

granted. Accordingly it is safe to predict that an effort will be made to increase the productiveness of the various sources of internal revenue, notably the income tax. The income tax of the United Kingdom yielded in 1913-14 over £47,000,000. Our income tax yield for the last fiscal year was \$41,000,000—less than one-fifth of the British yield, although our aggregate of private incomes must be very nearly twice that of the United Kingdom. The difference is to be explained chiefly by the higher exemption limit in the United States—\$3000 and \$4000, as compared with £160—and by our much lower rates on modest incomes, and somewhat lower rates on large incomes. The heaviest rate we collect is seven per cent on the excess of income above \$500,000, while the British law even in time of peace exacted seven and one-half per cent from all incomes above £5000. There appears to be no good reason why we should not increase the income tax rates throughout. Translated into the terms of the more familiar property tax, even a ten per cent income tax is only fifty cents on the hundred dollars of capital value. Many a rural community has accepted an addition of fifty cents on the hundred dollars without great murmur. It would further be desirable to lower the exemption limit to \$2000. Any income above \$2000 is a privileged income in a country where adult male wage earners do not receive \$650 a year, on the average.

THE dogma of the superiority of private over public insurance methods is seriously shaken by the report of the New York State Insurance Department on the operations of the insurance fund for the year ending June 30. Charging rates twenty per cent lower than those of private casualty companies, the state fund has none the less been able to return to the policyholders very substantial dividends, averaging nearly twenty per cent for the first six months of the year, and fifteen per cent for the second six months, although rates for the latter period had undergone an additional cut of twelve per cent. Besides, the fund accumulated a loss reserve of \$621,883 and a catastrophe surplus of \$109,111. Under the regulations of the Department, private companies are allowed 33.3 per cent of rates to cover expenses. The expense ratio of the Department for the twelve months was seventeen per cent of the premiums earned. The Department has, however, learned how to cut expenses, and is now operating on twelve per cent of earned premiums. It is worth noting that this record of efficiency is published without comment by the major part of the press. If the record had been one of excessive premiums, scant dividends and high operating ratio, it would have been accorded a far more noisy reception.

Georgia and the Nation

THE course of legal process in Cobb County, Georgia, since the lynching of Leo Frank has tended to confirm the prediction that the lynchers would never be punished. The investigation conducted by the coroner was a farce. The inquiry did not disclose any facts about the crime, because it was never intended to disclose any facts. Almost everybody in Marietta must have known the names of at least a majority of the lynchers, the full story of the preparations, the dash across the state, and the capture and the execution; but nobody could be made to say a word. The whole community has conspired, if not to break the law, at least to shield the culprits. The state officers will not be any more zealous and efficient in eliciting the names of the criminals and in punishing them than the county officials. They possess neither the power nor the will to execute the laws in defiance of local public opinion. Throughout the whole of this detestable business the state and county officials, with a few honorable exceptions, have joined the mob in declaring that in one way or another, either with or without legal forms, Leo Frank should die. Never in the long and terrible annals of mob violence has there been a clearer case of responsibility for lawless bloodshed incurred by a community in its collective aspect.

Yet if the lynching of Leo Frank is considered merely as an isolated casual instance, brought about by some spasmodic perversion of the popular conscience in Marietta, in Cobb County or in the state of Georgia, we shall be reading too cheap a lesson into what is in reality a far more expensive business. The condemnation of Frank by the Georgian mob, his ruthless execution and the connivance in the crime of the community as a whole is only an exceptionally flagrant example of a kind of authorized lawlessness which flares up now and then all over the Union. The form assumed by the lawlessness varies in different states; and it is of commoner occurrence in some states than in others; but it may happen anywhere, and when it happens it implies, as in Georgia, some measure both of official and popular complicity. The state officials are either unwilling or powerless to execute the laws; and their lack of will and power is not accidental. Executive impotence is provided for in the traditional system of government by law. The American people are confronted with nothing less than the occasional but inexorable breakdown of the authority of their state governments.

