

THE COMING BILLIONAIRE.

IN the FORUM for November, 1889, the question was asked, "Who own the United States?" and reasons were given for the belief that one half of all the national wealth is owned by 40,000 families and that three fourths of it is in the possession of fewer than 250,000 families. These estimates were based in part upon official tax returns, but in part, also, upon private information as to the wealth of seventy estates, specifically named, each estimated to be worth more than \$20,000,000, and averaging \$37,500,000. The correctness of these statistics, as well as that of the inferences drawn from them, has been somewhat bitterly denied. Hostile critics have assumed that the estimates of individual wealth were based entirely upon newspaper reports; and many newspaper editors, acting presumably upon their own experience, have unhesitatingly declared that such statistics are necessarily worthless.

But not one tenth of these names were given upon the authority of newspaper estimates, while a large majority were given upon very trustworthy private information. It has been said that no one can tell what a man's wealth amounts to without access to his books, which, it has been assumed, is impossible. In several instances, however, the information came from persons who had access to the necessary books or had been permitted to inspect the securities; in some cases it was obtained from tax returns; and in other cases it was taken from the oral or written statements of the owners themselves. For example, one gentleman, whose wealth was set down at \$100,000,000, had actually exhibited \$75,000,000 in securities, and had testified in a court of law to the possession of \$10,000,000 more of one kind, all unencumbered. During the year which has now elapsed, not one tenth of these names have been specified by any one as erroneously entered upon the list or as seriously overrated, and in only three instances has any probable error been established.

These names might be omitted, and their places might be supplied by others of the twenty-million grade. Errors of understatement have been discovered which largely counterbalance all overstatements. The least that can be said is that there are seventy American estates that average \$35,000,000 each, not including Trinity Church, which perhaps should not be classed with strictly individual owners. During the year, by the consolidation of two estates, one individual has become worth at least \$200,000,000. Two brothers, whose property is held as a unit, together own even a larger amount than this. Some great estates have been divided up by inheritance, but others have been still more concentrated by that means.

The evolution of such enormous fortunes, absolutely inconceivable forty years ago as an American possibility, naturally leads us to look into the future, and to ask how far this concentration of wealth may go, and whether the existing hundred-millionaires foreshadow the coming billionaire. Is he coming? When will he come? What effect will his coming have upon society? Unless some great change takes place in our financial or social system, the billionaire is certainly coming, and at a rapid pace. True, a vast fortune does not multiply by mere interest, if kept at home, quite so rapidly as one of more moderate size, on account of the difficulty of reinvesting such enormous incomes at full rates of interest. But it is also true that in other respects large fortunes tend to increase much more rapidly than very small ones. Opportunities for large profits on special transactions are presented to millionaires far more often than to others. They are more likely to gain by "the unearned increment." They can afford to pay for the very best service, and they can and do secure agents of great ability and integrity. Such agents can as easily make safe investments in the West at eight per cent. as in the East at five per cent. Small capitalists must keep their money at home, because they cannot watch over distant investments or afford to employ local agents. These advantages more than compensate for the lower rate of interest which large capitalists often have to accept on home investments in consequence of their rapid accumulations.

Thus we see that, in the last twenty years, while rates of in-

terest have been constantly declining in America, vast fortunes have increased more rapidly than ever before. Several non-speculative estates have increased fivefold in less than forty years. Interest is now very low; but, adding to interest the steady increment of city lands, an addition of at least four per cent. per annum, at compound interest, may be counted upon for these great estates. At that rate, a present fortune of \$200,000,000 would become a billion (\$1,000,000,000) in less than forty years. Financial conditions remaining unchanged, the American billionaire might reasonably be looked for within that time and several billionaires might be expected within sixty years.

What would be the effect upon our social order of the advent of the billionaire? Lurid pictures of his tyranny and cruelty have sometimes been drawn, but these have no basis in fact or in common sense. The possession of such vast wealth brings a large degree of caution, and even of timidity, to its owner. At the present time, nineteen twentieths of those who are worth more than ten millions keep out of active public life, and three fourths of them are anxious to avoid even the suspicion of political influence. The influence of men worth from \$500,000 to \$5,000,000 is actively and sometimes ostentatiously exerted, and, gradually but slowly, larger fortunes are coming to the front. But it is not likely that many of the very largest will ever venture far into active politics. Only two exceptions have presented themselves up to this time.

