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Distribution of the Tax Burden.

by

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Accepting income as a basis for taxation, we will examine the various methods of raising revenue for Federal, State, and local purposes and see how near, according to our standard of measure, they come to realize in practice the principles upon which we base our theory.

For convenience of discussion we shall say the taxes are either direct or indirect. By a direct tax, taken in the popular sense, is meant a tax levied by assessment on property income, business, privilege.

An indirect tax is a tax on commodities, and is generally paid by the consumer in the price of the article - depending upon the ability of the seller to shift the burden to the buyer or not. Direct taxes may be divided into real and personal taxes; indirect taxes, into excises and custom duties.

The direct system of taxation is employed by the State and local Government. The Federal Constitution forbids the laying of a direct tax for Federal purposes, except in proportion to population and in but a few instances has the general Government exercised this right.

Let us examine the direct system first. Real estate is usually defined for purposes of taxation, so as to include land and its improvements. Personal property in some States includes all property other than real estate; in other States it is defined by including the items to be assessed; and again in a few of the

States, personal property is not specifically defined for purposes of taxation.[1]

The system that is general employed for raising revenue for State and local purposes is the General Property Tax which lists for taxation real estate and personal property. But in a few States there is a division of the sources of revenue for these purposes. And it might be truly said that there is a tendency to depend less upon the general property tax for State revenue than formerly. It is this system that receives the blame for its failure to distribute the burden of taxation fairly. Its critics say that by this system of taxation real estate is continually bearing an increasing part of the burden: while personal property, though conditions favor its rapid increase over other forms of Wealth, is fast decreasing, proportionally to real estate. Many reports show an actual decrease of wealth of this form.

Because a great part of personal property escapes the assessor and because of the glaring inequalities in the valuation of real estate, and its many kinds of properties, the general tax is condemned. In the beginning, this tax had some merit - when most of the wealth of the country was in its real estate. But when capital began to seek the many avenues for investment, wealth began to take on the many forms that are hidden from the eye, and more grievous became the inequalities of the tax burden.

[1] Special report of census on Wealth, Debt, and Taxation, page 621. 1907.

Let us compare briefly the growth of the main divisions of wealth as assessed to each class. The following table serves as illustration, by giving the ratios for the years mentioned:

Ratio of assessed valuations of real property to personal property:

1850	1.7	to	1.
1860	1.3	"	1.
1870	2.	"	1.
1880	3.1	"	1.
1890	2.9	"	1.
1902.	3.	"	1.

This table tells the story on its face: that real estate bears and with an increasing ratio, much the larger part of the burden of taxation for State and local purposes. But is this conclusive that real estate bears more than its share of the burden? Let us view the growth another way: The per capita assessed valuation[1] of real property in 1850 was $168.13: in 1860, $221.76: in 1870, (gold basis) $206.74: in 1880, $259.83: in 1890, $303.01: in 1902, $336.72.

The per capita assessed valuation of personal property for those same years was in 1850, $91.64; in 1860, $162.57; in 1870, $89.06; in 1880, $81.90; in 1890, $104.17; in 1902, $111.61. Looked at by way of percents, the gain from 1850 to 1860 was, for real property, 77%: from 1860 to 1870 real property decreased in value 7%, and personal property fell in value 45%.

[1] Wealth, Debt, and Taxation Report (Census) 1907, P. 847.

During the next ten years, from 1870 to 1880, the increase in the value of real property was 25% and that of personal property was 9%: from 1880 to 1890, realty gained 17% and personality, 27%. But the following twelve years up to 1902 the gain of real property was 11%, and personality 7%. The increased percent percapita for the entire period, from 1850 to 1902, is 100% for real property and not quite 22% for personal forms of wealth.

This means one of two things: a great relative increase of real estate over that of personality, or that personal property in some way escapes the tax assessor. But the industrial conditions of our country, the wonderful development of the transportation system, the unprecedented growth of all manufacturing enterprises, our undreamt of commercial activities, and the shifting of the population from country to city, refutes the first assumption.

The estimated true values percapita of all taxable property of the United States for the years given are:[1] in 1850 $308: in 1860 $514.00, in 1870 (gold basis) $624.00, in 1880 $870.00, in 1890, $975. in 1900, $1,083; in 1904, $1,234. The census report[2] for 1904 estimated that the assessed valuation of all property was 36.4% of its true value. But this undervaluation is not necessarily an evil in itself provided that there is a proportional valuation of the different classes of properties, to their true values. But the report just mentioned says that the true value of real property and its improvements for the same year, 1904, was 58.2% of the true value of all property: but the taxes paid on this property for that year

[1] W. D. and T. 1907, Page 44.
[2] W. D. and T. 1907, " 41.

was 77.2 % of all taxes paid. On the face of the census report, then, it is manifest that real property bears over $\frac{3}{4}$ of the tax burden, whereas it has but a little more than half the tax bearing strength. But in reality, from the nature of the two great divisions of property and from the industrial conditions as we know them today, the conclusion is justified that the greater percent of all our wealth is in the form of personal property.

Studying the facts from the standpoint of the taxpayer, it is a legitimate question to ask: Who pays the greater portion of the tax? (and remember we are speaking of State and local taxes). The answer at once comes, "The real estate owners." Are the Captains of Finance, railway kings, and the owners of the telegraph and telephone systems and all private owners of public utilities, among them? No. Their property is classed as a part of personality in the estimates given. A greater part of the taxes are born by the farmer and the city real estate owner. In passing it might be said that the larger part of personal property, possessed by the farmer, in the way of live stock, farm machinery, and agricultural products, pays its just portion of taxation.

Taking the United States as a whole, the assessed valuation of personal property in four years - from 1900 to 1904, increased $970,070, 592 while real estate increased $6, 712, 978,085, about seven times as great as that of personality: while the estimated increase for the same time of the true value of personality was $8,783,041,172. and that of realty was $9,903,844,463.[1]

[1]Census Report on Wealth, Debt, and Taxation 1907. PP. 40, 41.

Even this increase of a little more than $1,000,000,000 of the value of real property over that of personality is thought to be the reverse of the true facts in the case. To verify the general conviction that many of the intangible forms of personality remains completely hidden from the tax assessor, and that on the whole, the present methods of reaching and appraising the various forms of personal wealth are entirely inadequate to realize justice in taxation. One instance sighted from the Comptrollers Report of the Currency,[1] will suffice for the purpose: On the 30th day of June 1900, all the individual deposits in the banking institutions, trust and loan Companies amounted to $7,235,890,276 while the entire assessed valuation of all personal property for the same year, was but $667,601,580 in excess of this amount. In 1904 the total deposits in the institutions named was $9,940,252,995 an excess of $1,066,690,577 over the assessed valuation of all the personality for the same year. Viewing broadly and briefly as we have, the growth of the wealth of our country, and its inequalities as listed for assessment, we must conclude that the burdens of taxation have not been distributed according to ability to pay.

Let us now turn our attention to the workings of the tax system of our own State, and examine a little more minutely its distributive burdens.

[1] Report of the Comptroller of the Currency, Page 405. 1906.