Whenever an American community is possessed by an absorbing local interest, a compelling passion or a dominating fear, it is not and cannot be restrained by a feebly administered law from sum-

marily satisfying its desires or quieting its apprehensions. In Coatesville, Pennsylvania, recently the state officials were unable to prevent the commission of a peculiarly barbarous piece of mob violence. Neither could they secure the conviction of the people responsible for the crime. Only a few years earlier a community in Ohio escaped the consequences of a similar piece of turpitude with no less success. Lynching is not, of course, popular in the North and the East as it is in some other parts of the country; but the northern and eastern states are none the less defenceless against certain kinds of violence. The inability of American state governments in the case of labor disputes to protect either the strikers or the employers against organized disorder is notorious. A complete breakdown of local government has just taken place in Colorado. Illinois, New Jersey, West Virginia, Pennsylvania and Massachusetts have all during comparatively recent times made strikes the occasion of essentially lawless behavior either by or in spite of the state officials. The violence sometimes takes the form of ostensibly legal process, as it did in Georgia, just so far as the law proved to be a serviceable instrument of the mob; it more often ignores the law and defies its representatives; but in both cases the spirit is the same—the spirit of impatient and ruthless action, regardless of the opinions, interests and rights of opponents or of the whole community, and for the most part confident of the impotence, the indifference or connivance of state officials.

The South offers an unusually significant example of authorized American lawlessness, because the problems consequent on the presence of a large negro population have imposed an unusually severe strain on the governments of the southern states. The danger of crimes of violence among the negroes required the organization of local governments which could deal with lawbreakers promptly, vigorously and justly. The case of Jamaica has shown that such a government can keep negro malefaction almost entirely under control. But the southern communities, instead of organizing local governments which could act vigorously and justly, proceeded deliberately to make their governments impotent and the actions of their criminal law dilatory and uncertain. In no part of the country are executive officials so powerless, legislatures so circumscribed, the courts so legalistic, and criminals so likely to escape punishment. The summary methods of Judge Lynch are defended by Southerners on the ground that the punishment for negro aberrations must be swift and sure and terrible; but it could be made equally sure and far more effective by efficient state police and an energetic execution of the criminal laws. The Southerners

prefer Judge Lynch because they know that laws which were energetically executed against the negroes by responsible and powerful officials would also have to be executed against the whites. They have cherished the tradition that violent retaliation for personal injuries should be occasionally permitted. While the law condemned homicide, public opinion frequently approved it. They are not averse to using violence against negro criminals because they wish to permit violence among the whites.

This condition in the South is in a deeper sense only an unusually sharp and shameless illustration of a besetting weakness of the American democracy. Our local communities have wished more than anything else to be left alone. They wished freedom to do things in their own way, no matter whether that way was right or wrong. Not, of course, that they attempted to get along without law. On the contrary, they promoted it into a kind of disembodied coadjutor of King Demos. But they wanted on suitable occasion to be able to exempt themselves from the reign of the law. They worked out a system of government in which the law was sovereign, but in which the sovereign was deprived of any dependable means of making his commands effective. The law was supposed to be so efficacious, so impartial and so august that individual men did not need and did not deserve to be entrusted with power to enforce it. The people set up an impersonal king, whom they could unite to worship, but whom they did not have to obey. Responsible officials were denied the power to enforce the law in order that irresponsible men, possessed of some lively and insistent but possibly lawless purpose, might break it with impunity. The American democracy submitted to legalism only because legalism did not forbid a liberal measure of license outside of the law.

Back of the physical violence and lawlessness is an insidious and dangerous moral disorder. The most sinister aspect of contemporary American political life, both in its local and national aspects, consists in the lack of moral unity. Until recently the illegalism which the development of a legalistic political system had brought with it did not result in moral disintegration, because the community was tied together by certain generally accepted moral conventions and by an innocent belief in the excellence of the competitive individualism which the official legalism expressed and encouraged. During the past ten years these traditional bonds have been relaxed. The authority of the prohibitions which made up so much of the traditional morality has been undermined. The faiths and formulas underlying American legalism are being attacked by an increasingly large and uncompromising army of