The existence of such enormous fortunes necessarily implies the existence of a far greater number of fortunes much less in amount, but still vastly in excess of any individual wealth now known. When there is even one billionaire, there will be several half-billionaires and many hundred-millionaires. The fact will be an indication of a tremendous concentration of wealth, and of the dwindling proportion of wealth held by the farmers and wage-earners of this country. The billionaire will bring an army of paupers in his train. Possibly the actual average wealth of farmers and mechanics then may be a little greater than it is now. Optimists of that day may assure them that they are richer, by ten dollars each, than their ancestors were; and therefore that all is for the best in this best of all possible worlds.

But the discontent of the masses, under a system which gives to one man a larger amount of wealth than can ever be attained by a million of his fellow citizens who are fully his equals in skill and merit and far his superiors in industry, is certain to be great and ever increasing. Indeed, universal experience demonstrates that discontent among the masses is far greater when the weight of oppression is somewhat diminished than it was before.

The effect of such concentration of wealth upon public and private morals may well be anticipated with concern. Already the wealthy classes are hard pressed by the temptations of idleness, "the parent of all mischief." Gambling has increased enormously, especially around New York; and a limited license for it, previously bought from local officials, has now been purchased from the Legislature. Inevitably, with the growth of an idle and luxurious class, a bad example is set by them, which will corrupt multitudes less favored by fortune. The influence of such a class is everywhere and always demoralizing. It will be especially injurious in our own country, because there are no such outlets for the activity of wealth as there are in older countries. While the billionaire himself will probably shrink from direct interference in politics, the many millionaires who will come into existence, by force of the same laws, will be likely to use their money quite as unscrupulously as the few millionaires do now. The Australasian ballot is a step, but only one step, toward the exclusion of money from control over elections. Years will pass before the next step will be taken in earnest. Meantime, a few men of large wealth control each of the great parties; and they would control any third party, if it should gain strength enough to become a serious rival in the field.

The writer is not, however, greatly interested in completing this picture of a possible future; because, although the evils which would ensue from such an unequal distribution of wealth are even more serious than any here suggested, and might possibly include the destruction of republican government—which is even now little better than a form among us—a tide is rising that promises to sweep away the system which alone makes possible such unnatural and corrupting accumulations. The billionaire may never come. Rapidly as he now seems to

be coming, the very speed with which he visibly approaches may prevent him from reaching us. For the billionaire, if he ever come, will not be the result of any inevitable natural law. He will be simply the product of indirect taxation. Maintain that system, and he will surely come, and that right speedily; abolish it, and he can never come at all.

No elaborate calculations are necessary to make this plain, although the correctness of the assertion has been tested by such calculations over and over again. Every indirect tax distributes itself among the people in proportion to the cost of their support; in other words, it taxes them upon what they spend, not upon what they have. The vast majority of any community must always have incomes so small that they cannot help spending three fourths of what they receive. But the small minority of large property-owners do not need to spend one eighth of their incomes, and as a rule they do not spend one half. Looking at the subject with reference to accumulated wealth, the man who is worth \$1,000 usually spends at least \$500 a year on the support of his family, while the man who is worth \$1,000,000 rarely spends \$50,000. Indirect taxation, therefore, obviously bears at least ten times as heavily upon the former as upon the latter. Under absolutely direct taxation, no poor man would ever pay a larger share than a rich man, and, indeed, most of the working classes would pay no taxes at all; because the collection of direct taxes from them would be too laborious and expensive to be maintained. In many instances, rich men now pay only a hundredth part of the federal taxes which they would have to pay if they should be assessed at the same proportional rate as the mass of day laborers. Upon the average, however, indirect taxation may be fairly stated to bear at least ten times as heavily upon the poor as upon the rich.

Local taxation is generally supposed to be direct, and to a limited extent it really is so. Taxes upon banks, mortgages, merchandise, and houses, however, are indirect, and are paid, in proportion to his expenses, by the final real tax-payer. The whole taxes, national and local, are now \$800,000,000, of which at least \$650,000,000 are indirect. To these must be added the interest, commissions, and profits charged by the first payers of these

taxes upon the increased prices of the taxed articles, and the increase of prices upon articles of home production caused by a tariff. These items together can never be less than \$400,000,000 per annum, and they often exceed \$600,000,000. During some periods, such as the years 1864, 1872, and from 1879 to 1882, they must have been more than \$800,000,000. Nine tenths of these annual levies are paid by the poorer classes, and the whole is absorbed by a very few of the very rich. Thus the poor are constantly impoverished, while all the wealthy are more or less exempted, and some of them are positively enriched. To say the least, the whole cost of government, national and local, falls upon those who live by the labor of their hands. Large capitalists and landlords, considered as an entire class, pay absolutely nothing; on the contrary, they make a net profit out of taxation. Whatever is taken from some capitalists by taxation, is more than counterbalanced, as to the whole class, by what is paid to others. The owners of land and large capital, therefore, considered as a class, retain their entire savings free from all taxation. But the working class is deprived of three fourths of its savings, if not more, by taxes to the state and by bounties to capitalists. How could it be possible, under such a system, that the rich should fail to become rapidly richer, or that the poor should not remain almost stationary? The marvel is that the poor should have saved anything at all.