The assessed valuation of all classes of property in Missouri for 1906 was $1,389,690,319. Of this amount $437,215,827 was assessed as personal property including among other items of wealth, railroad, bridge, telegraph, and telephone properties, leaving $941,820,035. assessed to real estate, which includes acre land and town lots. During the year given real property gained in valuation 6.6% of itself: and personality, not including railroads, bridges, telegraph and telephone made a gain of only 3%[1] In 1907, the valuation of personal property decreased $656.326. while real estate increased in value about 5%, or something over 47½ million dollars.[1] During the ten years real estate increased in valuation $230,000,000, as against $80,000,000 for personality. But still further, while the valuation of personal property was increasing so slowly as compared to the increase of real property, the total deposits in the banks of the State shows a wonderful growth. In 1896, the deposits amounted to $117,157,075: and in 1906, the deposits increased to $347,612,838 again of over 193%[2] within the short period of ten years. It is the concensus of opinion that personality, and especially some classes to a greater degree than others, shirk its fair share of the tax carrying burden. One of the classes foresworn more than any of the others is money, bonds and notes. Within the last twenty years real estate and some classes of personality have made a normal increase, what one would expect, knowing the industrial conditions of the country. But of this particular class there is not the increase comparable with the increased wealth of the country. For many

1W. State Auditors Report 1905-06 P.363.

years there has been an actual decrease in this kind of property.

Many individual cases known to personal experience, testify to this same general evasion. Then again of the various classes and portions of property which are listed for assessment there is no constant proportion of assessed value to true value. There is a wide divergence between properties of the classes within the same jurisdiction, and in the same district. In the report of a committee on taxation to the Mo. State Teachers Association in 1906, the ratio of assessed valuation to true value of the various tracts of land selected to fairly represent the different portions of the State, ranges from 19% to 44%.[1] And in some Counties according to statement of County Clerks to the State Auditor farm-land is assessed at from 20% to 100% of its true value: town lots 25% to 100%: live stock, 25%. Money, notes and bonds, 10% to 100%, and other personal property 10% to 60% of its true value. In the Counties given, the average rate assessed value of farm land to its true value is 45 5/6%: of town lots, 65.5%: of live stock, 44%: of money, bonds and notes 71 2/3%: of all other personal property 31½%. The highest average valuation of all Classes of property in Camden County whose rate represented 85% of the actual value of all property taxed in the County: And 29.8%, the lowest average valuation was made in Carroll County. But with this difference in the assessment in the two Counties named, the assessed wealth of Carroll is more than 4.6 times as great as that of Camden County. This inequality of assessment as shown

[1] Page 6, 7.

is only indicative of the prevailing conditions throughout the State. As a rule, the poorer Counties pay vastly more than their proportion of State taxes. Land in Camden County was assessed at its true value, while land in Carroll County, one of the richest Counties of the State, paid taxes only on one fifth of its true value.

Other classes of properties show the same inequalities. As a general rule the poorest portions of the State pay more than their proportional share toward State support.

But if the administrative feature worked so poorly in the assessment of the listed properties, what can be said of the success toward the more difficult problem - that of getting at all the taxable wealth of the State?

This is a delicate proposition, one that the law has not been able to solve. In its farreaching effect, the laws of taxation in most States are very searching. Heavy penalties are provided for false returns of property. Though every precaution is made to prevent the evasion of taxation, the inherent weakness lies in the fact that the State must rely ultimately upon the property owner to disclose his own possessions, and be it said to the discredit of many a tax payer, his memory is very faulty, when it comes to giving in to the assessor what can not be seen by the naked eye. But to get at the evidence of this concealment, and undervaluation, sufficiently to base an intelligent opinion upon the amount of wealth that escapes taxation, is a difficult task.

To verify what was stated above concerning the will-o-the-wisp nature of personality and to show the magnitude of the task of getting at a true basis for estimating this special weakness of the general taxing system, an extract from the Report of The Committee on Taxation to the Missouri State Teachers Association is quoted:-[1] "What class or classes of property, if any, escape or partially escape taxation because of evasions or concealment, and to what extent? Obviously it is a very difficult matter to get accurate data in this problem. Men are, as a rule, unwilling to make a full and true statement of their property, when they have sworn to something quite different. Failing to get the desired information in a sufficient number of cases from friends and acquaintances all we could do was to get the opinion of those who are in the best position to know, the County Collectors and Assessors. Even here it was found that in several cases the information was forth-coming only after assurance was given that the name of the County and the name of the officer reporting would not be published. The following table gives the estimated ratio of the assessed value to the real value of each class of property listed by the County assessors, and the estimated percent of each class that is not listed for twelve Counties in different parts of the State."

[1]Page 8 and 9.

Name of County.	Real Estate	Live Stock	Farm Machinery	Cash on Hand	Cash in Bank	Notes Unsecured	Notes Secured	Stocks & Bonds	Household goods.
Rate of Ass. val. to real	25	40	40	100	100	100	100	100	20
Per Cent not listed.	0	50	35	98	80	98	98	95	75
	20	35	35	40	40	40	40	40	30
	0	20	10	50	30	50	30	50	80
	25	50	40	100	100	100	100	100	10
	5	20	25	65	60	75	60	95	25
	33	30	55	55	55	55	55	55	20
	0	15	15	90	90	95	90	90	25
	50	50	40	50	55	55	55	55	25
	0	10	25	90	80	85	80	85	20
	50	60	50	100	100	100	100	100	25
	0	5	10	80	60	75	60	85	20
	40	50	55	55	55	55	55	55	35
	2	15	15	75	60	85	60	80	10
	35	33	55	55	55	55	55	55	25
	0	10	15	65	50	75	60	80	90
	20	25	30	55	55	55	55	55	10
	0	15	20	90	85	95	85	90	20
	35	40	40	55	55	55	55	55	20
	0	10	15	85	75	95	75	90	70
	50	35	35	65	65	65	65	65	25
	0	10	15	85	70	95	80	97	60
	20	35	30	100	100	100	100	100	20
	0	15	10	85	75	98	70	99	40
Av. Per Cent not listed.	.00 $\frac{7}{12}$	16 $\frac{1}{3}$	18	97 $\frac{5}{6}$	65 $\frac{5}{12}$	93 $\frac{5}{12}$	72 $\frac{1}{3}$	88 $\frac{1}{3}$	50
Av. Per Cent Ass. Val.	32	38 $\frac{7}{12}$	38 $\frac{1}{3}$	69 $\frac{7}{12}$	69 $\frac{7}{12}$	69 $\frac{7}{12}$	69 $\frac{7}{12}$	69 $\frac{7}{12}$	20

The above table, though inaccurate, no doubt approximates sufficeintly near the truth to convince one of the unfair distribution of the tax burden. In the twelve Counties, taken to represent the State fairly, the average rate of assessed valuation of real estate to the true value was 32% and practically all of real estate was listed by the assessors, thus leaving the rate of assessment of this kind of property still equal to nearly one third of its true value. Live stock, 16 1/3% escaping taxation and the remainder assessed at about 39% of its true value, leaves the assessed value to the true value nearly 33%. And subjecting the other classes of properties mentioned in the table to the same calculation, it is seen that 33% of Machinery: 1.4% of money in hand: 24.5% of money in bank: 4.9% of the unsecured notes: 18.6% of the secured notes: 8.4% of stocks and bonds: and 10% of household goods, are taxed. The scale then arranged in descending order - 33, 33, 32, 24.5, 18.6, 10, 8.4, 4.6, 1.4 makes discordant harmony - and one that is out of unison to all ideas of justice. The real estate holder, including the farmer pays the tax.

