Oppressive Taxation of the Poor.

Brooks Adams, in Atlantic Monthly.

roperty under popular governments. For the United States particularly it is welfare of the common wealth that they growing graver day by day. So long as should do. the large majority of voters are owners Fortunately statistics exist which child labor may be proved in another like a ripe prize for plunder, lies tempt-

vious policy of a nation where universal course 20 x 46,000, or \$920,000. In year.

suffragist exists is to encourage saving among the poorer classes by every expe-dient that is compatible with justice to all its citizens. The policy of Massa chusetts has accordingly been to foster direct State tax.

been in all respects judicions. Un fars,-clerks, book-keepars, salesman, doubtedly savings banks are useful, but and all who earn salaries. Their aver-it is certain that the best interests of age income is shown in the Labor Rethe State are not answered by having port to be about \$1,000. Forty-eight ing which is caused in times of depresthem monopolize the savings of the poor. per cent, of all the houses owned by sion by the levy of \$1,000,000 a year A man who has money in a bank is apt to be a better citizen that one who has nothing, but his interests are not identi-cal with the interests of other property returns are imperfect, and exactness is owners. To begin with he is exempt impossible. Still some estimate may be lenders upon mortgage, one half the from municipal taxation; consequently, made. The census appears to indicate working class become the creditors of the does not suffer directly from munici- that there are in the neighborhood of the other half. When large numbers of pal extravagance. Land owners, on the 75,000 receiving salaries in the State, mortgagors fail in their payments, the contrary, cannot move away from their This seems reasonable, as it would give land is thrown upon the banks, and that homes. They not only feel the whole an average of six wage-laborers to one land for the moment has lost its value. burden of municipal and State taxation salaried person. Estimated on this The banks cannot meet the calls of their in a peculiar degree, but anything which basis, the extra tax paid by this class in depositors, and then, as happened last tends to injure the prosperity of their the form of interest on mortgages would winter, a stay law is rushed through the town injures the value of their property. be between \$450,000 and \$500,000 a legislature, payments cease, and creditors Their interest always points directly year. toward economy and good gavernment. In every age and in all communics the most reliable and conservative pertion of society has been the small land pro-prietors. The State of Massachusetts, there-fore, by taxing mortgages, wrings nearly \$1,500,000 a year over and above their just burdens from these classes of her citizens whose incomes average less

Strangely enough the State, while it than \$1100. has always favored depositors in savings By the last State Auditor's Report it good judgment of this people than the banks, has discouraged the poorer classes appears that the tax upon savings-banks patience with which, upon the whole, from buying land. This statement may yielded \$1,814,623; a sum not very they have borne this suffering. No appear surprising, but its truth can be much larger than the amount raised by other impost could work the mischief of nonstrated

In Massachusetts money lent on mort- the population. Savings-banks, however, the industrious; it ruins the small hand are by no means exclusively used by the people for whom they were intended. more preposterous. If a man buys a farm worth two thousand dollars, has but one thousand himself, and therefore borrows the second thousand, nothing

The conclusion is therefore unavoida- the laboring man is forced to choose be- has done her best to strip herself of herble that by this unjust and irrational tax the State confiscates a large portion of depriving his children of their educa-and to run from The small land The most difficult problem of modern the savings of the most deserving citi- tion. That the workingmen of a repub- owners have little reason to love their times is unquestionably how to protect zens, for doing that thing which of all lie should not own the land is dangerous State. The numbers of non-taxpayers are

of property all goes well, but the mo- make it possible to show very nearly way. Among families supported by the ingly under their hand. ment those who are untaxed outnumber how great a wrong is done. The figures labor of husband and wife but 29 per those who pay taxes, trouble commences. on which the following estimates are cent. owned their houses. Among those The direct interest of the untaxed class taken from the Report on Statistics of families supported by the labor of the is to swell public expenditure to the ut- Labor for 1876. They are, of course, father and minor children 39 per cent. most, and there is hardly a large city in the United States that has not antiered more or less from this cause. The whole subject is so old and has been so often discussed that there can be no ob those owning houses have borrowed These figures were collected for another | cock, J. S. T. Stranahan, W. M. Richject in enlarging upon it. No one is money upon mortgage to pay for them. purpose, but they show the pressure of likely to question the statement that There are therefore 103,500 laborers the mortgage tax distinctly. The proseveral hundred million dollars have al- who own houses, 46,000 of which are gression is significant. Where most ready been confiscated, in the interest of mortgaged. The average mortgage is houses are owned, there most child lathe untaxed classes, through State and for \$977 57. Two per cent, it is re- bor is found, for half the houses of la-

