

**TALKS ON
TAXATION.
PP. 377-1471**

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HENRY HOLT

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NOTE.

THIS pamphlet consists of part of the pages of a general work on Civic relations not yet published. This portion is hurried out in popular form because of the present agitation of the subject.

In THE FORUM for April 1895 the author suggested the need of a book in some such form, and gave, by way of example, an introduction to the currency question. This was copied in several of the hard-money campaign publications of the next year, including at least one where it was calmly made a portion of the text, without even the acknowledgment of quotation-marks.

These tokens of approval, however, encouraged the present author to consider, more than mere inclination prompted, several suggestions that he himself attempt the book which he had urged somebody else to write, but for which he had at the outset neither the knowledge nor the leisure; and he did have doubts, then candidly expressed, of success being possible to *any* writer. Dalliance with the suggestion, however, led him to filling his scant leisure with reading on the subject, and in the course of years the volume of which this pamphlet is a part, has grown up. One of the

author's misgivings has been already justified—he, at least, cannot write the book for very young pupils which he originally proposed, and doubts if the subject admits any book worth giving to such pupils. Whether he has produced one worth the attention of older students is still among the doubtful problems with which he began.

The principal treatment of the questions of taxation at issue in states and municipalities, begins with section 594, though much bearing on those questions is given in the earlier portion of this pamphlet.

NEW YORK, February 16, 1901.

BOOK III.—TAXATION.

CHAPTER XXXI.

GENERAL CONSIDERATIONS.

Teacher. What essential to both general functions of government—protecting rights and (with due caution) promoting convenience, still remains for us to consider?

Pupil. Raising the money to pay expenses.

T. Are taxes the government's only means of securing money?

P. The only ones we have time to consider; but a little of its income comes (I) from *sales*—of public land for instance, or of monopolized products—like tobacco in France and Italy (tho that is really a form of taxation); (II) from *finer*: in barbarous times and places this is an important and much-abused source of revenue; (III) from *fees* of sundry officers, and (IV) from assessments laid on property for neighboring improvements, such as streets, sewers, parks, etc. But these all amount to little compared with the revenue from taxation.

T. As raising revenue is of course merely incidental to the main functions of government, are we to conclude therefore that it is less important than the others?

P. By no means: it does more to make history than any other: questions of taxation have probably done more to cause

534. Interest and importance of the subject.

civil wars and to overthrow empires, than all other agencies combined. A few instances among many, are the wars in England under the Stuarts, our war of separation from England, and the French revolution. That revolution overthrew the French monarchy, and bad taxation rotted out the Roman empire. Even to our own civil war of 1861-5 the question of "protection" contributed not a little.

T. And yet young people generally regard questions of taxation as dry and uninteresting. What's probably the reason?

P. Why they've never felt the shoe pinch themselves. They don't have to pay the taxes out of their pocket-money or allowances. Still less do they realize, if they are restricted in their amusements, or even in their food and clothes, that taxation has anything to do with it.

T. Well, how *has* taxation anything to do with it?

P. That's just what we're going to wade through many pages to explain: so I can't put it in a sentence.

T. Well, isn't it plain enough that you can't spend in amusements, food and clothing, what you spend in taxes?

P. Yes, but it's not so plain, tho it's as true, that a very large part of what is spent in taxes, especially in the United States—more especially here than in England, France or Germany—might just as well be spent in amusements, food and clothing, and the government be all the better for it.

T. Well, I hope that's paradoxical enough to arouse curiosity that may help us in our "many pages." Now what makes taxation so important?

P. Many men never have occasion for government's protection from violence or robbery, but substantially every man is taxed, whether he knows it or not. Taxation takes, on an average, one-twelfth of the earnings of each American citizen.

T. What—if he owns no property to be taxed?

P. He's taxed if he eats sugar or wears wool: they are taxed, and he has to pay more for them on that account. The same is true, directly or indirectly, of most

555. Everybody
pays taxes.

other things that he uses—some authorities think of everything that he uses.

T. We will look later into the question of how taxes are shifted from the man who first pays them, on to others. Now how does the portion of the American income that goes in taxation compare with that in other countries?

