

### STILL GROPING

"The Impact of Federal Taxes," by Roswell Magill, Columbia University Press, New York, 1943. 214 pp. \$3.

This is a well named volume, competently surveying our existing Federal tax structure and its resulting pressure on business and the individual. Professor Magill writes with dual authority; as former Under Secretary of the Treasury he notes the needs and sources of government revenues, and as professor of law at Columbia University he recognizes the tremendous problems of litigation arising from the enactment of each new revenue bill.

The underlying theme is the necessity for revision of the basic structure of our tax code. Professor Magill estimates that government expenditure will continue to exceed even those of the 1930s for many years. He lists one billion dollars expended in 1914; four billions in 1924; nearly nine billions in 1939; and an estimated \$77.5 billion already budgeted for 1943. He contends \$20 billion will be the average post-war budget, and to meet this, he says, Congress and the Treasury should revise the tax code, being guided by definite tenets of taxation. The author's canons are: (a) adequacy and sufficiency of yield; (b) simplicity and economy of collection; (c) fairness, or proportioning benefits received and ability to pay to the tax, but everyone contributing something.

In viewing present laws the author finds the yield inadequate. The 1942 budget was \$32.5 billion and the yield was only \$13 2/3 billion; the 1943 budget is three times the estimated yield. In the present system income, estate, gift, and excess profit taxes make up 73% of the income, the balance is derived largely from excise and sales taxes, and Prof. Magill thinks this a desirable ratio to preserve. Following much of the popular reasoning of today he finds the upper brackets and business are bearing too great a burden and suggests broadening the tax base by lowering exemptions, with provisions for withholding as a key to collection. He believes a normal tax of 25% should be imposed; sur-

taxes starting at \$3,000. Removal of community state property privileges, municipal bond interest and alimony exemptions are advocated, but the author doubts whether it would be wise to eliminate all privilege. According to the author the only untapped source of great additional revenue is the sales tax, and he recommends a 5% levy on all commodities, evidently ignoring the fact that the poor already pay heavy taxes in all their purchases.

Is it possible that Professor Magill has never heard of the vast reservoir of untapped wealth called economic rent?

Continuing his examination, Dr. Magill finds the income tax neither simple nor economical. Congress in its desire to plug loopholes has patched the roof of the revenue structure but left the base fundamentally unsound, so that now an army of specialists is needed to interpret the laws for the taxpayer and another army is required to enforce them for the government. He cites interesting cases to prove his point, such as the gift and estate tax laws which were necessary corollaries to the income tax to prevent tax free transfers of property among family groups. Business is organized only after tax laws are reviewed to find which method is least penalized. Most detrimental to a healthy democracy is the fact that judicial, executive and legislative functions are performed by tax administrators

who are able to change the rules as they proceed.

Some reforms have been made, chief of which is the creation of the ten regional offices of the Bureau of Internal Revenue scattered throughout the country, which enable cases to be settled in their own localities. "Good administration turns on good men," Professor Magill states, and then suggests appointments to top offices in the Bureau should not be political, and that salaries in key positions should be revised upwards to tempt competent men into the field. The book closes prophetically by stating, "Since the government after the war may be *much the greatest employer in the country* and since the revenue service is in many ways at once the most difficult and the most important operation of government, maintenance and improvement of it will continue to be a major concern of every citizen."

This reviewer found nothing to indicate that the taxpayers' burdens would be lighter should Professor Magill's proposals be adopted. Moreover, the author evinces no sign of alarm at the prospect that the government, after the war, may be the greatest employer, nor any adequate comprehension of the enormous step in the direction of a more effective system of taxation and insurance against widespread unemployment that so simple a procedure as the collection of the economic rent would bring about. The professor is still groping.

—JOSEPHINE BILLINGTON