

served nor, so far as I know, has any Biblical scholar, even a German, tried to conjecture it; but I am sure it must have been savage and melancholy and not at all like Yankee Doodle. The Chinese, according to Mr. Bertrand Russell and many others, are the happiest of all peoples; and it appears also that they do not worship themselves nationally or in any other disguise. So far as I know, they have no national anthem, though they may get one if we continue to bully them; and, if they do, if they are forced into self-consciousness and self-worship by our brutality, they will lose their happiness, and we shall probably lose most things. Self-worship in nations begets self-worship in other nations; it makes all the world pompous, autocratic, unhappy, and savage. It is therefore a practical problem to escape from it, not into the worship of nothing for that is impossible and always means disguised self-worship, but into worship of the Not-self. Through the ages we have had many Gods offered to us and

we have grown impatient of them because always their worshippers seemed to be worshipping themselves. But we are no better off if we settle down to worship ourselves, and to sing anthems to ourselves in the thinly disguised form of our country—

Great God, I had rather be  
A Pagan suckled on a creed outworn.

There is no superstition so blind or so bloody as nationalism.

I believe that men will find a Not-self to worship when once they are on their guard against self-worship in all its disguises. But their religious passion must first show itself in a passionate refusal of self-worship; so will begin the search for the Unknown God. And when that God is found, then we shall all have sublime music for our worship and, for our national songs, happy dancing tunes like Yankee Doodle.

A. CLUTTON-BROCK.

## C O R R E S P O N D E N C E

[The New Republic welcomes communications from its readers in regard to subjects of current interest, and especially concerning articles which have appeared in its columns. Those of 300 words or less are necessarily more available for publication than longer letters.]

### The Excess Profits Tax

**S**IR: The excess profits tax is being resuscitated by some of the bonus advocates, and is likely to be supported again on moral and economic grounds, by liberal as well as radical opinion. I hope the New Republic may not again be among these adherents. Their support is based, of course, on the notion of "from each according to his means," and on the general and unconscious assumption that a tax on high profits is similar to a tax on high incomes, taking what the taxpayer can well spare and not otherwise affecting the community.

A diagrammatic example will show the error of this assumption. A is an old established, conservative corporation, with a million invested capital making and selling at wholesale a standard dollar article. It gives long credits, carries ample inventories, and sells a million articles a year, turning its capital once. Of the dollar it receives for each article, 50 cents, let us say, goes for labor and material, 30 cents for overhead, 10 cents for selling expense and 10 cents for profit. Eighty percent of this profit is "exempt" from profits tax. The balance pays 20 percent or \$4,000, and the whole \$100,000 profit, less this \$4,000 and \$2,000 exemption, pays 10 percent corporate income tax, \$9,400; total \$13,400.

B is a younger, smaller, and from A's point of view, rather unscrupulous competitor, with a half a million invested, selling the same article for 90 cents. Because of the lower price it can sell on short terms, requires only half A's selling expense, and keeps its shelves bare. It carries what A would consider dangerously scant reserves of materials, by improved methods gets its goods through process a little faster, and in these ways is enabled to turn its capital nearly twice, and produce as many articles as A, a million. Of the 90 cents it receives, 50 cents, as with A, goes for labor and materials, but because of economies, quick turnover, and the absence of an old-established salary-list,

its overhead is only 25 cents, and its selling expense, as we have seen, is only 5 cents. It makes the same profit at 90 cents that A makes at a dollar. But it pays \$12,000 excess profits tax (only \$40,000 being exempt) and \$8,600 corporate income tax, total \$20,600, half again as much as A.

Well, it can afford to; its net profit after taxes is still nearly 16 percent against less than 9 percent for A.

That isn't the point. The public interest is in penalizing A and encouraging B, not vice versa. The example is diagrammatic, but conservative. With a larger percentage profit the discrepancy would be still more marked. The Manchester economics does work in many of our industries, (in all those with which I am familiar; leather, shoes, gloves, leather goods, bookbinding) holding the average profits to a marginal figure (about the same yield as sound preferred stocks) and works by just the mechanism of my example, the aggressive firm with the quick turnover, cutting cost and price and forcing the established concern to new life or liquidation. When competition is the public safeguard, laws should encourage B, and provide for C and D to be on the way up if B steps into A's shoes. Price is more important to the community than profit (no one criticized Ford!) and it is the result of quick turnover as well as of economy.

The Senate Committee was wrong in arguing that the profits tax discouraged conservative business; what it discouraged was enterprising business. It put a premium on the standpat financial management of industry, and a discount on that large and misguided class of manufacturers whose instinctive impulse toward production rather than profit (the old "instinct of workmanship" out of control) keeps our competitive industries competitive. Not a prohibitive discount, it is true, but an unjust and unwise one.

The other injustice of the excess profits tax was its discrimination in favor of steady and against fluctuating industries. The telephone industry is nearly uniform from year to year. The copper industry, which produces according to demand, varies comparatively little. The textile and tanning industries, which depend on the uncertain products of agriculture and husbandry, must count on making losses in bad years and recouping them in good ones. In 1920 these industries were paying in real money taxes representing a large fraction of the paper of "inventory" profits of 1919, which had been more than wiped out by the fall of commodities. This abuse could have been remedied by the

restoration of the original provision for setting one year's losses against the previous year's excess profits. But a telephone company making 10 percent a year on its capital for three years would still have paid only 4.08 percent in taxes for the three years, while a worsted manufacturer, who might reasonably expect to reach the same average by making 10 percent the first year, losing 10 percent the second year, and making 30 percent the third year, would pay 9.76 percent for the period.

