

# Tomorrow's Piper

The Federal Government isn't our only spender. An annual American tax bill of \$16,000,000 is now being made up for you. The unfair burden which this places upon the property owner is analyzed by the writer.

By J. M. Nolte

**I**T is not yet generally appreciated that within the next few months the people of the United States are going to be confronted with problems arising from the expenditure of public money which will entirely dwarf any similar problems in our history. We have had many able analyses of the Federal tax requirements and processes; but to date there has been no emphasis placed upon the vital fact about taxation, which is that our tax burden is the whole burden—Federal, state and local—and not merely that part of it raised by Congress. The full details of America's tax problems are too intricate and too vast to bring within the compass of this short warning; but it requires little time and little space to indicate their nature.

The salient features of the tax situation are these: we have a Federal funded debt that will soon approximate \$30,000,000,000; we have a state and local funded debt of nearly the same amount; we have a current national tax budget of about \$3,500,000,000 (tending to rise higher); we have a current state and local budget of about \$12,500,000,000. The national and the state-and-local budgets both contain interest on public debt and some provision for refunding, so that we may say with approximate truth that we shall be faced for the next two or three years at least with the necessity of meeting an annual tax budget of \$16,000,000,000 or more.

Unless these figures are related to income, they mean little to most of us, because, since March, 1933, we have become accustomed to talking about "billions" so glibly that the quantity itself has lost its signification as something vast. When our annual budget for government is

compared with the funds out of which it must be met, however, we begin to have a glimmering of what the trouble is to be about.

In 1933, for example, our national income ran between fifty and sixty billions. There is not yet available a satisfactory compilation. Mr. Babson recently estimated the monetary return to the people of the United States at fifty billions. If we add to this

figure the so-called "imputed" income, which is the value in terms of money of facilities and services that benefit their owners directly—such as the rental value of owned homes, the "living" of the farmers and their families, and so on—it is possible that sixty billions will be nearer the truth. On the other hand, it is more than probable that when the National Bureau of Economic Research has checked its authoritative data, the total "realized" and "imputed" income for 1933 will not much exceed \$50,000,000,000. We thus find our total tax budget for 1933 (and it will certainly not be reduced for 1934 and probably not for 1935!) to have been in the neighborhood of thirty per cent of our total income.

In other words, out of every dollar which can be credited to our people for last year, thirty-odd cents was spent for taxes. Unless there is a marked increase in the national income in 1934 and 1935, the same relative proportion will hold good. In 1929, about fifteen cents of each income dollar went for taxes. In terms of income, our total tax load has doubled since 1929!

We do not at first realize all of the implications of this tremendous tax burden. In order to understand them, it is necessary to compare our present load with that of other times. Throughout our early history, we regarded taxation only as the means of raising the expenses of a minimum amount of government. The Jeffersonian idea was dominant among us, and as a people we frowned upon adventures by government into the realm of social experimentation or economic reorganization. Government was largely concerned with roads and schools, with postal service, with military and naval protection, with the disposition of the public lands, and with the ordinary administration of the legislative, judicial and executive establishments. After the Civil War, we began to enlarge our conceptions of the function of government. The tariff, originally a war-revenue measure, was retained after the war for the "protection" of our infant industries. From that beginning, upon one pretext and occasion after another, our Federal, state and local governments have widened their spheres of influence and control until today by far the largest portion of our total tax contributions is spent for general social benefits of one sort or another. Our normal tax load in Jeffersonian times was probably from five to seven per cent of our total "realized" and "imputed" income. Throughout our history it is doubtful if it has ever exceeded, even in time of war, the percentage which we must learn to look upon as normal





for the three years 1933, 1934 and 1935.

Is this proportion of income spent for taxes too large? Can we afford to spend thirty per cent of our total income for government? These are two questions which must be answered within the next year or so. To answer them, we must take into account into what taxation has developed.

