

who was senator. Now, it is the Republican, Sherman. Then it was Lincoln the Republican who aspired to the senate. Now it is Sullivan, who would dishonor that position.

Is there anything more to say to refute the saying that the world is growing better, at least, so far as Illinois is concerned?

R. F. PETTIGREW.

INCIDENTAL SUGGESTIONS

THE OHIO TAX AMENDMENT

Cleveland, Ohio, September 28.

Tax reform, to be beneficial, must remove tax burdens from industry and seek to derive public revenue from publicly created site values. The proposed tax amendment will therefore be judged by its tendency to impose greater or less burdens upon productive activity; burdens which are inevitably shifted to the consumer, whose opportunities are meantime restricted by the premium on lightly taxed sites.

Two objects are apparent in the amendment:

To limit the tax rate, with certain exceptions, to one cent on the dollar.

To permit the application of different tax rates to different classes of property, defined in the amendment.

The limitation of the tax rate, as proposed, is distinctly bad. Under such a rate it will not only be impossible to untax the fruits of industry, but the need of revenue will probably compel even heavier assessments against buildings, machinery and commodities, the imposition of special license taxes, as well as a more inquisitorial search for bonds, stocks, mortgages and other intangible evidences of wealth.

Entirely aside from the justice or injustice of taxing industry, we believe it is self-evident that this so-called intangible personalty is not wealth, and that its listing entails a double taxation of the property which it evidences.

The relief of this intangible personalty from present rates of taxation is the ostensible aim of the classification section of the proposed amendment. Its only possibility of accomplishing this object is premised upon the listing for taxation of an amount of intangible personalty of such increased volume that it shall more than offset the decreased rate. As the search for this class of property during sixty years of Ohio's history and for longer periods elsewhere, has proved the impossibility of forcibly discovering more than a small fraction of such intangible personalty, an increase of duplicate from this source can only come through the voluntary actions of the various holders.

Such voluntary increase would be proportioned to the conscientious impulse of the holders and thus be a tax upon a particular phase of conscientious opinion. One cannot call it a tax upon honesty; the greatest barrier to the enforcement of all personal and commodity taxation is the instinctive human belief that such taxation is dishonest and that no purely legal obligation can exist in defiance of the natural and logical right of men to enjoy the fruits of their enterprise.

This, however, is not the most serious complaint

against the proposed classification. It seeks to establish three classes of property—1st, real estate; 2d, tangible personalty; 3d, intangible personalty. This classification is illogical because it fails to distinguish between land and buildings, between that which man creates and that which he enjoys by the favor of nature and the community. The relationship between buildings and tangible personalty is infinitely closer, so close in fact that no economic need exists for distinction between them. But land and buildings are economically as far apart as the poles. To classify them together means that the untaxing of the most conspicuous fruit of industry is out of the question. Land would have to be untaxed on identically the same basis, leaving no source of needed revenue and still further heightening the injustice from the private absorption of publicly created ground rents.

To summarize the influence of the amendment:

The limitation of the tax rate is not a virtue. There is a legitimate need for greater revenue than the public now enjoys. Better schools and better roads are obtainable only through increased revenue. The legislative source of such revenue is the income from sites which is augmented by schools, roads and other public improvements. Site rent in private hands is probably capitalized into price on the basis approximating five per cent. Any rate of land taxation less than 5 per cent, therefore, leaves a socially created residue in the hands of the land owner and is not a burden but a manifestation of generosity.

A low rate of land taxation will enhance the profits of land speculation and limit the opportunities of the landless.

Cramped revenue will prevent new public enterprises and put privately owned public service corporations in a better position to dictate their terms of service.

Increased listing of buildings and commodities or the levying of special taxes, due to a limited gross rate, are a charge against consumption, and hence a discouragement to production. Their effect is detrimental to capital and labor.

Classification has two possible legitimate objects, but neither will probably be realized under the proposed amendment.

The untaxing of intangible personalty is defeated by the low rate proposed upon alternative objects of taxation, a rate which makes necessary the listing of every possible taxable asset.

The untaxing of the fruits of industry is rendered impossible, because the chief of such fruits, buildings, are not differentiated from land, which must bear the alternative burden if buildings are to be untaxed.

In conclusion, it is not probable that the amendment will do any particular immediate harm, since the evils which it embodies are mostly enforced through statute at the present time. It will simply crystallize bad statute law into bad constitutional law. Its only possible benefit will be the political proof that the present constitutional uniform tax rule can be successfully assailed, thus bringing some trifling encouragement to the advocates of more genuine form.

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