced in the customary manner, it is suggested that some one or more of the cities and towns of Rhode Island officially petition the legislature for an act giving to it, or them, power to arrange for themselves their method of raising public revenue—possibly adopting the above proposed change.

If one city on the Atlantic coast shall set this example others will follow, until, without shock or jar, the industry of America will be freed from the senseless burden under which it now staggers. The first city to move will profit most.

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The people of the United States complain of monopoly. Now, just what does monopoly do to injure the people? Monopoly increases prices of goods or services—that is, it taxes the people. Why, then, is not the natural remedy to tax monopoly? We have permitted monopoly to absorb nearly everything: Baer has the hard coal, Weyerhaeuser has the forests, Rockefeller has the oil, Morgan has the iron, and we thank God the sun is 94,000,000 miles away.

JOHN Z. WHITE.

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Close your ears to the groans of those who suffer, shut your eyes to the diabolism of the system which favors you, and all shall be well with you.—Voltaire.