

ABUSE OF TAXATION.

AT length, after five years of bitter distress, better times appear to be at hand. Yet even now the return of prosperity must be retarded by obstacles which we have put in our own way, and which may and ought to be removed. For many years the United States has been running on the high-pressure system of finance. Not only has the general government been lavish in its expenses, but almost every State, city, and town in the land has been living beyond its income and plunging into debt. This extravagance and these debts have occasioned excessive taxation, — probably more excessive than any other civilized people ever bore in time of peace; for the policy has been to make yearly payments on the principal of these debts, beside paying interest upon them and ordinary expenses. In prosperity the nation might bear this burden, heavy as it is, but the system is not suited to hard times. Not only in these years of distress is the taxpayer forced to meet the actual expenses of government, but he is also taxed to pay the principal of public debts, and that, too, while he is hampered by a barbarous system of assessment and collection. All taxation is an evil, but heavy taxes, indiscriminately levied on everything, in utter disregard of scientific principles and of the lessons of experience, are one of the greatest curses that can afflict a people. Doubtless unavoidable misfortunes have caused much of the discontent which is daily breaking out in riots, in socialism, and in efforts for repudiation; but much is certainly due to the suffering caused by unwise, excessive, and unnecessary taxation. Educated and wealthy men are responsible for the financial legislation of every country, for they alone have the knowledge and the power to shape it rightly. Apart, therefore, from all selfish interest, duty and prudence both seem to urge them to address themselves to this task, lest perchance, should no relief be given, worse may come of it.

No amount of abstract discussion can illustrate this question like an example. Let us take the city of Boston, and examine the system under which we live. The first matter to determine is the amount really paid in taxes; the second, how great a burden this payment is on property. Estimating the revenue raised by the United States by taxation in the year 1877 at \$260,778,051, and the population of the United States at 45,000,000, gives a per capita tax of about \$5.80. Nor does this represent the real cost to the people, as under the tariff every dollar the government receives costs two to the taxpayer, — but let the figures stand at \$5.80. Estimating the state indirect tax for the same year at \$4,100,000 (and this is a very low estimate, wherein all revenue not directly raised by taxation is neglected), and the population of Massachusetts, at 1,652,000, gives a per capita tax of about \$2.49. Last year the total direct state, county, and city tax for Boston was \$8,754,214, the population 341,919, giving a per capita tax of \$25.60. The total being: —

United States tax per capita,	\$5.80
State indirect " " "	2.49
State and city direct tax per capita,	25.60
	<hr/> \$33.89

Thus every human being in Boston — man, woman, and child — paid, on an average, \$33.89 in taxes during the year 1877.

These are startling figures, but they are as nothing to those which show the burden of taxation on property. And here we are met at the outset by an almost insurmountable difficulty. This difficulty is that the assessors act on the absurd system of reckoning debts as wealth. For instance, mortgages are assessed as part of the wealth of Boston. Observe where this leads: ordinary beings would suppose that Boston was the poorer for the great fire. No error could be greater in the eye of the assessor, and for this reason: most real-estate owners lost so much by that calamity that to re-

build they were obliged to mortgage, often to nearly the full value of the property. Hence wealth grew fast, for wherever before the fire there was only a building worth perhaps \$100,000, after the fire there was a new building and a mortgage, worth together \$150,000, or perhaps even \$180,000. Consequently, if every house in the city had been burned our wealth might have been doubled in a single year. The very city debt itself is counted in. Its bonds are reckoned in the valuation of a citizen's estate, and that very burden which is crushing Boston is made to figure as her wealth.

Of course this is preposterous. To duplicate values thus is absurd. Personal property is set by the city assessors at \$205,433,386. A deduction of fifty per cent., or one hundred million, to allow for this double valuation, is moderate. This leaves a total, according to the last official figures, of \$586,840,586, on which the rate, after deducting the poll-tax, would be \$15.40 per thousand dollars. What should be added to this on account of United States and state indirect taxes is a difficult problem. So far as the State is concerned, her taxation, other than that directly assessed, increases the burden little or nothing. Certain property, of which deposits in savings banks form the greater part, is exempt from all other assessment. Probably the tax and the additional property to be included in taxable valuation would about balance each other, and the rate on the whole would remain nearly the same. The United States taxes are, on the contrary, a direct burden. The ratio of the per capita rate between them and municipal taxes is about one to four, which would give in the same proportion a rate of about \$3.85. The burden to property, however, is very much greater under the present tariff than these figures indicate, beside which some allowance must be made for the poll-tax, betterments, and other special rates not otherwise reckoned. It seems, on the whole, fair, therefore, to add between four and five dollars to represent the increase of the rate by all taxation other than direct state and municipal. This

gives a total of about twenty dollars on the thousand which property pays the government. Or stated differently, and calling six per cent. the rate of interest, it comes to this: that every third dollar which a man's accumulated savings will earn is taken from him by the government. This estimate is not excessive, for the effect of the tariff is to raise prices so high that the cost to the consumer probably very far exceeds the amount which would be raised by a tax at the rate allowed for.