dissenters. The dissenters seek to substitute new forms of union for the old, but as yet they have not sufficiently succeeded. The American democracy is in part timidly progressive, in part timidly reactionary and as a whole very much distracted. It needs the impulse and the bondage of a new faith—one which will place the old uniformity of conviction and homogeneity of feeling with a more consciously social ideal and a more efficient equipment both of political and industrial institutions. That social ideal must at least be authoritative and capable. It must create a political system in which such morally obscene incidents as the murder of Leo Frank will be impossible. Instead of paying hypocritical homage to a law which it did not intend to obey except when convenient, the future American democracy must above all be sincere and thorough-going. It cannot afford to place a pretender on a throne in order to have a plausible excuse for escaping now and then from his authority.

Germany's Financial Resources

DISAPPOINTED with the failure of either the central powers or the Allies to make gains promising a conclusive result, the prophets of peace are eagerly scanning the horizon for signs of the financial exhaustion of one party or the other. It appears to be taken for granted that the Allies can outlast the Germans in financial performance. Hence the intense interest in the question, how long will the German treasury hold out? To this interest must be ascribed the space given by the press to the patently apocryphal report of Dr. Helfferich's pessimistic views, and the socialist murmurings.

It is not difficult to prove that the German financial system is still quite solvent. At the outbreak of the war the debt of Germany, including both the Imperial and the state debts, was less than four and a half billion dollars. A very large proportion of this debt was covered by productive assets—railways, telegraph systems, etc.—and is no more to be regarded as a financial burden than are railway stocks and bonds in private hands. A billion and a half is the maximum that can be allowed for the net debts of the German Imperial government and states. Add to this an issue of four billion dollars—a liberal estimate of the amount required to finance the war until January 1, 1916, and we have the huge sum of five and a half billions. England in 1815 bore up under a debt of £861,000,000, or over \$4,200,000,000. The population of Great Britain and Ireland in 1815 was considerably less than one-third of that of the German Empire to-day, and the per capita income was probably at least one-third less than that of Germany. There

are, to be sure, important points of dissimilarity between the economic situation of early nineteenth century England and that of Germany to-day. It cannot be affirmed dogmatically that Germany can bear so easily a debt of \$16,200,000,000 as England in 1815 bore her debt of \$4,200,000,000. But the burden of proof is upon those who will assert that Germany cannot stand the financial drain of a war continuing at an annual cost of three billion to four billion dollars until July, 1920.

Historical analogies are often deceptive; let us therefore approach the problem from another angle. It is a commonplace that the actual cost of a war is borne by current production, and that current production sets the ultimate limit of war-waste. So long as the civil population of Germany can feed and clothe itself and has energy enough left over to munition the armies, there is no fundamental economic limit to Germany's belligerency. The financial problem is merely one of adjusting the burden in such a way as not to break the spirit of the civil population and lame its productive activities. But for this psychological element a government might levy taxes at a rate sufficient to defray military expenses as they accrue. Such taxes would divert the surplus of production to military use, and nothing more can be effected by loans. In either case thrift is forced upon the civil population, but through the use of the loan a future reward is offered for present privation.

So long as a government is believed to be solvent the civil population can be induced to put forth its greatest productive efforts and exercise thrift in highest measure through adequate payment in the form of interest-bearing securities. When the solvency of a government is doubtful, such securities will not be accepted voluntarily. The government may force their acceptance, but in such case the line between the loan and the confiscatory tax disappears. Persistence beyond this point leads directly to forced labor and economic disintegration. Now, what we have to determine is, how far Germany is from such a condition. If we assume that the Allies do not succeed in breaking down the frontier defenses of Germany, thus casting doubt upon the very continuity of the Empire, the German civil population will look upon government securities as good tender until their volume becomes so vast that after the return of peace no workable system of taxation will afford revenues sufficient to cover necessary civil and military expenditures and meet the interest on the debt.

Before the outbreak of the war the private incomes of the German Empire amounted to approximately ten billion dollars. The war has no doubt reduced this figure somewhat, and a decade of peace will be required to make any material advance upon