

The Burden of Taxation

PERIODS of business depression such as we have experienced during the last eighteen months are always the occasion for critical scrutiny of the conduct of government. So people are complaining bitterly this year about the burden of taxation in the states. The political air will be filled at the coming elections with accusations in which the "outs" will charge the high taxes to the extravagance and criminal waste of the "ins." All candidates will promise a régime of economy for the future.

The public is likely to get everything out of the confusion of counsel which prevails at such times except relevant facts succinctly put and clearly analyzed. In several of the states special tax commissions have been appointed. These will make an intelligent and concise report on the situation. But in most of our states the voter will go to the polls in a nebulous state of mind. The facts are striking enough so that they may be perused without boredom.

Michigan is a good illustration of the increase in taxes levied to defray the expenses of state and local governments. The state stands sixth in manufactures, both as measured by wages paid and by value added, and still has about one million people living on farms. In 1911 the state and local taxes levied on property amounted to less than forty million dollars. Two years later they were fifty million. During the next two years they increased by another ten million, and by 1917 they were seventy-three million. In 1919 the increase in the level of prices had carried them to one hundred and ten million and in 1920 to one hundred and forty million. Thus far the increase in taxes was to be explained largely in terms of the rising price level and of growth in population, for Michigan has gone from 2,800,000 people in 1910 to 3,600,000, a growth of thirty percent during the decade ending 1920. The country as a whole had grown only fifteen percent in numbers during these years.

Nineteen twenty-one was a year of reduced prices and of greatly decreased incomes, especially in the Middle West. Yet property taxes went to \$158,000,000 in Michigan. In addition the state found it necessary, in order to avoid bankruptcy, to levy \$5,000,000 upon the corporations doing business within the state during that year. This brought the total of taxes for this year of depression to a point more than four times as great as

they were in 1911. When these figures are set down in tabular form they are decidedly vocal concerning the reasons for the general discontent with the tax situation in the state.

Year	State and Local Taxes
1911	\$39,316,000
1913	50,570,000
1916	61,815,000
1917	73,613,000
1918	85,133,000
1919	110,776,000
1920	140,438,000
1921	158,388,000

The total money income of the citizens of this commonwealth was certainly not more than two-thirds as large in 1921 as in 1919; yet the state and local taxes were fifty percent higher. The burden was, therefore, two and one-fourth times as heavy last year as it had been two years before.

The situation in other states is not greatly different from that in Michigan as regards the increase in taxes levied, when allowance is made for the fact that this state has grown more rapidly in population. In Kansas, where the increase in population has been less than five percent, taxes have gone from \$28,000,000 to \$76,000,000 in the last ten years; while in Massachusetts, with a growth of fourteen percent, taxes have multiplied by almost three, reaching a total of over \$250,000,000 in 1921 with a population of 3,800,000 people. Ohio has likewise more than trebled her taxes, with an increase of twenty percent in her population.

What is the cause of this increase? A four-fold growth in the cost of government during a decade in which the population of a state has increased less than thirty percent is a significant political phenomenon. The best answer to this question is a table showing the uses to which the taxes collected in Michigan were put in 1911 and 1921.

INCREASE IN TAXES 1911—1921		
	1911	1921
State Tax	\$6,523,013	\$20,452,380
County, Township and Village Tax	7,399,731	24,785,329
School Tax	8,532,432	45,633,329
Highway and County Road Tax...	4,286,660	17,854,661
City Tax	12,344,156	49,066,468
Miscellaneous Taxes	229,716	656,400
Total Taxes	\$39,315,708	\$158,388,567

A cursory examination of these figures shows at once that the prime reason for the increase in the tax burden is to be found in the expenditures for local governments. Out of a total increase of \$119,000,000 between 1911 and 1921, \$87,000,-

ooo, or almost three-fourths, consists of school, city, and highway taxes. These the people have voted upon themselves in their own local political jurisdictions. The portion for which the state legislature is responsible comes to only thirteen cents out of every dollar collected from the tax payer.