Many who can readily see that this system is unjust to the masses, may nevertheless fail to see that its effects are sufficient to account for any large part of the present excessive concentration of wealth. Some illustration in figures is therefore necessary. Suppose that the actual necessities of taxation are \$750,000,000 per annum, and that the corresponding burden imposed by the present system of indirect taxation is about 15 per cent. of all personal expenses. Suppose also that, after making due allowance for the dead loss involved in the protective system, at least one third goes to the wealthier classes, instead of to public uses. All of these estimates are moderate. The estimates of wealth and population given in the FORUM for November, 1889, were as follows:

Class.	Families.	Wealth.
Rich,.....	182,000	\$43,367,000,000
Middle,.....	1,200,000	7,500,000,000
Working,.....	11,620,000	11,215,000,000
Totals,.....	13,002,000	\$62,082,000,000

The total production of the United States for 1890, estimated by the same rules as in 1880, cannot greatly exceed \$13,000,000,000 in value. Of this, four per cent. must be allowed for repairs and replacement. The net income is divided in proportions not less favorable to the richer classes than the following:

Families.	Average Income.	Total Income.
180,000.....	\$25,000	\$4,500,000,000
1,200,000.....	1,250	1,500,000,000
11,620,000.....	560	6,500,000,000
Totals, 13,000,000.....	\$960	\$12,500,000,000

If taxation is not taken into account, the 180,000 rich can accumulate, on an average, two thirds of their income. The rest of the people cannot well save one fifth of theirs. A tax burden of 15 per cent. on expenses would therefore take \$225,000,000 from the rich and \$960,000,000 from the other classes. One third of the whole amount thus paid by both rich and poor goes, not to the government, but to a small section of the richest class. This would restore to that class, as a class, about \$400,000,000. The result would be as follows:

ANNUAL SAVINGS OF THE RICH.

Natural savings,.....		\$3,000,000,000
Deduct taxes, etc.,.....	\$225,000,000	
Add profits from tax system,	400,000,000	175,000,000
Total,.....		\$3,175,000,000

ANNUAL SAVINGS OF OTHER CLASSES.

Natural savings,.....	\$1,600,000,000
Deduct taxes, etc.,.....	960,000,000
Net,.....	\$640,000,000

It will be seen that the interference of indirect taxation alone causes the richest class to gain upon the other classes at the rate of much more than \$1,000,000,000 per annum. This sum, with

compound interest at five per cent., is enough, in thirty years, to increase the balance of wealth on the side of the few to an amount equal to the whole present national wealth of \$60,000,000,000.

Let us now suppose any effective system of strictly direct taxation, according to wealth, to be substituted. Roughly speaking, this would require a tax of one and one fifth per cent. on all property at its full value. Under this, taxes would be divided as follows:

180,000 rich would pay,.....	\$520,000,000
12,820,000 others would pay,.....	225,000,000

Thus the effect of exclusively direct taxation, even when strictly enforced against rich and poor alike, would be to decrease the gap between them by nearly \$300,000,000 per annum. The substitution of direct for indirect taxation would, of itself, be worth to the middle and working classes, as a whole, about \$750,000,000 a year, forever. And yet this is far from stating the entire benefit which such a change would confer upon them.

Take an individual case. The owner of \$10,000,000 need not pay more than \$15,000 in indirect taxes, while living in princely style. If he is a protected owner of mines or factories, he often makes a profit of \$100,000 a year out of indirect taxation. Under direct taxation he would have to pay \$120,000, and would make no profit from taxation. Allowing compound interest at five per cent., the difference between direct and indirect taxation is of itself worth, even to an unprotected capitalist of this magnitude, within about thirty-five years, an amount equal to the whole of his original wealth. Of course there is now some direct taxation under local government, and therefore some deduction must be made from these estimates. Possibly one eighth of the whole taxation is direct, and to that extent the foregoing estimates should be reduced. The difference is not important, with reference to the main question. It relates only to the amount, not to the principle.