Again, the table shows the inequality of assessment for different localities. The assessment of land varies 15 points; live stock 30 points; cash in hand, 45 points, and the other classes of personal property, show the same inequalities. And the ininequality favors the rich sections of the State as against the poor sections.

The practical workings of the tax is like this: the

ignorant poor man if he has anything at all, must pay; the wise and unscrupulous rich, need not pay and generally do not. As a class, personal property bears but a small share of the burden, perhaps a fourth of what it should and some of its forms almost entirely escape. Real estate bears the burden, the real estate owner pays the tax.

The unfair distribution of the tax burden is aggravating because property and not income is taken as an index of man's ability to pay taxes. Though a great part of the income comes from property, the income is not the same from year to year: Today, the heavens may smile and the harvest be great: but tomorrow the sunshine or the rain maybe denied: the farmer may not plant his corn, or the planter pick his cotton. Industry may be paralyzed; not a shuttle flying nor a spindle turning; the hammer may be lying idly on the anvil, the fires in the great furnace gone out. One or many of the industries may give abundantly or grudgingly of its fruits, it matters not to our system of assessment, the tax must be collected whether or not there is a seed time and harvest.

The evil of bad distribution is again manifest, because our system of taxation only list for assessment items of wealth, allowing incomes from service to escape. The lawyer, whether his fee is $10. or 10,000 dollars for a special service, whether his yearly income is $1,000 or $100,000 pays not according to ability to pay. He only pays upon what the assessor can find in the way of items of wealth. So it is with all professions - incomes from service escaping taxation. To allow the lawyer, the

doctor, and the professional man in every walk of life to escape taxation, shifts the burden onto shoulders that are already carrying too much of the load.

In the early history of our system of taxation, the problem of the right distribution of the tax burden was not such a crying evil, because the tax system was sufficiently comprehensive to cover most forms of wealth. But the corporate nature of a great portion of the property today practically hides the amount of its true existence, thus throwing the burden of taxation back upon the forms of wealth that have not change in economic character.

Individual ownership and control have been given over to a legalized institution. The theory underlying this industrial organization is the antithesis of the theory upon which our present system rests, and necessitates a radical change of our present method of raising revenue, if we do not wish to add still further to the already existing inequalities. In passing let us say that a special corporate tax is needed to meet exigencies of the case.

To show that the distribution of the tax burden is unfairly made, we have shown that there are many classes of wealth, many sources of income not comprehended under our present system of taxation, which from the nature of the conditions, must bear heavily on the small property. But there is one other source of income not mentioned: namely the income derived from franchises. Whether or not the State should step in and claim such income in the nature of a rent maybe questioned by some. But it goes without saying that the burden of taxation is nothing, if the State takes a part of

what it has created, which by peculiar conditions benefits only a few.

To remedy this evil drastic measures need to be taken. And the sooner the State begins to take unto itself what is created by society and which has been unfairly distributed, to a few, the sooner will the question of the justice of taxation be solved in a satisfactory way.*

Summing up, we shall say that the tax burden is unfairly distributed, because (1) of unequal assessments; (2) unequal assessment of the same kinds of property: (3) complete or partial evasion of certain classes of property: (4) Property and not income is used as a basis of taxation; (5) corporate and franchise properties practically escape the assessor; (6) income from services are not taken into consideration; (7) The problem of the shifting of the tax burden is not considered.

Let us now examine the sources from which the revenues, State and local are derived, the amount from each source, the classes of property that are taxed, the burden that each carry, with a view of getting at the proportion that each bears, and the proportion that each should bear with a just distribution of the burden.

The subjects (properties) of taxation and the valuation of each class, taken from the State Auditor's Report for 1905-1906 (Page 363) is shown in the table below:

s. of June 1, 1905, for Taxes of 1906.

Subject of Taxation	No.	Val.	As. Val
Land, acres	42,586,598	$375,612,753	$8.82
Town lots	595,110	556,207,252	
Total Val. real estate -------------		941,820,035	
Horses	829,158	24,758,042	$29.85.
Mules	246,709	8,898,900	$36.07
Asses and Jennets	8,997	446,048	$49.57
Neat Cattle	2,645,179	30,907,247	$11.65
Sheep	718,216	1,122,816	1.56
Hogs	2,485,170	5,338,154	2.14
All other live stock	20,593	101,713	4.93
Total Val. " "		71,572,920	
Money, bonds and notes		84,594,006	
Brokers and exchange dealers		none	
Corporate Companies		69,862,531	
All other personal property		72,916,902	
Total Value " "		298,449,359	
Total Val. real and per. property		1, 240,769,594	
Railroad, bridge, telegraph,and telephone.			
phone property, As. by State Bond		148,920,925	
Total taxable Wealth of State		1, 389,690,319.	

~~Add value of R.R. Bonds property~~

The tax rate for State revenue is $0.0017 on the dollar, thus making the amounts stand assessed against each class of property for State purposes as follows:

1. On acre land	$ 638,541
2. Town lots	962,552
Total on real estate	1,601,093
3. On live stock	121,673
4. On money, notes, and bonds	143,683
5. On Corporate Companies	118,766
On all other personal property.	123,959
7. Total on " "	508,075
8. " " reql and " " for State rev.	2,109,174
9. Taxes charged against Railroads Bridge, telegraph, and telephene Companies for 1906	$261,215
10 Taxes for State revenue charged against merchants and manufactures	$154,769
11. Taxes against foreign insurance Co.	$494,154
12. " on Express Cos.	$ 12,200

	Assesed Val.	True Val.
1) Acre land and Live Stock.	$375,612,755	$1,390,949,297
. Town Lots	556,207,282	1,738,147,756
. Money, notes and Bonds.	84,594,006	704,950,050
. All other personal property	72,916,902	
. Steam Railroads	105,891,205	352,970,683
. Electric R. R.	31,202,119	104,007,066
.Bridges	4,759,500	15,531,666
. Telegraph lines	2,468,723	8,229,076
. Telephone "	4,599,377	15,316,566
0. Manufacturing	38,756,027	510,046,581
1. Merchandise	64,383,265	
2. Foreign Insurance	Premium	23,152,440
3. Express Cos.	Receipts	976,068
4. Total wealth in Manufacturing		478,084,552
5. Corporate Companies.	69,862,531	

18. Continued.

	Product	State Tax	Percent of As. to true Val.
1.--------	$163,923,384	$760,214	32%
2.--------		962,552	32%
3.	Prevailing rate	143,683	12
4.		123,959	
5.	52,484,939		
.			
7.		216,251	30
8.			
9.	2,840,884		
0.	78,069,975	109,451	8
1.		65,885	
2.		494,154	
3.		12,200	
4.			
5.		118,766.	