Dealing with crushing burdens in years of adversity, the greatest financiers have made it their policy to lighten taxes even at the risk of a deficit. Their cardinal axiom has been that industry and business of all kinds must be relieved in order to revive. Such, however, is not the high-pressure system in vogue here. Last year the general government paid over thirty millions into the national sinking fund with revenue raised by taxation, at a time when a partial repudiation of the national bonds seemed imminent, and when the country was torn by a most alarming socialistic outbreak.

But let the policy of Congress and of the State pass. The finances of Boston give ample food for reflection. The net debt of Boston is \$26,159,000; a heavy load, it is true, but bearable enough if the people are not taxed to pay it off in haste, as well as to pay the interest upon it.

The statute of 1875, c. 209, § 4, requires the city beside paying the interest on its debt, as it accrues, to establish a sinking fund for the redemption of the principal, and to contribute thereto an amount yearly, raised by taxation, sufficient with its accumulation to extinguish the debt at maturity. The amount so paid for the year 1877-78 is stated in the auditor's report, page 68, to have been \$672,700, while upon page 8 of the report a further sum of \$610,437 is shown to have been paid for the purchase of immature city bonds which were canceled. This latter sum was probably derived from betterment assessments, sales of land, and like sources,

and under the statute of 1875, c. 209, § 8, it might have been paid into the sinking fund for the purpose of reducing the amount to be raised by taxation. In fact, no part of it was so applied. Had the financial authorities chosen so to do, taxation for the debt would have only amounted to the difference between these sums, or \$62,263.

Nor is this all; a further item of \$70,000 might well have been saved. The following remarks, made in the common council by Mr. Crocker, of ward nine, on March 28, 1878, though relating to the appropriations for the coming year, are equally true, with a very slight change in amounts, of the year now under consideration:—

“As gentlemen who were here last year know, I have had something to say on this subject, and on what seems to me to be the folly of paying more money towards the city debt than the law requires, and more than the due proportion that is needed to enable us to meet our debt at maturity. The statutes require that we should put into the sinking fund enough money each year to provide for paying the debt when it matures. That is all the law requires; and it seems to me that to do much more than that is folly. For the city of Boston to do as it has been doing for years past, and is doing to-day, — taxing the already over-taxed citizens of Boston to put into the sinking funds hundreds of thousands of dollars more than the law requires, — seems to me to be the height of folly. We are straining every nerve, and are unnecessarily grinding the poor taxpayers, who are suffering enough at present, to pay an unreasonable proportion of the city debt, in order that, five or ten years from now, when people find out that the thing has been overdone, and that an unreasonable proportion of the debt has been provided for, future city councils may be extravagant, and run the city into new debts. . . . This year the city financial authorities figure out the amount we have got to pay; and in the first place they base their figures on the supposition that our sinking funds will in the future produce an income of only

four per cent. If they had reckoned it on the basis of five per cent. they would have reduced the amount that they have called for on account of the sinking fund by \$69,662.80, or from \$664,903 to \$595,239. They would have made a difference in the amount to be raised by taxation of substantially \$70,000. But they have reckoned everything as much as possible against the poor taxpayers. They say it is not safe to reckon more than four per cent.; but as a matter of fact the average interest received last year on all the sinking funds was five and one third per cent., even in these times. I will admit that the money that they invest to-day cannot be loaned at an average of more than four per cent.; but, taking that into account, it must be remembered that the greater part of this money is already invested so as to produce a much larger rate of interest, and, including what is lying on deposit in the banks, our sinking funds have, during the past year, produced on an average five and one third per cent. Now, to reckon upon only an average of four per cent. is reckoning severely against the taxpayers, and putting an unnecessary burden of \$70,000 upon them.”

Here were nearly \$700,000 wrung from the people apparently for no better purpose than to show what the city could do; and of such madness were the financial authorities guilty in the worst year that Boston ever saw.