If this system continue, the coming of the billionaire on the one hand, and of a million paupers on the other, is, of course, inevitable. But will it continue? All organized political parties are apparently committed to it, either in a mild form or in an

aggravated one. The Republican Party has pledged itself to an "uncompromising" adherence to taxation of the poor for the benefit of the rich; in the belief, undoubtedly sincere, that the rich will take care of the poor. The Democratic Party has declared that a system of taxation which confessedly takes ten times as much from poverty as from wealth, has always constituted the main source of national revenue, and that "such it must continue to be." The Mills bill lifted only a cheese paring from the load of the poor, and the three McKinley bills of the last session have added one third to the burden. Surely the billionaire is at hand! Not quite so surely. The half-billionaire will come, no doubt; but the very recklessness of the victors of 1888 has insured the speedy ruin of their cause. They boast that their taxes are secure for ten years. If their hopes in this respect could be fulfilled, the reaction would be so great as to destroy the entire system directly afterward. But even if, unfortunately, some halting, half-way reform should be carried at a too early day, the mine has been laid under the whole system by the tax-eating class itself.

It has long been the favorite aim of the protectionist leaders to make a moderate tariff impossible. For this purpose they abolished the duties on tea and coffee in 1871; and for many years they have struggled to abolish the internal revenue taxes, so as to leave the tariff the only source of federal revenue. In later years their counsels have been divided. Mr. Kelley and Mr. Randall, the foremost champions of protection in their respective parties, devoted all their energies to the repeal of taxes on whisky and tobacco. But gradually it became clear to other protectionists, of equal vigor, that a repeal of the sugar duties would answer substantially the same purpose. With the simultaneous disappearance from Congress of Mr. Kelley and Mr. Randall, the protectionist leadership fell entirely into the hands of men who preferred free sugar to free whisky; and in April, 1891, those duties will come to an end.

The new protectionist leaders have gained their immediate object. The managers of the Democratic Party seem hardly yet to appreciate the situation. They still talk about a tariff for revenue, in opposition to one for protection, as if it could be a live

issue in the future. But if indirect taxation is to be maintained, a tariff for revenue only, supplemented by the usual internal revenue taxes on whisky and tobacco, must be sufficient to supply the needs of the federal government. The fatal defect in the present Democratic program of moderate tariff reform, is that no tariff can be devised which will suffice for the needs of the government without including a tax upon sugar. But the sugar tax has gone forever. After the people shall have enjoyed free sugar for two years, any party which should attempt to restore the enormous sugar tax of the past would be crushed at the first election. No party will attempt it.

The protectionists have gained upon this one point a signal and permanent victory. The long struggle of the Democratic Party to maintain a system of indirect taxation sufficient to support the government without levying tribute upon the people for the benefit of a few monopolists, has been finally defeated. The issue of a tariff for revenue only, as against a tariff for protection, is practically dead. Yet have the protectionists any reason to rejoice in their victory? Wellington once said that a victory was little better than a defeat. But there are some victories which are even worse than defeats, because they are purchased at the cost of ultimate and total ruin. The victory which the protectionists have won belongs to this class. While they have made it impossible for this country ever to have a tariff for revenue only, adequate to the support of the national government, they have done so at the cost of raising an issue far more dangerous to them than any one that ever before entered into practical politics. The abolition of the sugar tax is a deadly blow to the whole tariff system.

The surplus has gone. In its place appears an annual deficiency of \$50,000,000. Col. Frederick Grant has vindicated his prophetic character. Mr. Blaine admiringly quoted his aphorism, "It is easier to handle a surplus than a deficit"; and Mr. Blaine's party has shown a capacity for transforming a surplus into a deficit fully equal to that of the renowned firm of Grant and Ward. The national expenditures have been permanently increased by extravagant pensions, which are more likely to be increased than to be diminished. Within a very short time new taxes

must be imposed. Nothing more can be got out of the tariff, either for revenue or for protection; any increase of protective duties would simply reduce the public revenue. Nothing more can be got out of whisky, for any increase of the tax would only lessen its returns. The dominant party is pledged against the tobacco tax, and the South longs to be rid of it.