The introduction of the notion of invested capital, in fact, completely differentiates the corporation from the individual as a taxable unit. The principle of graduation which applies so properly to the one cannot be justly applied to the other. The New Republic's "horrible alternative," the increase in the corporate income tax rate, has been accepted complacently, and had it been 15 percent instead of 12½, would still, I believe, have been a welcome substitute.

"The toad beneath the harrow knows

Exactly where each toothpoint goes. . . ."

J. W. HELBURN.

## A Letter from Vienna

The following letter was recently received by a well known editor who sent it to us for publication:

Some days after having received your benevolent Christmas card I answered by sending a post-card with my best thanks and New Year's wishes. I hope it has reached you in the mean while. I am happy to learn by your second card that you would like to hear something from myself, and am hastening to respond to your kind wish. Although what I have to write is anything but pleasing, I am doing it joyfully for a single person is now a representative of the whole country.

The Austrian evolution is certainly going under. Since your departure not the least thing has bettered itself, politically, morally, economically. There is a permanent growing worse. All the hopes by which Austria's patience was nourished during the long years have disappeared. People think it superfluous to respect the former promises made by the victorious powers. Even the States have contributed by incessantly delaying the putting aside of their mortgage. If Austria had got the credits nine months earlier the great reduction in the value of the Austrian money would have been stopped.

The calamity of this poor state is already taken as a matter of course, and seems finished to the authors of this bad peace. Except France and her satellites, who really do not believe in it either, no one has the courage to affirm that Austria will ever become capable of maintaining herself. Perhaps there have been moments when arrangements were possible to reestablish Austria as an independent country, if all the parties concerned had had the good will and the intention of spending money for this purpose. Now the patient is in a state where no doctor can cure her. Therefore, from all sides one can hear that the powers are discussing the problem of distributing Austria among her neighbors, Germany excepted.

By the monstrous depreciation of the Austrian money, her capital, unless it is invested in commercial or industrial undertakings or in foreign money, is lost. The owners of paper money are really beggars and in great sections of the middle classes people live from day to day not knowing what their fate will be, and whether the paper money illusion will end. The intellectual ones lose more and more their connection with the other world and its science, arts and literature, not to mention how heavily the pressure of a precarious future is burdening them. And today I have read that the expense for the daily necessities of life during the past year has advanced ten times. A loaf of bread (90 dekagrams) costs 316 crowns. The prices of gas and electric light are permanently rising and the price of coal and all other articles in the same measure, as paper money and the inflation increases. No lookout but . . . ruin.

I have been told American people will no longer hear anything concerning our misery. They are right, and I should never have ventured this monotonous report unless you had requested it. More interesting for you and us have been the debates in Washington. I am satisfied that the negotiations have had proportionately good results and that the first step to compete with the League of Nations has succeeded well. In the articles that fol-

low by today's post you will find in the last article a proposal to award the real, immediate maintenance of world peace with all the accessories to the United States and to restrict the League of Nations to the administrative, commercial and other activities specified in the Peace Treaty. An important result of the Washington Conference is that France has disclosed her plans and her mind. For a long time I have been of the opinion that Europe will not achieve peace while France is pursuing her aim of a European hegemony. The English press is discussing the same idea without ceremony, so that one can speak frankly. France longs to be predominant everywhere. Now, for example, she is busy in favor of the reestablishment of the Hapsburgs in Hungary as a new instrument for ruling Central and East Europe. This will not change unless France is forced by all the other powers to give up imperialism and militarism. Judging by the attitude of France as to the curtailing of armament by land, we cannot hope that the powers will soon agree upon such a step. After all, I have now to return to my conviction that no other power will be capable of reducing Europe to order than—I beg your pardon—the United States. In the last few days I have read in telegrams from America similar thoughts. Then they cannot be very remote. Europe doubtless is unable to bring herself to a state of durable peace. One cannot put one's trust in the future of Europe left to the innumerable and irreconcilable antagonism of so many nations.

Excuse me, dear Sir, that I have trespassed upon your time, in case you have read the letter as far as this. All these questions are occupying us in the highest degree, and I am happy that I can take an opportunity to unbosom myself to such an eminent connoisseur of the world politics as you. You understand my distress and my grief. One sees so much that is erroneous and has to suffer so much wrong and be silent. Life in Austria was for thinking and critical men at no time a pleasure, now it is hell.

With your leave, some remarks. If you wish by chance any articles for American papers on concrete German or Austrian subjects, I shall always be ready to write and send them. Please be so kind as to arrange so that the card enclosed may be put in a letter box. Finally, an expression of my gratitude for some numbers of the New Republic. I shall read them with eager attention.

. . . KLEIN.

Vienna.

## The Chauve-Souris

*The Chauve-Souris. The 49th Street Theatre, February 3, 1922.*

YOU need not have seen the best of a thing in art to know more or less exactly just how good a particular example of this thing may be. What happens is what happens in the creation of any ideal: you make a synthesis. Suddenly all the little perfections that you have recognized as such in the case under observation are fused together into something that appeals to the imagination as the ideal for that case. The imagination here has a double office, it deduces and creates; from the thing observed it deduces what appears to be the essential quality; and at the same time it generates in the mind's eye something that has about it the beautiful persuasion of the ideal embodiment of that quality. In a great work of art this ideal may be perceived as completely present, and we may rest satisfied and are sustained and fed with our delight in it. We recognize inferiority in a piece of art by the absence in part at least of this ideal satisfaction. So that we do not need to have been in Moscow to know something at least about the Chauve-Souris; and this familiar process of the aesthetic ideal can help us to a less innocent approach to it.

I confess myself to have been somewhat disappointed at that first performance of M. Balieff's. I had expected more of the infectious absolute, more of a quintessence of certain qualities which have been ascribed to the Chauve-Souris and