The futility as well as the impolicy of this system is visible at a glance. What Mr. Crocker says about new extravagance is perfectly just. The city never will be permanently clear of debt; all experience is against it. A century ago Adam Smith wrote: “When national debts have once accumulated to a certain degree there is scarce, I believe, a single instance of their having been fairly or completely paid. The liberation of the public revenue, if it has ever been brought about at all, has always been brought about by a bankruptcy.” Judge what chance there is of paying the debt of Boston by this list of new loans authorized within a year:—

Order of May 25, 1877, — English High and Latin school buildings (balance),	\$250,000.00
Order of August 9, 1877, — Improved sewerage (balance),	3,540,000.00
Order of December 22, 1877, — Stony Brook improvement,	133,000.00
Order of December 31, 1877, — Widening Commercial Street,	500,000.00
	<u>\$4,423,000.00</u>
Order of April 20, 1878, — Additional supply of water,	\$600,000.00

The following axiom of finance laid down by Ricardo is recognized everywhere but here, and its truth is self-evident: —

“No sinking fund can be efficient for the purpose of diminishing the debt, if it be not derived from the excess of the public revenue over the public expenditure.”

What “excess of revenue” Boston has is no difficult matter to compute from pages 8 and 9 of the auditor’s report: —

Loans authorized during the past year,	\$5,023,000
Revenue diverted from paying current expenses and devoted to payment of debt during the past year,	<u>1,859,475</u>
Deficit,	\$3,163,525

And it is to maintain this wretched juggle that the city is straining every nerve and putting her prosperity in peril.

The auditor thus explains the probable future of the debt: “The question naturally arises, in speaking of the debt of the city, as to the limit of the amount which the city of Boston can increase its indebtedness under the statute law of the commonwealth; and the answering of this question involves the repetition of some points of the law of the State given in preceding reports. The act of 1875, limiting municipal indebtedness, which went into effect June 14th of that year, provides ‘that cities and towns indebted to an amount not less than *two per centum* on their valuation *may* increase such indebtedness to the extent of an additional *one per centum* on their valuation, and no more,’ exclusive of loans for water-works and sinking funds.

“The debt of the city of Boston at the date said act took effect was more than *two per centum* on its valuation;

therefore the city of Boston possessed the right to increase its indebtedness *one per centum* on its valuation of that year, May 1, 1875, which valuation was \$793,961,895, — *one per centum* being \$7,939,618. The amount of orders for loans which have been authorized by the city council and approved by the mayor for purposes other than for water-works, and partly negotiated since the passage of the act, is \$5,789,000; so that the amount remaining which the city of Boston *may* increase, at this date, so far as the city council possesses authority, its indebtedness for other purposes than for water-works is \$2,150,618. . . .

“Having exhausted this right, the city of Boston will have to comply with the provisions of the said municipal indebtedness act of the State, which prohibits cities and towns from incurring debts, exclusive of those for water-works, less sinking funds, over an aggregate of *three per centum* on their valuation of taxable property therein, to be ascertained by the last preceding city or town valuation for assessment of taxes. When the right under the *one per centum* clause ceases, the city of Boston, with the continued decrease of taxable values, will be unable to borrow money other than for water-works purposes for some time.”

Nothing, humanly speaking, can be more certain than that city governments will borrow as long as and as much as they can. So clear has this fact become that legislatures have been forced to intervene with statutes like that of 1875. What folly it is, then, to buy bonds with one hand and sell them with the other! How much better to submit to what appears to be inevitable, and when the debt has reached the limit stop borrowing and pay cash! To pay the debt only opens the way for more debt. Nothing can be plainer than that Boston now has no more right to lay out parks, to build expensive school-houses, and to broaden streets than a man with a decreasing income and a heavy debt has to buy a yacht, fast horses, and a house at Newport, because all these things would certainly give him pleasure, and might benefit his health. The argument that

prices were low would be as sensible in one case as in the other. Yet so little weight does duty or reason have that it is probable if Boston could be absolutely clear of debt to-morrow, she would be as deep in the mire again within ten years.

But if this high-pressure system is futile, what word can express its impolicy? It is suicidal. Listen to Adam Smith:—

“When, by different taxes upon the necessities and conveniences of life, the owners and employers of capital stock find that whatever revenue they derive from it will not, in a particular country, purchase the same quantity of those necessities and conveniences which an equal revenue would in almost any other, they will be disposed to remove to some other. And when, in order to raise those taxes, all or the greater part of merchants and manufacturers, that is, the greater part of the employers of great capital, come to be continually exposed to the mortifying and vexatious visits of the tax-gatherers, this disposition to remove will soon be changed into an actual removal. The industry of the country will necessarily fall with the removal of the capital which supported it, and the ruin of trade and manufactures will follow the declension of agriculture.”