. 29th Annual Report Mo. Bureau of Labor (1907) P. 13

. Department Commerce and Labor Bulletin, 1902 P. 37

. Railroad and ware house Com. Report, 1905. PP. 54-58

The above table, though incomplete and only approximate shows that there is no definite proportion between the true value, gross income, and the amount paid in taxes.

The tax is especially heavy upon real estate as compared to other classes of property. Real estate in towns and cities, pays the greatest tax as a class, but this - bear in mind - includes all manufacturing ground, and improvements of every kind, though there is no way of making a correct estimate, but from the nature of the industrial character of the property, it is safe to conclude that the tax thus paid is in part shifted to the consumer of the finished product. If it is a manufacturing plant that pays the tax, the added cost of the tax is tacked on the product and ultimately the consumer of the good carries the burden. Should the property be a rented house - plant - it is safe to guess that the rent is higher because of the tax than it would have been otherwise, because part of the tax can be shifted. Thus the property owner will feel at least only a part of the tax burden: and perhaps in a majority of cases, the entire tax will be shifted.

The manufacture counts his tax as a part of his cost of production as much as any others cost. And this tax cost is reflected in the price of his goods, if the demand for the goods will allow it. The tax as it is assessed, is not necessarily a burden to the manufacture who pays the tax to the collector.

Farming land and its products stand second in the list of properties as to the amount of taxes paid, and no doubt it pays more than its proportional share, from the fact of its high rate of assessment

and practically all of it is listed for taxation.

And from the nature of laying the tax, according to land values and values of its products, the farmer is not likely to shift the tax that falls to his portion. Consequently his tax is direct, paid by him and is no factor in price making in short time periods.

From the table, it is seen that the manufacture pays a little more than $109,000 of State taxes, though the value of his product is over $510,000,000, and net gains are $98,000,000. This coupled with the fact that he can employ the law of shifting, makes the inequality more glaring.

The merchants paid toward the support of the State nearly $66,000 and whether or not competition will allow the law of shifting, to work ~~back~~, the tax is not at all in proportion to an adequate distribution of the tax burden.

Then, the railroads, telegraph and telephone Companies pay a very small tax in proportion to their abilities. As these industries are regulated now the railroad cannot shift their tax burden: but the telegraph and telephone Companies may make an entire shifting. This was beautifully illustrated during the Spanish American War. When the Federal Government sought to tax these Companies by requiring a stamp payment for message sent over the wires.

The table shows that foreign insurance Companies are hardest hit by the tax though it must be remembered that they are only taxed by State Authorities ~~Auditors~~. They cannot shift the burden because

of the competition of home companies which escape taxation.

Money, notes, and bonds will nigh escape taxation. The estimate made of their true value is a conservative one. This class of property bears the least burden.

Out of the total amount of taxes collected for State support in 1906 $1,695,626 was on real estate and $513,287 was paid on personal property. The railroads, bridges, telephone and telegraph Companies paid $216,215. Merchants and manufactures $175,371 foreign insurance, $494,154: express Companies, $12,200, and Dramshops $448,669.

The above are the principal sources of State revenue. There is not State poll tax. There is an inheritance tax, the revenue derived from which is by law turned into the University fund There are no corporation taxes as such: the property of Corporations being assessed to the individual owners. But there is a fee collected by the Secretary of State for incorporating Companies, paid once during the life of the corporation.

For County and municipal purposes the bases for revenue are the same as that of the State with the exception of some little fees, and the poll tax. Counties are allowed to levy a poll tax for road purposes to be paid either in work or in money. The properties classified for State purposes bear the same proportional tax to the assessed valuation for County and municiapal revenue. But as has been shown there is great inequality in the assessment of different localities and Counties. Foreign insurance Companies

are not assessed by local authorities, and the tax levied by the State on them is apportioned to the several Counties. Of the total taxes paid for State and local purposes, in 1906 $13,198,659 was paid on real estate; $3,880,296 on all forms of personal property; $2,412,916 by railroad, telegraph, and telephone Companies; $1,644,848 by the merchants and manufacturies; and $2,324,156 by dram shop keepers.

The classifications of property is so complex in this State that it is most difficult to get at the true status of affairs. When it is said that real estate bears the greatest part of the burden, it isn't specified what kind of real estate only as to land and town lots. For this reason it is impossible from accessible data to estimate the amount of income derived from different properties. As to acre land the gross income in the shape of live stock and other surplus products can be estimated. But a town lot in the Auditor's report may mean anything from a negro cabin in the poorest and degraded district in our larger cities to a mammoth manufacturing plant which employs thousands of hands and turns out its million product a year. It may mean the corner lot whereon is erected a great banking institution, a palatial stone: or a vacant lot that grown with its burden of tin pans and old rubber shoes.

As the general property tax does not take into account the income from services, professional and otherwise, it will not be amiss to notice briefly the number of a few of the classes belonging to service occupations.

The census of 1900[1] gives 35,627 of males whose occupation is called professional. Of this number 1,210 are dentists; 1797 electricians; 1,437 engineers; 1225 journalists; 5,224 lawyers; 3,246 Government Officials; 6,875 physicians; 5,445 are teachers in Colleges and other Schools. The total males doing personal service is given as 121,032 and those in trades and transportation 180,383. Of these, 10,471 are agents; 3,144 bankers and brokers; 7,073 bookkeepers; 4,869 commercial travelers; 33,572 merchants; and 22,044 salesmen.

From the above, it is seen that the property tax cannot distribute the burden of taxation according to ability to pay. Among some of the classes given are found incomes that might be considered pricely if measured by the average income from property.

A tax on the lawyer, doctors, every class of professional or service man's income could not be shifted, that is, their service would not come higher because of the tax. If distributed according to ability a service tax would be most just. Not taking into consideration, or employing income as a basis for all taxes, makes the burden doubly hard on those upon whom the incidence finally rests.

As a class the farmer is hardest hit. And the class that derives income from service not hit at all. The farmer's instruments of production - land - tools of every kind, horses, cattle, are taxed. and the finished product (his income) for the market is also listed by the assessor. None of his real

estate and very little of his personality escapes taxation. This is inevitable from the nature of his property and the method of the tax administration. In order that the burden may be equally borne another system of taxation will have to be introduced for raising State revenue; one that will strike incomes from personal service and from business in so far as the tax will be direct and not shifted onto other shoulders.

We will now turn our attention to the System by which the Federal Government obtains its revenues. The Constitution gives Congress power "to lay and collect taxes, duties, imports and excises." But it limits the manner of laying on tax, by saying that "No capitation or other direct tax shall be laid, unless in proportion to the census or enumeration herein before directed to be taken." This constitutional limitation, then, prohibits any kind of a practical property tax to be used by the Government for the purpose of obtaining revenue.

The power to lay a direct tax, in the manner prescribed has been little used. And when used, it is proportional according to population, and not to property or wealth having income. From its nature, then, this kind of a tax cannot come up to the qualification that a just and equible system of taxation is supposed to have. In our discussion for the reasons given, this method of raising revenue will not be considered. It will remain then for us to examine the methods employed and subject them to the tests applied to the general property tax. Imports and excise duties are indirect taxes, taxes that are incorporated in

the price of the commodity and is paid by the consumer of the good. Thus the Federal revenue is raised by a tax on consumption, a tax on commodities consumed. In the beginning I wish to say that the the psychology of this tax, is the explanation for its general existence. Men, in general do not like the inquisitorial feature necessitated in the listing and valuation of property, wealth.