It is no longer accurate to regard taxes as only the means of paying the expenses of government, if by government we mean merely those functions which we have traditionally associated with the term. We have so enlarged the province of government that the old ideas are quite superseded. In addition to what we have always regarded as customary duties, our Federal government is now performing the services of Lady Bountiful to the unemployed, to bankrupt municipalities and individuals, to hard-pressed states and to impoverished farmers. It is also building highways, canals and hydro-electric plants on a gigantic scale.

We have assumed, quite generally, that our new idea of government applies only to the Federal Administration. This is an error. The state and local governing units are likewise engaged in many philanthropic enterprises and in many supervisory and regulatory undertakings which were undreamed of in Jefferson's day. They are spending most of their receipts, even apart from school funds, for benefits of the most general nature. In this class we may list the building of roads, the maintenance of hospitals and sanitariums, the inspection of industrial plants and railroads, the examination of foods, the administration of poor and unemployed relief, the furthering of public sanitation and hygiene, and so on. We thus find that every department of government today is a vastly different thing from the austere and diffident constable and postman of our early history. Government has become a sort of fussy general manager, or nosey rich relation. Jefferson may be said to have considered government as an unobtrusive and deferant servant; Hays, Cleveland and Theodore Roosevelt added the conception of government as a scrupulous referee; Wilson added to them both the idea of government as a trustee; Hoover added the further idea of government as a benevolent and protective friend in need; and Franklin D. Roosevelt has now added the latest conception of government as a partner.

It is futile to ask whether this development has been the best thing for us. The development has taken place, and apparently we must put up with it whether we like it or not. True, it corresponds in general with what has happened elsewhere in Western civilization; and in our country it has not come about by the application of great pressure by those engaged in governing. The interference of our governmental authorities in "private" affairs has come about at the solicitation of groups among us

who felt the interference necessary. At any rate, we have adopted the "social" theory of taxation, which imposes upon government the duty of administering tax money in the interest of general welfare by whatever means or in whatever manner circumstances seem to require. The fact of which we have lost sight is that this theory embraces our state and local governments as well as the Federal government.

With this enlarged conception of what taxes are supposed to do, we must naturally expect to pay higher taxes. If taxes are to be the instrument for the redistribution of wealth (which seems to be the current idea), it is inevitable that they must be a considerable part of our annual income. If thirty per cent of our wealth, for instance, must be redistributed in any one year, it cannot be done with taxation of only six or seven per cent of our income. Comparing our total tax load with that of other countries where the social theory of taxation prevails, moreover, we find that we are not badly off. Our total load in proportion to national income is lighter than that of many European peoples. In all probability, assuming that the taxes are equitably collected and fairly distributed, we can shoulder the thirty per cent burden successfully.

It will pay us, however, to look twice at the foregoing conclusion, for the assumption as to equitable collection is the crux of our problem. When we come to study the sources of our tax money, we realize that we have been guilty of gross inequity in apportioning the burden. If we are to continue to look upon taxes as a means of social control and social reorganization, we must reform our system of tax collection.

Out of our 1933 tax budget of \$16,000,000,000, for example, about \$12,500,000,000 was state and local taxes. Of this latter amount, approximately two thirds (or roughly half of the total tax load of the entire nation!) was taken from general property owners. That is, for so-called state and local purposes, we drew our tax money from the owners of land and the improvements upon land to such an extent that their total contribution was between \$8,000,000,000 and \$9,000,000,000. Now, in the days when eighty-five per cent of our people were owners of general property, or at least dependent upon the exploitation of land for their livelihood, it was perfectly just to tax the landholders heavily. However they are levied, taxes, if they are to be just, must be considered as functions of income. In the days when our antiquated system of taxing was established, most of our national income came from land; it was right that the owners of general property—that is, of real estate and "immovable" or "tangible" improvements—should pay most of the expense of government. But by 1929 the proportion of our income received by general property owners in their capacities as such had shrunk to about twenty-five per cent of the total. The percentage is about the same today. It is thus plain that we are taking half of our taxes from a class receiving a quarter of the income. The result of this exaction—which is far greater than can be borne—has been the bankruptcy of home owners and farmers, the absolute stagnation of small home building and the decline in value of all real estate.

