

may. In this he was the greatest man I ever knew, and I wish I could spread the blessed influence of his spirit side by side with that of Henry George, who felt so deeply the wrongs of the world that he gave his life in service to his kind. No two men could be more unlike, yet the work each did will tell in the end when America is the splendid nation you would have it become."



THE PROBLEM OF TAXATION, AND WHAT IT MEANS ♦ ♦ ♦

ADDRESS OF JOHN E. TURNER

BEFORE THE COMMERCIAL CLUB AT DAYTON, OHIO.

THE problem of taxation is, perhaps, the most colossal of all the great problems of the day. It concerns the high and the low; the rich and the poor; the fireside of the house, and the great institutions of State. The whole civilized world is now being agitated by its discussion.

Its intricacies are such as confuse the minds of statesmen, statisticians, and political economists, and its phases are so multitudinous that it would require volumes to incorporate them. It is therefore plainly in evidence that the time allowed me will suffice only for a vague outline of some of the fundamental truths and errors in the public conception of what constitutes a scientific and just system of local taxation.

Much of what I shall say here to-night will be contrary to popular public opinion, and I realize that to successfully combat established precedents and customs the foundation on which my statements rest must be solidly girded with incontrovertible facts. Whether I shall succeed in establishing such a position is for you to determine.

Upon the subject of taxation most men are agreed that all kinds of property should be assessed in equal proportion. That each individual should be taxed in precise proportion to his share in the general wealth. It is held that this is in accordance with the police protection that each receives, and is just. Let us see if this is possible. Property is divided by law into two classes—real and personal. And to more clearly analyze the subject, I shall treat these two phases separately. Let us consider the question of personal property taxation, for in this phase lies many of the fallacies that hold men to the common acceptance of this unnatural and unscientific system. These fallacies I shall attempt to expose. To be bold is but natural to him who feels that public sentiment will support its conclusions. To me the invulnerable shield of truth, as I see it, is equally stimulating. It is therefore without apprehension or reserve that I shall condemn the system of personal property taxation as a delusion and a snare. A delusion because it does not perform the functions of equity; a snare because it entraps the helpless, the conscientious, and successfully halts public opinion. To get at the core of its delusive features, let us divide personal property into the two classes that we can all agree represent it, namely—credits and chattels. Under credits let us list bonds, bills, mortgages, notes, book accounts, and bank deposits. Under chattels those things which are in our immediate custody, such as merchandise, household furniture, farm implements, carriages, jewelry, etc. As it is generally conceded in all civilized countries that credits form much the larger portion of personal property, we will treat this phase first.

It is accepted as an inevitable proposition that every credit implies a debit. This being true, it follows that if credit involves debit without increasing the general stock of wealth, which it does,—the borrower getting only as much as

the lender gives,—the taxation of credits results in double taxation. To quote an eminent authority : " A loan secured by the pledge of a chattel divides the equitable title of that chattel between the borrower and the lender." Therefore, to tax both the chattel and the credit is to impose a double tax. This also holds good with borrowers and lenders on real estate. Some authorities who hold that invisible and intangible property ought not to be taxed, for the reason that it is not just to tax both the things that are represented and the pieces of paper that represent them, see plainly that book accounts and promissory notes usually represent articles of merchandise, while most of mortgages represent real estate. They also see that this phase of personal property is easily hidden, and that attempts to tax it result in increasing the expense of State ; that it is a fine upon honesty and a premium upon shrewdness and perjury ; but they do not see that the same result follows the attempt to tax every other phase of personal property. Let us look the matter squarely in the face and see what proportion of visible, tangible personal property can be fully and fairly taxed.

It is claimed that the results of experience in many of the States show that those articles most easily reached are stocks of merchants and manufacturers, household furniture, farm implements, and animals. Taking those in their inverse order, it is fair to presume that an honest assessor would encounter little difficulty in finding and assessing the animals and implements of the farm, for the value of these things is nearly uniform, and we will grant that they are now more nearly assessed at their true value than most personal property. But let us look into the item of carriages. A glimpse here will tell a woful tale. Referring to such statistics as were immediately available to me, covering a period of five years between 1882 and 1887, a prosperous period, I believe, I found that the residents of the State of Ohio apparently owned upwards of 30,000 less carriages in the latter year than were returned for taxation in 1882. The exact figures are as follows : In 1882 there were returned for taxation in the State 254,918 carriages, and in 1887 these figures had fallen to 224,440. It seems to me that a term of five years is a very short life for the average carriage. In the same period 3,655 watches died a similar death, while the money on hand decreased from \$46,160,662 to \$35,132,131, a falling off of over \$11,000,000. During this same period the population of the State was largely increased. Such later reports as I have at hand, while relating to Hamilton County only, show the shrinkage of money to be continuous. These are the figures ; I take them from the report of a commission appointed by the late President McKinley when Governor of Ohio : Money on hand in Hamilton County, 1882, \$2,321,502 ; in 1887, \$1,833,279, and in 1892, \$1,535,375.