They do not like to pay out of their pockets a specified sum to the tax collector. Their share in the support of the Government, then, $5. $10, $20, $100 or what ever the assessment amounts to, means just the amount the collector takes from them. Whereas, if the tax is on consumption, the consumer is generally unconscious of its payment. But let me quote Mill who says; "Are direct or indirect taxes the most eligble? This question at all times interesting, has of late excited a considerable discussion. In England there is a popular feeling, of old standing, in favor of indirect or it should rather be said in opposition to direct taxation. The feeling is not grounded on the merits of the case. And is of a puerile kind. "An Englishman dislikes, not so much the payment as the act of paying. He dislikes seeing the face of the tax collector, and being subjected to his preemptory demand. Perhaps, too, the money which he is required to pay directly out of his pocket is the only taxation which he is quite sure that he pays at all. That a tax of one shilling per pound on tea, or two shilling per bottle on wine, raises the price of each pound of tea and bottle of wine, which he consumes, by that and more than

that amount, cannot, indeed be denied: it is the fact and it is intended to be so, and he himself, at times is perfectly aware of it: but it makes hardly any impression on his practical feelings and associations, serving to illustrate the distinction between what is merely known to be true and what is felt to be true."[1] With the great mass of people, perhaps the above words are as true now as when they were written. And certainly they are truer with our own people today, than they are with the Englishmen. But this is anticipating.

Let us apply Smith's four canons of taxation to the system and see if it measures up to them: (1) Subjects of a State should pay taxes according to their respective abilities; (2) the tax should be certain, and not arbitrary. The time of payment, the quantity to be paid ought all to be clear and plain to the contributors; (3) the tax should be levied at the time and in the manner that is most convenient to pay; (4) every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible over and above what it brings into the treasury. The first and last principles are the most important: payments according to ability, and to take from the people just enough revenue to support the Government. The first is fundamental to equality of taxation, and the fourth may be the outcome of any system of taxation. But as a fault any system is likely to run into, it is more likely to happen with a commodity tax, than a tax on property. It is more easily to set a valuation and then

[1] Mill's Principles, Book V. Chap. 6.

fix the rate that will yield a certain amount of taxes, revenue estimates to be needed than it is to estimate how much they will pay as a premium that will finally reach the treasury necessitated by said consumption. The experience of our treasury is a pointed testimonial to this fact. Since 1856, a deficit has arisen 18 times; and during the last ten years, the Secretary of the Treasury has not been able to make both ends meet more than half of the time. Without regard to equality or inequality that this tax works, as a means of raising the required revenue, it cannot be commended in the way the tariff charges have been made. Of course this is not an indictment against consumptive taxes (excises and duties) as a system of raising revenue, but only against the working of the tax as we have it; and this is the one which has to do with the distribution of the tax burden.

Then, applying only one phase of Adams and Smith's fourth principle - that of raising enough revenue to support the Government, we find that our Federal system is wanting, is inadequate to fulfill its requirements.

Another phase of this fourth principle is violated resulting from the practical workings of the indirect system of taxation. The tax may be the cause of a much larger sum taken from the pockets of the consumers than ever reaches the revenue fund. One of the objects of discussing this tax, is to show that one of its greater evils lies in the fact that the revenue that the Government receives is not a true index of what the tax costs the consumer. Or

in other words, the Federal system of taxation may wring from the people a sum many times larger than ever reaches the Government coffers. And if this is true, a double injustice is caused, if taxes ~~are~~ on consumption are not paid in proportion to ability. This will be discussed later.

To state again Smith's second canon of taxation: it says that the time of payment, the manner and the quantity to be paid, ought to be clear and plain to the contributor, and to every other person. In a vague sort of way, men may be half conscious at times of the manner of payment of an indirect tax. And no doubt it is true to say that a majority of consumers never think they are taxed in this way - unless the tax is of an excise character. But as to the quantity of taxes paid on individual consumption of imported goods, the increased price caused on consumption of domestic goods, because of prohibitive duties destroying competitive impart - who can tell? The coat on my back, the shoes on my feet, every article of necessary wear had its price. How much of that price that went to the Government for taxes. I do not know. I imagine none, because I think my various articles of clothing are of domestic production and make. How much more I paid for my coat, my shoes, my hat than I would have paid had there been no import duties on articles of like grade, I do not know. That's one of the questions to be found out, approximately, at least if possible. Then if the consumer does not know whether or not he pays a tax on an article, or if he is conscious that the price of article includes the tax but does not know what the price would

have been had there been no tax handed to him for payment, when he bought the article, our Federal system of taxation would fall completely if measured by the canon of taxation just stated.

But Smith says (his third principle) "that a tax ought to be levied at a time, or in the manner, in which it is most likely to be convenient for the contributor to pay it." And quoting Smith[1] still further: he says, "that taxes upon such consumable goods as one articles of luxury (note the word) are all finally paid by the consumer, and generally in a manner that is very convenient for him. He pays them by little and little, as he has occasion to buy the goods. As he is at liberty to either buy or not to buy, as he pleases, it must be his own fault if he ever suffers any considerable inconvenience from such taxes."

As regards luxuries, it seems from the above that taxes paid on consumption are paid at the most convenient time and when the consumer feels more able ~~to able~~ to pay. This seems the practical and common view of the thing. Men generally do not buy fast horses, indigestible dinners, and sparkling wine, things they could go without and in the long run suffer no inconvenience, unless they feel able to foot the bill. Only yesterday, a friend of mine said that he was going to buy an automobile, whenever he could dispose of some land he has in Texas, waiting till he felt able, the most convenient time.

[1] Wealth of Nations, Bk. V. Chap. 2.

But what of the necessaries of life that are taxed? Who can stay the pangs of hunger until he can conveniently pay the tax for the liberty of eating "three grains of corn." Who, like Joshua, can command the sun to halt and say to hoary winter "Come, thou, a more convenient time, when I shall be able to wrap about me the warmth of wool and can sit by the glowing fire, and then will have no terrors for me, when I shall look only upon thee as a great painter and maker of sports."

Then how near does our Federal tax come to fulfilling the requirements of this third principle? Is it a tax on luxuries, that may be paid when least felt; is it a tax on necessaries that must be had without regard to the convenience or inconvenience of the consumer to pay? Or is it a mixture of the two? And in what proportions, is the revenue derived from one, and from the other?

I am aware that in examination of the different tariff schedules and articles that bear an excise tax, that any classification of consumption goods as a necessity or a luxury, must be arbitrary in a measure. Smith says "By necessaries I understand not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the County renders it indecent for creditable people, even of the lowest order, to be without.[1] This definition applied to present conditions, would greatly increase the number of necessary articles over those that were considered necessary at the time that Smith wrote.

[1] Wealth of Nations, Book V. Chap. 2.

This defenition gives us some light, not much. Though I am skeptical as to its soundness in principle. Why should custom say that an article is a luxury to one man, and is a necessity to another man? Why should meat be considered a luxury to the wayside beggar, and a necessity to his more fortunate brother; why should the linen shirt be a necessity to the merchant of our cities who deals in such wears, and a luxury perhaps not one desired to the farmer who sings as he reaps and laughs as he wipes his brow in the cooling shade?