Nor is our injustice to the general property owner all included in the general property tax. In addition to the latter, we have made him pay his full citizen's share of all Federal customs, and of all Federal and state excises, sales taxes and other taxes of like nature. In addition to all of the taxes heretofore considered, moreover, we have also forced the property owner to pay special assessments levied against his property for public improvements. In theory, the latter are supposed to add to the value of the property itself, and to serve a private use as well as a public one; but in perhaps the majority of instances this private benefit is a pure myth.

If the terrific burden of local taxes upon general property owners were balanced by compensatory benefits, we should, of course, be committing no wrong. But the general property owner is not receiving from government in any respect (save possibly fire protection) a service different from that given to other citizens who escape the burden of property taxes. The local tax, like the Federal tax, is now used for services which are of benefit to every hobo on the street as much as to the landowner. The general property owner usually pays from sixty to ninety per cent of the school taxes, yet he has far from sixty per cent of the children. He pays for tuberculosis hospitals, for general hospitals and clinics and free dispensaries, for meat and grain and hotel and elevator inspection, for police and fire protection, for public markets, for terminals and warehouses, for poor relief, for workmen's compensation schemes and their supervision, for unemployment relief, for old age and mothers' and public employees' pensions, for teachers' retirement funds, for a thousand and one things besides the administration of a minimum of government that have no direct relationship to his property which is assessed so heavily.

The effects of the injustice that we have shown to the property owner have been manifest in greater degree every year since 1926. On the face of things, it may not mean much to the average citizen to have real property under such a cloud of disabilities that its utility in the plan of life is obscured, that no one wants to own any, or to buy any, or to build upon any. But it does mean a lot to him, as he would see if he would take the trouble to examine the facts. The tax situation is so unequal that every real estate venture, whether for profit or for private satisfaction, has had to start out with a heavy overload for taxes and a consequent initial decapitalization. This is equivalent to saying either that rentals and other returns from real estate must be inordinately high, or that buildings will not be constructed or occupied. Since 1926, we have seen both conditions.

During the boom preceding 1929, many men erected buildings with the thought of getting rents high enough to cover not only the abnormal costs of construction but also the unjust tax burden. Rents were held up as long as people could pay them. As the Depression deepened, however, rents had to come down. But taxes stayed up. General property taxes are not like other taxes, which mostly bear some relation to income. Each property tax is arbitrarily set by an assessor, and it does not vary enough from year to year to give any real relief in a year

of reduced income. The consequence of high taxes has been that thousands upon thousands of owners of real property have been driven into bankruptcy. Other thousands have been saved from bankruptcy only by public moratoriums on indebtedness. Hundreds of thousands more, unable to pay their taxes, have had to let the latter run delinquent. Tax delinquency has increased to such an extent that the Federal government has already had to lend millions of dollars to states and municipalities to stave off repudiation of public debt.

Severe as have been the tax shortages in several states, we have as yet seen only the beginning. Unless the state and local tax-raising system is revised, there is absolutely no way to escape default upon millions of dollars worth of governmental obligations except through the intervention of the Federal authority. Of course, this process of intervention in a sense tends to relieve the tax inequalities of which we have been speaking. When the general property taxes are not paid, the local governmental unit to which they are payable has an overdraft and ultimately is about to default upon its obligations; the Federal government steps in with a loan to cover the overdraft or the default. The Federal tax money comes from sources other than general property. In this clumsy way we take money from the left hand pocket after the right hand pocket is empty.

But this is at best a stupid makeshift; it is an opportunist expedient and does not correct the original injustice. It lays the Federal government open to a dangerous sort of political racketeering. Everyone knows that years ago land ceased to be our chief source of income. What possible excuse have we to offer for having continued so long to draw from landowners the largest share of our tax money? In days of prosperity, no one objected strenuously because our total tax was low in proportion to income. The tax was tolerable because our conception of the duties of government did not demand unprecedented expenditures of public money. But now that government has openly become our most important agent of social reorganization and has assumed the task of redistributing wealth, it is surely worse than criminal to permit the continuance of a system that is in itself one of the cruelest instances of maldistribution in our society.