The deficiency which has now come, and which will rapidly increase, cannot be supplied by any tariffs or excises whatever. It must be filled up by direct taxation. And when direct taxes are once introduced on a large scale and in a popular form, they will gradually swallow up all others. The repeal of the sugar duties, moreover, has given a tremendous impetus to the reciprocity movement; and this is certain to be ultimately fatal to all protection. It is true that its advocates at present carefully limit their propositions to the American continent. But the new States to which, by an astonishing fatuity, New England has given control of the Senate, have no interest in protection, except against American nations; and free trade with Canada, Mexico, and South America, including free barley, vegetables, wool, and lead, will make preposterous even the pretense of protection to northern farmers and to western miners. Moreover, reciprocity will not stop with this continent. If it be found profitable here, the dullest minds will begin to suspect that it may be equally profitable if extended to Europe. Already the American hog has made offers of peace and amity to French art. It may be granted that European reciprocity treaties have not weakened protectionism, but have probably strengthened it. But that is because all those treaties have provided for mere reductions of duties, never for absolute freedom of trade. The reciprocity now advocated by Mr. Blaine, Mr. Sherman, and Mr. Butterworth, and enthusiastically indorsed by the whole Northwest, is radically different. It is practically absolute free trade within certain boundary lines.

In the reaction which has already begun, but which will be all the more sweeping the longer it is delayed, all taxes imposed upon the poor for the direct benefit of the rich will be swept away. The duty on raw wool is known to be doomed, and the rich wool-growers correctly predict that the duties on woolen

goods will vanish almost as speedily as those on wool. How long will pig-iron taxes throttle New England after wool and woolens are free? How long can any protective duties stand after the keystones of the arch have been knocked out? The protective features of the tariff will soon be destroyed. But before that time shall arrive, direct taxation will have been resorted to as a partial source of government revenue; and the masses, finding themselves exempted from it, will insist upon its extension, and eventually upon its substitution for all other taxes. Nor will there be any powerful concentrated interest to resist this demand, after the protective system has been destroyed. Nobody will purchase votes in favor of a tariff for revenue only.

Direct taxation, on a large scale, is near at hand. The men who bought and paid for the present Congress can now choose what its form shall be. They can have a general income tax, or they can have something less open to fraud, less inquisitorial in its nature, less oppressive upon honest men, and offering no premium to perjury. But they know nothing about the science of taxation, and they do not care to learn; so that the whole matter will be left over to the new Congress, and a general income tax, objectionable as it is, seems most likely to be adopted. It has already been proposed by Senator Plumb and Mr. Mills. It is one of the demands of farmers' alliances everywhere. It will be very popular in the West, because it will be collected chiefly in the East; and it will be popular among farmers in all sections, because incomes under \$1,000 will be exempted, and so scarcely any farmers will pay it. The protected manufacturers and mine-owners may have a harvest for four years, but it will be not so rich as they have imagined, because consumption will fall off. After that time the men of wealth, who bought the soldier vote by the promise of enormous pensions, which they expected to saddle upon the poor, will have the great pleasure of paying most of the pension bill themselves, through an income tax.

The billionaire seems to be coming; yet he will not come, because the reign of the extortioner is fast drawing to a close.

THOMAS G. SHEARMAN.

DOES THE NEGRO SEEK SOCIAL EQUALITY?

THE question thus proposed is comparatively new in the discussion of what is familiarly known as the "Negro problem." In fact, the matter of social equality does not belong to the realm of the problematic. Passports to this arena are not usually written in hieroglyphics. Social equality is self-regulating; it is not subject to the laws of church or state. It is rather a creature of what are termed the "usages of society"; and society, at different periods of human history and in various parts of the world, has had different standards. The same condition that would make a man a social hero in one part of the world would be of no advantage to him in another. The passports to the best society in England, for instance, are different in many respects from those that are requisite in the United States. The leaders of society in one land may be classed with social pariahs in another, and all these different standards of social equality have always been free from the control of the civil law.

Men have understood, from time immemorial, that the province of social equality and that of civil rights are separate and distinct. A discussion as to the co-ordinate power of civil laws and social usages is indeed a new thing under the sun. The terms "civil privilege" and "social courtesy" have never been used synonymously, or in such a way as to make one to include the other, until very recently. History, so far as I know, furnishes no illustration of the truth of the statement that to grant a man his civil rights is to make him necessarily a social equal and companion. But such is the latest assertion in the discussion of the race problem. People argue that the friends of the Negro, and that the Negroes themselves, in seeking constitutional rights, are at the same time demanding social equality. I have but one motive in consenting to answer the question, "Does the Negro seek social equality?" It is that, through the permission given me, I may say unequivocally, "No," and thus free the