To recognize an article of consumption as a necessity to one class and a luxury to another is to recognize class distinction, caste, a false and an undesirable basis for a system of taxation.

But if we should consider an article of consumption a necessity to one class, and a luxury to another, the Federal Constitution prevents the tax system from incorporating such distinctions within its provisions: as uniformity must be the rule in taxation: the linen shirt could not go free to the merchant, and be taxed to the farmer, because of the peculiar decrees of custom.

But society as a whole says and perhaps in a correct way, that this is a luxury and that a necessity. And in this way we shall make our classification for present purposes. What the statistician has called a necessity or luxury will be considered as such in compilations.

Let us now return and apply Adam Smith's first canon of taxation, payment according to ability, to our Federal system. Who are the consumers! What proportion of them are wage earners? How many belong to the professions, are in business? How many belong to the capitalistic class?

A special census on earnings and wages[1] gives the greatest number employed at any one time during the year (1905) in all establishments as 7,017,138 including men and women over 16 years of age and children under 16 years who earn something. The average number of wage earners is given at 5,470,321. Out of which number, 424,538 are men 16 years or over. 1,065,884 are women, 16 years or over, and 159,899 are children under 16 years of age.[2]

Out of the total average number:

4.1% earn less $3. per week.

4.8% " from $3. to $4. per week.

6.2% " " $4. to $5. " "

6.7% " " $5. to $6. " "

8.3% " " $6. to $7. " "

8.3% " " $7. to $8. " "

7.8% " " $8. to $9. " "

1 Census Bulletin No. 97. (1905) Page 17.
On Manuf. Earnings, and Wages " 13.

2 Same.

11.3% earn from $9. to $10. per week.

13% " " $10. " $12. " "

13.5% " " $12. " $15. " "

11.3% " " $12. " $20. " "

3.1% $20. " $25. " "

1.6% " over $25.

Grouping the above table,

30.1% earn from $7. down to less than $3. per week.

40.4% " " $7. " $12. " "

29.5% " " $12. " $25. and over " "

But of the number of male wage earners,

18.6% earn from 7 to less than $3. per week.

44.1% " " 7 " $12. " "

37.3% " " 12. " $25. and above per week.

Apportioning the earnings among the total number of wage earners, (7,017,138) we find that the average weekly wage

(1) for me is $11.16.

(2) for women is $6.17.

(3) " children $3.46.

or the yearly income for men $580.32

" " for women $320.84

" " children $178.82

or the average yearly income for all the wage earners is $523.12. But this is less than the real income to each family. The census of 1900, gives 54.5% of males over 15 years of age married, and 56.9% of women over that age

married. Thus about 56% of the wage earners have families. In a summary of all wage earners 79.4 are men, 19.9 are women, and 2.7 are children.

Or the number of the women equal 5% the number of men and the number of children (wage earners) 3.4% of the men. Then if we say the income of each family is that of the income of one woman plus 03. of the income of one child, the total income per family will be: $580.32 plus $80.21 plus $6.05 equals $667.61. Taking the tabulator from the Bulletin of the Bureau of Labor, No. 77 (P.203) the average income of 2.5% working men's families, with an average of 5.31 member to family, for the year 1901 is given as $827.19[1] can be harmonized with the income justly estimated by saying that the family income is derived from these sources: namely (1) the head of the family assisted in part by son and daughter or two sons or two daughters over 16 years of age. But the significant thing is that the income derived from one source, the head of the family, is only $580.32. This we will see has an important bearing when studied in connection with the expenditure side of the family, which we will now take up.

As has just been given, the average income of the 2,567 families, for 1901 was $827.19 the expenditure per family for all purposes was $768.54 or $57.65 less than the income.

1. Bulletin of Bureau of Labor No. 77 P. 203.

The principal items of expenditure are given below.

Items of expenditure	Exp. based on all families. Average	Percent of total exp
1. Food	$326.90	42.54
2. Rent	99.49.	12.95
3. Mortgage		
Prin.	8. 15.	1.06
Int.	3. 98.	1.52
4. Fuel	32.23	4.19
5. Lighting	8.15.	1.06
6. Clothing, total	107. 79.	14.04
Husband	33.73	4.39.
Wife	26.03	3.39
Children	48.03	6.26
7. Taxes.	5.79	0.75
Insurance	1.53	.20
Property	19.44	2.53
Life		
8. Organizations	3.87	.50
Labor	5.18	.67
Other		
9. Religious Purposes	7.62	.99
10. Charity	2.39	.31
11. Furniture, Utensil	26.31	3.42

Books, Newspapers	8.35	1.09
13. Amusement and Vacation	12.28	1.60
14. Intoxication Liquors	12.44	1.62
15. Tobacco	10.93	1.42
16. Sickness and death	20.54	2.67
17. Other purposes	45.13	5.87
Total Exp.	$768.54.	100%

This table shows that the working man's family is a large consumer and a consumer of those very goods which bear high tariff rates. Beyond a doubt the poor man, the working man, pays the national expense, and our custom laws as they are formed are as vicious and bad as they can possibly be. They not only make the poor man carry all the burden, but the method allows a steal that gives to the favored few, that amounts to more than the taxes paid to the Government.

Where ever data could be found the extra cost caused by the tariff has been estimated. Where it has been possible, I have compared the foreign price with the domestic price, and have found that our domestic price less the advalorem rate compares with the foreign price well. In the table following I have estimated the increased cost

caused by the tariff, on the basis that the domestic prices are raised by the amount of the advalorem rate. I append the last column of the table showing what might be a possible efeect of the tariff: though only in a few cases, owing to meager facilities, has it been possible to make a comparison of foreign and domestic prices of goods consumed by the world at large.

	1 Consumption per family	2 Cost per family	Av. Advolorem rate (4)	Possible increased cost because of tariff.
offee	46.8 lb.	$10.74	.05	$2.34
ugar	263.5 lb.	15.76	72.43	6.52
ice	25.1 lb.	2.05	54.35	.72
eal		32.23	35.	8.36
etroleum		8.15		2.00
lothing		3. 107.79		39.63
urniture nd Utensils		26.31	18.26	4.01
otal				$64.38.

Bulletin of the Bureau of Labor No. 77 Page 204.

" " " " " " " 209.

As already given in family budget

Proposed ~~im~~pending bill.

stimates that $\frac{13}{30}$ of clothing value consumed was cotton; $\frac{7}{30}$ shoes; and $\frac{0}{0}$ woolens, $\frac{13}{30}$ of $107.79 equals $46.70 equals value of cotton goods onsumed. One third of 107.79 " 35.90 " " woolen " consumed.

$\frac{}{0}$ of 107.79 equals $25.151 " " shoes consumed

otal equals $107.79.

Taking those items of the family budget upon which we have estimated the possible increased cost resulting from the effects of the tariff and multiplying the total increase of cost per family by the number of families, 16,387,715 as given by the census of 1900, increased by 200,000 the estimated increase of the number of families in one year, we have the enormous sum of $1,032,913,972 wrung from the consumers of this country.