P. The American pays about eight and a half per cent. of his income in taxes; the Belgian a little over six; the Englishman about seven and three-quarters; but the Frenchman, with his big standing army, eleven; and the Italian lately, with his wasteful colonial fighting and domestic discords and scandals, fifteen or sixteen.

T. Does it make much difference how the amount needed is collected—provided the expenses of collecting are the same?

P. Immense: especially as the way it is collected largely determines whether the expenses *will* be the same. The difference in the systems of taxation probably makes more than the differences of rate against us as compared with Belgium and England: for with our ordinary small military expenses (omitting the pension scandal and the little Spanish and Philippine flare-ups), and our colossal resources, a wise system of taxation ought to make our rate far the lightest in the world.

T. Aside from the system affecting the rate, can it affect general well-being in any other way?

P. Almost without limit. A bad tax system is a powerful foe of popular morality—some people think the most powerful. You can tax flood or pestilence into a community, or you can tax them away. You can tax an industry out of existence and throw the workmen into idleness and want. On the other hand, you can, in a sense, tax an industry into existence—by taxing a competing industry out.

T. How taxes can produce revolution, rot empires, and affect industries is perhaps fairly plain, but that

seems very remarkable about flood and pestilence: can you prove it?

P. There was once a tax on quinine that limited its use by the poor; and the high tariff has kept out Canadian lumber to a degree that is stripping woods from many places where they are needed to prevent the snow from melting too fast in Spring, and flooding the rivers. Raising the revenue from improper sources has brought these evils upon us, and raising it from proper sources would tax the evils away.

T. How can taxation affect morality?

P. By tempting people into dishonest and even violent practices to avoid it.

T. But isn't that simply an objection to all taxation?

P. No: as we shall see, some forms of taxation tempt to dishonesty much more than others. Adam Smith says that bad tax-laws "tempt persons to violate [them] who are frequently incapable of violating those of natural justice, and who would have been in every respect excellent citizens, had not those laws made that a crime which Nature never meant to be so."

T. Do taxes affect the movement of Capital and Ability?

P. Yes: if you happen to be a socialist ^{559, and movements} or a communist or populist, or any other ^{of Capital and} sort of an "ist" opposed to accumulations ^{Ability.} of Capital or the leadership of Ability, you can (if you have your own way) tax them away from any community.

T. Suppose you are so little of that sort of a "friend of humanity" that you think Capital and Ability good things to have around?

P. Then you can attract them to your state by tax-laws wiser than those of other states.

T. Do you mean that laws which attract Capital and Ability are necessarily wise?

P. To attract them permanently, laws must be wise: for the attempt to attract them by unwisely favoring them at the expense of the poor and stupid, will be certain, in the long run, under free institutions, to awaken

reactions, like those in the granger states in the last decade of the nineteenth century, which drove Capital and leadership away, and left people starving for lack of them.

560. Taxation and civilization. *T.* Of course the money for government expenses has always come out of the people?

P. By no manner of means: the primitive idea was generally to get as much as possible out of the stranger, and that idea is not quite dead yet.

T. Explain, please.

P. The great nations of antiquity paid a considerable share of their expenses from plundered provinces; Arab tribes from time immemorial have levied tribute on caravans; the robber barons of Germany taxed the traveler; even down to Spain and Cuba, not to speak of the United States, Porto Rico and the Philippines, nations have milked their colonies; and one of the arguments of high-tariff advocates to-day (tho a disputed one), is that the stranger pays the tax.

T. Well, when tax-money can't be got from the stranger, but must come out of the people, what is the best method of raising it?

P. Like all other questions of government, that depends upon the character of the people.

T. The most intelligent knowledge comes from comparison; what is the best way with a primitive people?

561. Opposite methods illustrated. *P.* In places like early Russia or Turkey, an approved way has been simply to tell each man his share, being sure to make it big enough, then to get two or three prominent delinquent taxpayers, jab a sharp pole upward through the body of each, and plant them in a row where every one would be sure to see them. Such an evidence of the promptness and thoroughness of the government inspires a confidence among the people that brings in the taxes with great success.

T. That seems a very simple way. Why wouldn't it be a good one in America?

P. It really would be less painful in the long run