If we are to look upon taxation as a means of economic redistribution, it is patently foolish to restrict the Federal government to control of only one fourth or one third of our total tax budget, as we are doing today. If we have adopted "for keeps" the implications of the New Deal for social and economic control, a reorganization of our entire tax system is inevitable; and, whether we have adopted the New Deal permanently or not, the long-standing injustice to the general property owner must come to an end. If we do not move to end it, adversity will continue to harass the realty owners until their holdings are wrested from them and diverted to the State or until there is popular revolt. We can not have prosperity until this unjust situation is made right, for the well-being of the farmer and the small home owner is as inextricably bound up with prosperity as it is with the land, and land ownership, as a business, cannot thrive under the existing tax system. We shall not achieve economic contentment until the small home owner and



the farmer are comfortable; they cannot be comfortable when the commodity in which their whole surplus is invested is under an unwarranted disability.

To summarize briefly our glance at taxation: we are now committed to the expenditure of about thirty per cent of the national income for purposes of government, and of this amount the states and local units are raising and spending from two thirds to three fourths; of the whole burden of \$16,000,000,000, general property owners have been paying approximately half. Although the total tax load is probably bearable, it is bearable only if equitably apportioned. The unequal sacrifices demanded for several years of the general property owners have resulted in tax delinquency which is accelerating so rapidly that the Federal government is even now the only agency big enough to save our public credit from destruction through defaults of state and local taxing units. The heavy tax on general property has helped to bankrupt the small homeowner and the farmer, and has absolutely killed general construction. Without a prosperous farming population and a class of people willing to build and to buy small homes or to occupy multiple dwellings built for rent, we cannot have really good times, which depend largely upon a thriving general construction activity. It is therefore imperative that steps be taken at once to reform our tax system.

Such reform is properly a matter for the states, of course, and involves states' rights. But it is not a time to let doctrinaire considerations delay the accomplishment of justice. If the emergency is grave enough to require

the contribution of thirty per cent of our income for taxes, it is grave enough to justify the prompt and firm intervention of the Federal authority. When the total tax contribution is set by custom at one tenth to one eighth of our income, and the Federal government attends strictly to its age-old functions, and local authorities are engaged in such social endeavors only as have local sanction, then we can afford a scattered and irresponsible tax system. It was under such conditions that we elaborated our present system, which has, according to the Bureau of the Census, nearly 200,000 separate tax spending units! But when by popular vote we invite the Federal government to do anything and everything it deems necessary for social reorganization, with no means of checking it for four years and no means of even expressing censure for two years, and when the "lid" is completely off as to the percentage of our national income that may be spent for taxes, what are the local governments, each oppressed by its own incubus of debt and distress, going to do about it?

One thing we may be sure of, for it has been demonstrated by the experience of the past year: they are going to try to raise just as much tax money as usual. Well, if the Federal government trebles its budget, and the states and counties and municipalities keep theirs constant, and our property owners are too broke to pay now, what is the answer? The answer is an alternative, as this article has tried to indicate: popular approval for Federal revision and control of the taxing system, or public bankruptcy on a scale we have not yet experienced.



# Outlook Book Choice of the Month

Reviewed by Robert Cantwell

**JOURNEY TO THE END OF THE NIGHT.** By Louis-Ferdinand Céline. Translated by John H. P. Marks. \$2.50. 509 pp. Boston: Little Brown & Company.