Nor is this situation at all peculiar to Michigan. The governors of our middle western states are busy these days making statistical "pies." They are drawing neat circles divided into unequal portions by lines running from the centre to the circumference. The portions into which the circle is divided, after the familiar manner of our favorite American pastry, are grouped under titles like "Taxes under the control of the legislature," "Taxes under the control of local bodies." In practically all cases the taxes which the legislature has imposed upon the people for the support of the state government are less than fifteen percent of the total which the people pay.

It seems, then, that state officials can do little to relieve people of this burden of taxation. As long as our American communities cherish the right of local self-government in these matters; and as long as our people desire better schools and better roads, and better city governments, taxes will not decrease but will continue to grow. Assuming that they will grow, the question naturally arises as to the meaning and the ultimate consequences of this invasion of the citizen's income by government for public purposes. What it means politically is for the political scientists to say. Perhaps Adolph Wagner was right when he considered the increase in taxes as a sign of progress in the matter of social and political organization.

On the economic side there are many people who are honestly alarmed about the effects of this increase in taxes. To them it means the impoverishment of the individual, the increase in prices, the discouragement of capital accumulation and of enterprise and initiative. They complain that we have been "bled white" by taxation. Naturally they believe that this growth in the expenditure of state and local governments should be curbed in the interests of the economic welfare of the community.

Now just at this point it is interesting to set down another table of taxes paid. For the taxes discussed thus far are only those paid for the support of state and local governments. The people of Michigan, like other commonwealths, pay taxes to the government at Washington through the Department of Internal Revenue. When we scrutinize these payments for the last decade the amounts which our citizens have contributed to the

support of state and local governments look less appalling. The following table shows the internal revenue collections from 1911 to 1921 inclusive for Michigan, Ohio, Kansas, and Massachusetts.

UNITED STATES INTERNAL REVENUE COLLECTIONS				
Year	Michigan	Ohio	Kansas	Massachusetts
1911	\$7,007,616	\$21,828,616	\$554,293	\$7,397,001
1912	7,353,017	23,823,945	525,804	7,223,431
1913	8,302,017	25,169,957	732,152	7,239,576
1914	9,349,316	25,031,263	536,679	9,116,790
1915	11,085,043	27,362,756	1,101,868	12,094,625
1916	12,370,451	33,743,476	1,216,627	16,059,025
1917	18,765,231	51,342,224	3,455,541	29,796,108
1918	103,678,759	300,816,780	29,211,777	191,814,298
1919	134,413,873	260,005,897	29,381,392	245,731,169
1920	283,296,024	373,747,085	41,263,378	352,022,252
1921	272,394,285	285,668,533	38,689,552	259,865,214

In these four states the payments to the federal government exceed the total taxes for state and local purposes by a liberal margin in 1920 and 1921. In Michigan they are almost twice as large. A decade earlier these collections had been less than one-sixth of the state and local taxes. For these states the total internal revenue collections have multiplied by twenty, while in Michigan they have increased almost forty-fold. When all these taxes are taken together the total contribution which the people of Michigan have made for the support of all government through the payment of taxes has risen from \$46,000,000 in 1911 to \$430,000,000 in 1921.

Now the very immensity of this increase raises a doubt concerning the supposed ill effects which follow from an increase no greater than that which occurred in state and local taxes. Evidently this increase in the burden of taxation has not greatly repressed the growth of population in the state, for Michigan has increased more rapidly in population than any other state east of the Rocky Mountains. The total savings bank deposits in the state in 1911 amounted to \$190,000,000. By 1921 they were \$485,000,000. Even now they are on the increase. Nowhere in the state does one find any lack of prosperity or well-being. Truly the war revealed taxpaying abilities of which we had not dreamed.