And all the while the Government received as total custom dues, but $238,585,455 collected not on the importation of the seven commodities mentioned above, but upon the importation of the articles subject to tariff rates.

Let us take a few of the articles separately in order to check the results.

According to the estimate above the increased cost of sugar was $6.52 per family. Then the total increased cost of sugar to the total number of families in 1901 was $106,847,901.

To check this result: If each family consumed on the average 268.5 lbs. of sugar during 1901, and there were 16,387,715 families that year, the total amount of sugar consumed was 4,699,101,577 lbs.

Taking the data from the abstract as correct, we are led to believe that the consumption estimate per family is near to correctness.

In 1901, the foreign price of sugar was 2.28 cents per lb. The wholesale price at New York, 5.05 cents per lb. and the average retail price 5.87 per lb. If we say that the foreign price would have been the New York wholesale price if there had been no trade restrictions, and then add the excess of retail price over wholesale price (0.82c) to this world price (2.28) cents, we will have as a new retail price to our consumers 3.1 cents per lb. But the average retail price in 1901 was 5.87 cents per lb. This, then would make a difference of 2.77 cents an excess cost in every lb. of sugar, the total extra cost on the entire consumption of sugar amounts to $115,226,306 as against the total extra cost $106,847,901 as counted on the basis of extra cost per family.

This difference can be accounted for import, by saying that if the sugar market were unrestricted the wholesale price would be less than 2.77 cents per pound.

Again, if there were 4,744,632,000 lbs. of sugar consumed in 1901 at an average cost of 5.87 cents per lb. the amount expended for sugar was $268,509,796. But on the basis of the amount expended for sugar per family ($15.76) the total expenditure for sugar was $268,270,038, surprisingly close result.

The import[1] duty collected on sugar in 1901 amounted to $62,680,206. But the extra cost to the consumer because of the import tax as estimated on the basis of the family

1. Statistical Abstract, 1904, Page 348.

consumption was $106,847,901 or $115,226,306 as calculated on the excess of retail price as given above. Taking the first estimate, the consumers were out $44,276,695 that never found its way to the treasury box; or using the second estimate, $52,546,103 found a lodging place short of the Government coffers.

Should the revenue bill now in process of making tax coffe five cents per pound, the minimum rate suggested, the poor man would bear most of the increased burden. Taking the family budget as the basis, this extra tax would cost each family $2.24. Then, if the total number of families has increased 1,800,000 since the last census the extra cost of coffee to the consumer would be $43,148,916.

Should tea be taxed 10 cents a pound as suggested in the pending bill, the extra cost to each family, on the basis of consumption estimated in the family budget, would be $1.06 a year. This would make the consumer of tea pay something like $17,000,000 more than they are paying now - a very good way to get revenue, if raising revenue is the only thing to be considered.

Taking sugar as an example of an article produced at home and abroad it is seen that the tariff increases the price of that article by nearly the amount of the advalorem rate.

A tariff on articles wholly imported for consumption increases the price by the amount of the advalorem rate if the

article is a worldwide commodity, and consumption outruns in any way the demand.

In the matter of clothing, an important item in the family budget, it was impossible with the data at hand to check the results of the tariff on domestic prices and foreign prices.

But I have made the estimated probable increased cost of the tariff on the clothing item and many other of the important items of the family budget, by saying that domestic prices are advanced over foreign prices by the amount of the advalorem rate. It is hoped at some future time the writer will be able to verify or disprove the probable facts that are further detailed in the page following.

In the family budget given the average cost of clothing is $107.79. From the amount of different kinds of clothing manufactured for home consumption and imports of those different articles for 1901 an estimation of the proportion of the different grades was made that enter into consumption. In making the calculation, the cotton and silk goods are classed as one because the average advalorem rate on both kinds is about the same. And should we say that the workingman's family consumed no silk, we would need to say that the consumption of the other kinds was greater. In reality I have increased the proportion of cotton goods consumed by the amount of the consumption of silk. In this way if there is an error it will appear on the conservative side.

In 1900, of the total consumption of clothing 13/30 was of cotton, 10/30 of woolen, and 7/30 of shoes. Taking these proportions of the cost of the clothing budget, $46.70 was expended for cotton goods, $35.93 for woolens, and $25.15 for foot wear.

The average advalorem rate on cotton goods was 55.34% (Silk which is counted with the consumption of cotton, was 53.07); that in woolens, 91.3%; and the rate on shoes, 35.31%. Counting these rates as a probable excess cost of the consumption articles, the extra costs of the different kinds of clothing consumed, by each family, are:

(1) On cotton goods,	$16,649.
(2) " woolen "	17.15
(3) " Shoes	5.83
Total extra cost	39.63

In 1900, the value of the consumption of the different articles were:

(1) Cotton goods,	$475,366,445
(2) Woolen "	$469,978,356
(3) Shoes, all foot wear	$326,118,129
(4) Silks	$138,150,631
Total value of all clothing consumed	$ 1,309,613,561

Then if cotton goods sold at 155.45% of their true value, because the effect of the tariff, and woolens at 191.04% their true value; and shoes at 13531% of what would have been their cost had there been no import restrictions, the extra costs of all the

articles would have been:

(1) of cotton goods,	$169,336,435
(2) " woolens	224.511,135
(3) " silks	138,150,631
(4) " shoes	84,549,144
Total extra cost because of the tariff---	616,538,645

Taking the wage earners, 1,321,495 families out of the total number of 16,178,715 families, (1900) the extra cost to them alone on the above articles, was $49,860,200 estimating that each family pays $37.74 in excess of what should be paid, were the duties abolished. But taking the different items of clothing separately and finding the extra cost on each item, we have the following:

(1) Extra cost on Cotton goods,----------	$21,976,461
(2) " " " woolen " ----------	15,976,774
(3) " " " shoes ----------	10,994,838
Total ------------------------- ----------	48,948,073

The difference of estimating the cost as a lump sum on clothing in general, and taking it by piece-meal, is $912,127. This shows that the proportion taken of each item is but a slight error and emphasizes the fact that the estimation on the whole as to the probable cost of the tariffs to the consumer maybe a reliable and conservative one.

The total extra cost to the entire consuming mass, calculated by the advalorem rate is $616,538,645. Taking the family basis, and making all families homogenus with the workingman's family, the total extra cost is $611,124,164. Taking the aggre-

gate of the extra costs of the different items we have $610,584,702.

The total value of all clothing manufactured and imported for home consumption in 1900, was $1,309,613,561. Taking from this the extra cost as estimated by the advalorem rate on the value of each item manufactured and imported for home consumption, we have the true value of the clothing consumed, which is $693,074,916. Or putting it this way; the true value of the clothing consumed is 53% of what the consumer paid for them; the 47% going where? Some where, out of the pockets of the consumer, surely. A part went to the Government as a tax, no doubt. But how much did the Government receive? How much did the Government's taxing system cost the consumer that the Government did not receive? And right here is the crucial point of the system that this investigation is trying to make plain. If this was clearly understood by the consumer seen and felt distinctly, I make this prophecy that the system would be swept away immediately. Psychologically, the peculiar method of the working of this tax is responsible for its existence. But the above questions are not answered yet. We will now find out how much the Government received.