This, written a century ago of a nation, is true of Boston to-day. Capital is leaving her. No estimate can be made of the number of million dollars withdrawn from her by tax-dodgers, as they are called at City Hall, but in truth by capitalists who are only obeying the law laid down by Adam Smith. That law is immutable. Your city will not prosper if you take one dollar in three from your citizens, when other places take but one in five or six. England is an example of the splendid success of the system of common sense. No nation has so large a debt; no nation has less burdensome taxation. Industry is not crippled that the debt may be paid, but generally when there is a surplus taxes are reduced. The credit and the wealth of England are the wonder of the world.

Nothing like it has ever existed, in spite of their enormous public burdens. Mr. David A. Wells estimates the local tax of London at about \$5.85 per capita. Tax London as Boston is taxed, and the term of her great prosperity would close.

It may be that we have not yet suffered enough, that we are still too proud to learn even from misfortune; but the time will come when we shall no longer throw aside the experience and the wisdom of successful nations, like silly children who insist on handling glowing coals to see whether or no they burn.

By scientific management of the debt taxes might be reduced about one fifth. By abstaining from the puerile farce of buying in old bonds, and then selling new ones, about one twelfth of the taxation of last year might have been spared. Yet we go on with houses vacant in every street, with rents falling and ever falling, and with land owners on the brink of ruin.

This is the financial wisdom of Boston,—the wisdom of the man who killed the goose that laid him golden eggs. Boston was taken only as an example, and doubtless she is a fair example, of the state of the country. Is it wonderful that we have riots, that we have socialists, that we have repudiationists? The wonder is not that the people have been restless under this terrible and needless strain, but that the country has not been plunged into a convulsion that would have shaken it to its centre. Nor has the worst yet been told. These taxes, heavy as they are, might be adjusted so as to be borne with comparative ease, but the system of assessment and levy is unjust, unequal, vexatious, and bears most heavily upon the poor. That subject, however, is beside the matter in hand. The purpose now is to show that no industry, no wealth, no enterprise, can bear up permanently under a system which places the citizens of a city, or State, or nation at a disadvantage with others that surround it. If, on the contrary, a rational reduction of taxation is effected wherever opportunity offers, wealth and enterprise are attracted to such an extent that the

revenue raised by low rates soon exceeds the utmost that could have been wrung from the people by the heaviest. By this financial system, in the words

of Adam Smith, "Great Britain seems to support with ease a burden which, half a century ago, nobody believed her capable of supporting."

Brooks Adams.

HOME LIFE OF THE BROOK FARM ASSOCIATION.

MUCH interest has been expressed at various times to learn the real home life of the Brook Farm Association, and many of my friends have urged me to tell what I know of it. My experience extends through nearly four years of its existence, and if length of time could insure the ability to delineate all the various motives which brought together and held through so many years its members, bound by no sectarian creed and united solely through inclination, the knowledge which my position gave me might at least serve to satisfy curiosity. Being one of the least known of its members, I enter on this undertaking with much hesitancy. I cannot understand why no one of those who better comprehended all the machinery which kept the wheels going through many trying vicissitudes (though I suspect sometimes the operators themselves felt doubtful how it was done) has ever brought its interior life to view, since a real history of its aims and endeavors after a truer life has been asked for.

What was my object in joining this association is of no consequence; I am not writing my own life, and those who were its leaders were calculated to have much more influence on the world than my insignificant self. No matter if I even thought that the whole nation would be charmed by our simple, unobtrusive life, and that in time it would all resolve itself into associations of which ours should take the lead. I know there were many with us who felt that the world must come to us, and that we should, in a more gentle manner than the chosen people of old,

gather unto us the possessions of the Amorites and the Canaanites, and that our laws and government should extend and finally annihilate the existing executive of the country. Perhaps even wilder and bolder visions passed before our eyes ere our final dismemberment. In this paper I shall endeavor to give a concise account of the first movement of the originators of the Association of Brook Farm, and to supply some idea of its internal life, both material and mental.

It was on a bleak November afternoon that I entered Brook Farm as one of its permanent residents. The weather, not bright even in the morning, had gradually grown darker, and a cold drizzling rain sent a chill through you and permeated your inmost being, as well as added to your exterior discomfort. I had some weeks before passed several days with the association, that I might in some degree understand the life that lay before me. I confess that when I was made acquainted with its details, its poetic phase was drowned in the water in which I washed the teacups. The reasons which first induced me to apply for admission as one of its members still existed, and the latent energy of my nature forbade my receding merely because my personal comfort, if not quite destroyed, was at least interfered with beyond what was pleasant. Dreary as was this afternoon, my thoughts were more dreary still, and as I drove from my comfortable home the life I had undertaken rose before me in all its bare and cheerless routine. I knew but little of the motives which had drawn its mem-