But I am diverging somewhat. Let us get back to visible chattels. What assessor is competent to place a fair valuation upon household furniture ? In the poor man's cottage this might not be extremely difficult, but confront him with a \$50,000 picture, a \$5,000 set of furniture (or a \$500 set for that matter), and how near would his estimate be to the real value ? Again, start the assessor to valuing the manufacturer's and merchant's stock on hand, and imagine his bewilderment when he is confronted with bales and boxes and metals and castings, some of great, and others of small, value. Where is the man equal to the task ? He cannot be found, my friends. Nothing remains for the assessor to do but to depend upon the oath or affirmation of the possessor. And here is a terrible ordeal for the conscientious man, who must cringe with shame before the inevitable pollution of his soul by the enforced perjury resulting from this cruel system of irrational taxation, for it is a heavy burden upon honesty—the leading to slaughter of the lamb that would voluntarily make known the true value of its fleece. And who would voluntarily sacrifice his belongings to harmonize his conscience with an admitted wrong ? As long as the majority of men will sustain such an iniquitous system, so long will it be necessary for some men to

affirm a lie for the truth, to escape unwarranted punishment at the hands of the government. Is not this of itself a terrible indictment of the system?

Some writers favor the exemption of all property from taxation except that which is commonly designated real estate, that is, land and improvements. The two principal points they attempt to make are: First.—That this is a direct tax and therefore fair. Second.—That it is fixed property and easily assessed. I take issue with both of these claims, in so far as they relate to improvements on land. For want of time these must be treated briefly. Thus, to prove that in the abstract a tax upon the improvement is not a direct tax, one example will suffice: Assume the ownership and occupancy of the improvement for dwelling purposes. Does not the rental cost become a part of the living expense? The tax being levied in proportion to this expense, it becomes an indirect tax upon consumption, the same as a revenue tariff. Should the property be occupied by the owner for business purposes the tax is shifted to the consumer through the profits of his business. This must be done or he could not compete with others. Should he rent the premises to another the tax is shifted to the tenant. It is therefore plain that it is not a direct tax. Now let us examine as briefly the second proposition. It is known to all men that the average assessor is not qualified for placing a true valuation upon the mansions of the very rich. In fact there are such vast differences of value in the interior finishings of the average well-built house that an expert would find it next to impossible to assess them correctly; but we must admit that this difficulty is not apparent in the poor man's home. Hence it is not fair, nor is it easily assessed. This brings us down to the bare and—the natural basis of all revenue.

Here I will again quote from another: "If we can find in actual operation, in every civilized country, a species of taxation which automatically collects from every citizen an amount almost exactly proportioned to the fair and full market value of the benefits which he derives from the government under which he lives and the society which surrounds him, may we not safely infer that this is natural taxation?"

Such an automatic, irresistible, and universal system does exist. This system is based upon economic rent. The proceeds are ground rent. No man who lives under government has ever escaped it. No man can ever do so and live and labor. The State collects it to-day—a part of it. It is most easily collected. It cannot be shifted; it is just. Some of you may not quite understand; I will therefore submit another's definition of economic rent: "The rent of any land is the market value of the privilege of using it, and this value is, in the long run, determined by the superiority of such land over any other land which can be had, free of charge, in the opportunities which it affords for gaining wealth."

Take this as the basis for taxation, and every man must pay a just proportion of the taxes; this tribute will be determined by all his neighbors, for each will know the unimproved rental value of his neighbor's land. In consideration of exemption from all other forms of taxation, every well-meaning man will be willing to pay his share, for it would be wise, harmonious, just, for him to do so. Industry would be freed of all the burdens of taxation, and you, my fellow-citizens, as well as all others who labor by brain or brawn, would be free to appropriate to your own use the entire product of your efforts.



There has been another election in Philadelphia with the usual result. In that city they hate a democrat so intensely that they prefer a thief.

The single taxers will not fail to make a note of the successful efforts of wealthy New Yorkers to dodge personal taxes.—*Public Ledger* (Phila.).