SINCE THE WAR the number of books dealing with what may be called the horror of actuality has increased; there have been more such novels and stronger talents have gone into their production. In a work like Liam O'Flaherty's "The Return of the Brute," to take one of the earliest war novels for an example, there is presented a view of the world which differs strikingly from those given to us by the pre-war realists, bitter and violent as some of the earlier pictures were; it shows human beings in so advanced a state of wretchedness and demoralization as to be lacking in the most elementary human qualities, to be merely blind, staggering, suffering objects engaged in the purposeless and painful destruction of other animate objects. Most of the novels of this type have dealt with the war, but in a sense works like Dahlberg's "Bottom Dogs" and Farrell's "Studs Lonigan" belong in the same category; the emphasis in them is not merely on the intellectual confusion of the characters, but on the simple physical horror of day-to-day existence; the most commonplace experiences are shown as gross and revolting, and any attempt at understanding or control is shown to be sentimental, or affected, or smug.

"Journey to the End of the Night" is about the absolute zero of this kind of literature; at a lower temperature writing simply cannot survive. If the world is as meaningless and lost as M. Céline shows it to be, in other words, there is no reason for writing about it; if people are as blind as he presents them, any attempt to appeal to them or state their predicaments is doomed. But "Journey to the End of the Night" is a powerful and memorable book. It is also a one-sided one, with much of its strength arising, like the strength of some of those post-war

German caricatures, from its exaggerations; everything in it is a little out of focus. Many of the characters, fat, gross, belching monstrosities, remind one of those cartoons of profiteers of the post-war period; and M. Céline particularly concentrates in showing these creatures in their least dignified moments, when they are industriously scratching themselves, say, or digesting a big dinner or getting their heads blown off. When you start reading about them, for the first two hundred or so pages of this unusual book, their animal activities are amusing, particularly since the author has a cruel wit and a sharp eye for their less apparent absurdities. But gradually, as the incidents mount up, as you see there is no relief, no "development" save the progress from one horrible or boring or stupefied adventure to the next, the book becomes a nerve-wracking experience, fascinating and tiring at the same time.

It begins with the war. Bardamu, the narrator, is a baffled philosopher, continually perplexed and outraged at the vast abyss between the claims of patriotism and the slimy reality of the trenches, studying the mad officers, the insane civilians, the sadistic military police, discovering that "the only uncertain thing was what uniform one's executioner would wear." The war that he sees is fought by bewildered and frightened soldiers, by decaying horses and by generals who are possessed with a raving desire to get everyone else killed. After he is wounded he discovers that the nightmare is not limited to the front lines; the whole world has gone mad and in the shadow of the slaughter, in Paris, the invalids grow crafty and base in their efforts to remain in the hospital, mouthing the patriotic slogans and building up greater and greater fictions about the war. "People lied fiercely and beyond belief, ridiculously, beyond the limits of absurdity: lies on the papers, lies on the hoardings,



lies on foot,—on horseback and on wheels. . . ." Or again: "Back at home they'd been pretty quick to pick up honor and glory from the boys at the front, and learn how to resign themselves to it bravely and without flinching." Bardamu breaks down, losing two of his sweethearts because he cannot play this game properly, and leaves for the colonies, where all nature seems to put forward her most revolting displays and where nothing is real but the heat, the insects and the intolerable and unrelaxing discomfort.

There are a hundred characterizations in this book that are striking; a great many that are puzzling. In general, M. Céline tells us about the physical appearance of his people, their habits and expressions, with great force and clarity; but he never makes it clear why he should tell us anything about them. When Bardamu gets to America, after his meaningless suffering in Africa, and is partially supported by an old sweetheart and a new one, the journey has no relation to the rest of the book; it is an excuse for recording observations on the buildings, the women, the crowds in the street, and though the observations are frequently amusing, always unexpected and often salacious, they seem to contribute nothing to Bardamu's education or understanding. A vague sort of story, involving two murders, runs through the book, revolving around Bardamu's relationship with Robinson, whom he meets in the trenches, in the middle of Africa, in Detroit and in a suburb of Paris where he has settled to practice medicine. He demands a great deal, this author, when he asks that the reader be concerned about a human specimen as unattractive as Robinson, that he care very much whether Robinson succeeds with his petty and inhuman schemes or suffers after he is

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