In 1900, the value of the imports of cotton, wool, silk, and leather manufacture was $113,926,206 paying $64,065,444 duty. But the total extra cost, on the basis of the advalorem rate was $616,538,643. Then the Government from this amount received for taxes, $64,065,444; leaving a ballance of the extra cost to the consumer $552,473,201 - this went where? to the owner of the

protected industries engaged in the manufacture of clothing in this country, is the answer. But the same remark maybe made about this industry as was made concerning the sugar industry; breaking down the tariff wall would stimulate competition, increase the demand for foreign goods which would result in enhancing the price of the foreign article, and the price of the goods manufactured for home consumption would not drop the degree indicated by the advalorem rate.

The examination of those few articles of the consumption budget; namely, sugar, coffee and clothing, revealing the enormous excess of extra cost because of the practical workings of the tariff, makes one hesitate to estimate the probable excess of cost when considering the entire range of the consumption budget that is effected in any way by custom duties.

Because of the tariff on timber at its products in the various stages of manufacture, the consumer probably paid in excess something like $112,000,000 in 1900.[1] The product that year was $734,964,758 as reported by 37,214 establishments. Counting the excess as caused by the advalorem rate, 18% for that year, we have the extra cost as given above. Because the consumer could not by his steel and iron in a competitive market those products cost him 219 million extra in 1900, and his glass, clay and stone ware came 114 million high.

[1] Statistical Abstract, Page 313.

Time does not admit of taking every item of consumption affect by the tariff and subject it to critical examination. But on clothing, timber, iron, glass, clay, and pottery and sugar, the extra cost because of the tariff totals over a $1,140,000,000 while at the same time the Government received something over $158,000,000 in duties on imported articles like the nature of those mentioned above; thus taking from the consumers of this land over a billion dollars that found lodgment - not in the Government coffers. And remember the above is only the extra charge on the articles named. When we consider the increased cost on hundreds of other articles of consumption, on products in various stages of manufacture, taken together with what has been shown, we will have a better comprehension of what the "American System" is costing the gullible American public. Letting our mind wander backward the past fifty years, and making a mental calculation as we go along back, estimating the extra charge the tariff has caused the American consumer all the while, we will have a better understanding of what the Federal system of taxation has cost the people - not in what it has taken from them for necessary expenditures, but what it has enabled the beneficiaries of the system to reap what they had not sown.

If we accept ability to pay as the true basis of taxation the consumption tax (imports) as it reveals itself in the practical working in our Federal system is entirely wrong, though if every dollar it took from the consumer found its way to the Government coffers.

In 1904[1] (the 10 years preceding are about the same) articles of food and animals imported paid an average advalorem rate of 60.38%. The duty collected on this class of imports was $74,303,772 or about 28.87% of the total duty collected for that year. For the same year the average advalorem rate on imported articles manufactured ready for consumption was 49.12%. The duty collected on this class of goods, was $73,974,413 or 28.74% of the total duty for that year. Articles of luxury and voluntary use at the same time have an average advalorem rate of 60.04%. The duty collected on this class of imports was $72,413,789 or 28.13% of the total duty collected for the same period. Of the three classes of importation, 57.61% of the total duty was collected on articles of necessity, and 28.13% was assssed on the luxuries. In this distribution the poor man was hardest hit. The food required for his table, bears nearly a third of the burden, imposed on imports. Sugar, alone paid over 62 million; the total amount of duties paid on the import of food products in 1904 amounted to $73,943,284.

Food products, products that enter into the consumption of every family bore 38% of the import burden in 1904. The many preceding years and those that have followed since have witnessed the same inequality - commodities, necessary to every consumer, poor and rich alike, have born the burden and responsibility of providing revenue for the support of the Government.

Under our present tariff system, articles of luxury bear

about the same average advalorem rate as articles of food and the percent of the total duty collected on them as comparison above will show is about the same, as that collected on food necessaries. This convicts the import system of unfairness and inequality. As was shown in the family budget the poor man is a large consumer of those articles that bear a high rate of taxation. His family consumes on the average 285 1/2 lbs. of sugar, a year, costing him about 72% more than it would have cost him, had he had a free market to buy in.

His fuel and oil comes high. In fact there is scarcely a commodity but whose prices are affected directly or indirectly by the tariff.

With the enormous increase of public expenditures during the last few years, the incidence of the federal tax is becoming of vastly more importance than formerly. A study of the details of expenditure reveals many surprising things in this peaceful Christian land of ours, as the following table of the expenditures will show.

Year	Total Expend.	Exp. for war	Per cent.
1870	$293,656,000	$237,010,000	80.7
1880	264,847,000	196,174,000	74.
1890	297,736,000	197,386,000	66.4
1897	365,774,000	248,673,000	68.
1900	487,713,000	353,046,000	72.4
1902	471,190,000	332,724,000	70.6
1904	516,370,000	375,127,269	72.6

Or look at from the percapita standpoint, the expenditures for civil purposes and for war and its consequences, we have the following:

Year	Civil	war and consequences	Year	Civil	war and consequene
1800	$0.25	$1.79	1902	$1.75	$4.21
1820	0.30	1.60	1904	1.73	4.59
1840	0.48	94			
1860	.98	1.03			
1870	1.19	5.61			
1880	1.36	3.92			
1890	1.59	3.16			
1900	1.76	4.63			

Again, taking the family as basis of payment and counting fair to the family, each family paid into the Government coffers (1904) $8.65 to be expended for civil purposes, and $22.95 on the account of the consequence of past wars and for prepondness for future wars. An analysis of the expense list shows that the amount for pensions has decreased slightly, and interest on the public debt to a great extent. But the decrease of those items, have been counterbalanced by the heavy expenditures on the army and navy, which has so wonderfully increased since the Spanish-American War. And all the while we are expending very little on the real things that count for progress and civilization.

The tragedy and pathos of the whole thing lies in this fact:

The poor man who fights the battle of his country, who endures the "hell" that Gen. Sherman says that war is, must bear the burden of wars after the smoke of battle has cleared away, and the rattle of the drum and fife have given way to the music of the scythe and sickle. As a source of obtaining revenue for the support of the Government, Custom duties can hardly be commended from any standpoint and in whatever manner laid. It is hard to see how a tax on consumption can be a large revenue producer without striking the poor man hardest. As one of the sources of raising revenue, a tax on luxuries can be commended in so far as it is successful as a revenue getter.

On the whole, excise duties are a commendable feature of our revenue system inasmuch as they are taxes on luxuries. But the consumer pays the bill.

As a means of raising revenue, and with less cost than is entailed in collecting custom dues, our internal system has something favorable to recommend it. As a policy, it is a wise one if the people pay at the same time that the consumption of liquors of all kinds shall not be outlawed.

But a social question comes in: A tax of this nature should not influence in the settling of this important problem that is being attacked by most of States at the present time. The financial phase should be separated from its social bearings.

If the American people decide that the use of liquors shall be further restricted with a view to prohibition in the end, the

Government must adopt a different system to supplant the excise taxes. But so long as the commodities from which the greater portion of the internal revenue is derived, are extendedly used, the excise tax seem justifiable in the way of a tax on luxuries.

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