It is not the purpose of this article to point a moral, but rather to set down a few significant facts concerning one of the most vital subjects in modern industrial society. Yet one is tempted to observe two things. First, that practically every social reform which has ever been abandoned for lack of funds could have been carried out with the money which we spent on war. And second, that the plea that expenditures for education or any other form of governmental activity for the benefit of the public must be curtailed for lack of funds cannot be treated seriously by those who know the facts. One million dollars a year, judiciously spent

in promoting better agricultural methods in a state like Michigan for a decade, would increase agricultural production by more than thirty percent without any growth in our rural population. That is a mere bagatelle compared with the money which we are contributing to the federal government to pay for war.

Some day we will come to a full realization of the economic power which was revealed to us between 1917 and 1920. When we do we will formulate a policy in international affairs which will place us in the position among the nations which our industrial power entitles us to occupy.

DAVID FRIDAY.

Prague and Vienna

THE traveller who passes from Vienna to Prague is aware of a startling change in the mental climate. Outwardly there is much to remind him that the two cities once led a common life. Prague has the advantage in a situation which none of the greater cities of Europe can equal in beauty, and it has conserved what Vienna has almost wholly lost, the charm of its old-world streets. But the architecture of the modern quarters is very similar. An identical civilization had shaped both cities before the collapse of the Hapsburg realm. The Czechs, moreover, though they seem a simple peasant people in comparison with the more elegant and gracious Viennese, have not the striking physical idiosyncrasy of the Serbs.

But mentally one has passed a sharply delimited frontier. Here all is optimism, self-confidence, and stubborn will. Prague has no doubt of its own capacity to face all that may come, and it is proud, and rightly proud that it has made of its new estate the one vigorous "going" concern in post-war Europe. It was not an easy task. A people which had organized itself for a generation mainly for opposition and agitation, was suddenly called to the responsibility of construction and administration. It chose to face its responsibility without asking or even tolerating the collaboration of the big German minority, which possessed the tradition of orderly work. Its finances were in the first months as chaotic and hopeless as those of Austria, and it, too, had felt the curse of the hunger-blockade. Politically it was not and can never be a unitary national state, and it is still somewhat doubtful whether the Slovaks will fuse permanently with the Czechs, to form a racial majority. It has passed through crises in which communism seemed to be, for a moment, a possible cause of disruption.

This sturdy people has gone to work, as its way is, boldly, confidently and at times roughly, and it has done what human will could do, to deserve and achieve success. Its currency is sound, and none the worse because its krone has been stabilized at

a tenth of the nominal value. It is the accepted leader, under the shrewd guidance of Dr. Beneš, of the whole Mid-European world. It is, beside a passive Germany and a flighty Poland, the one soberly active and creative force of the middle continent. Nor do its ambitions lack a wider horizon, for the Czechs, always inclined to think of themselves first of all as members of the Slav race, dream busily and methodically of an economic penetration of Russia, and even, I suspect, of something little less than the leadership of the whole Slavonic group.

It is with an effort that one turns from this scene to the resigned passivity of Vienna. That unhappy city has indeed outlived the tragedy of rags and starvation of which I was a witness three years ago. The outward misery of patched clothes, wooden soles, meatless weeks, unlit streets and hungry children is a thing of the past. The birth-rate has crept up till it just passes the lowered death-rate. Wages are about what they are in Germany, one half of the pre-war rates. Society has been turned upside down. The old classes which had the culture and the grace which gave Vienna its unique distinction, intellectuals and aristocrats alike, have gone down into the abyss, and an unpleasant scum of gamblers and speculators has replaced them.

But the real contrast with Prague is spiritual. In one respect Vienna has not changed, since my visit of three years ago. It still debates the interminable theme, whether Austria is "capable of life" (*lebensfähig*). "Debate," however, is an inaccurate word, for Austria is all but unanimous. It does not believe that it can live under the conditions which the Allies have made for it; it never did believe it. It has survived without the will to live, and the clear knowledge which it has possessed of its own unpromising conditions, is itself a factor in its ruin. The Czechs if placed in the same plight might conceivably have suffered less, thanks to their less lively wits and to their tougher will.

The exchange is the accepted register of the