municipal extravagance and fraud. In Massachusetts there is good reason to believe that between fifty and sixty the shape of advanced interest. Two per cent. of the voters pay a poll tax per cent. on \$977 57 is, in round num- in a house, and has borrowed \$1,000 anly, while in Boston their number, it bers, \$20, that being the amount of dou- on a mortgage, and another working man is said, reaches 80 per cent.; and the ble taxation to which the average mort- who has \$1,000 in the bank. The State evil appears to be increasing. The ob- gagor is subjected. The total is of taxes the latter \$7 50, the former \$44 a When times are bad this heavy in

savings banks; but there seems to be There is also another class of wage-reason to fear that this course has not receivers beside day laborers, which suf and debtors are involved in common

nothing can inspire more respect for the this extra tax from these two classes of this hateful mortgage tax. It burdens

-A guarantee company is in process of formation in this city, to be called the Fidelity Association of New York, hav, ing for its object the guaranteeing of THE

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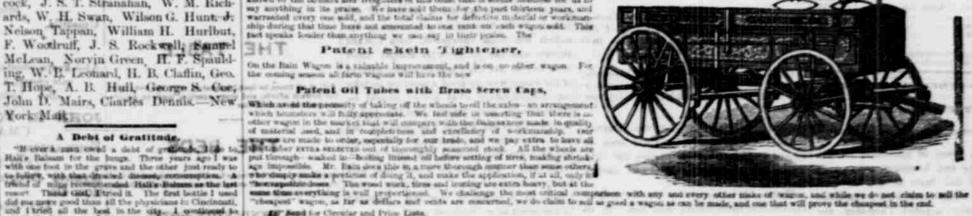
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can be more unreasonable then to tax who look on savings-banks as good him on two thousand dollars' worth of places for investment; therefore, the property, and then tax the lender on his whole amount of tax paid by the savings nd dollars as well. One and one of laborers deposited in savings banks is never did make three, and never will, \$\$17,580 a year, against \$920,000, Clearly there are only two thousand dol- which represents the amount of unjust lars' worth of taxable property, divide and excessive taxation which is borne it up between the two men how you will by workingmen who own land. The farm has the same value after as be- Had Massachusetts turned its whole fore the purchase. The man who owns attention towards discouraging the init is in debt, it is true, but that does not crease of small land owners, she could increase the property which is in exist- never have devised a more effective sysence. Now the only possible way in tem. That this is one of the chief which poor men can buy hand is upon mortgage. A house in a city, or a farm and house in the country, costs on an average about two thousand dollars. (A) sition of the workingman whose land is working man seldom has so large a sum mortgaged is a hard one. at hand, and it is most undesirable that he should have to wait until he could 24 and 76, it appears that the laborer's save it; for of all incentives that can family is about of five persons' Averurge a man to industry and economy, age wages for a laborer are \$482. But there is none stronger than the desire to where a whole family are employed their clear his land from debt. As soon, yearly earnings amount to \$836.89, di-hundred dollars, every encouragement should be given him to buy a home for Wages of site and children himself on mortgage, and pay off the debt by installments.

Far from encouragement, however, the burden the State puts on him is crushing. By reason of taxation of the taxation of the mortgage, he is taxed twice. Double taxation is, in plain English, confiscation: for if the State arbitrarily makes me pay on my land double what it makes my neighbor pay on his, it confiscates my property to the amount of the extra tax. This double taxation is inevitable under law. Money will always command its value. No one will lean money for less than it will bring in the open market. The government can now borrow at four per cent. because its bonds are untaxed. No one, therefore, will lend for less than a net return of four per cent. Were government bonds taxed, the rate of interest would rise to just the amount of the tax; the return to the lender would be the same; the government would pay the tax in its interest. A good mortgage is as good security as a government bond, and ought to command money on as reasonable terms. An offer was publicly made before a committee of the legislature to loan any amount of money at four per cent. on good mortgage security, provided the borrower would contract to pay all taxes. No one came forward to orrow on such terms. The Labor Report for 1876 shows that the actual rate of interest for money loaned on mort these figures: (1.) That children's wages gage to workingmen in the State of Mas- are necessary for the support of the famcent. Therefore, were the tax on mort- mortgaged house can just cover expengages abolished, workingmen could, peraps, borrow three and one half per his older children. (3.) That all paycent cheaper; or, presenting the propo-sition in another form, the amount of debt must be made from earnings of the double taxation imposed upon them is children under 15 years old, who ought three and one-half per cent. on the value to be at school.

of their mortgage. safe side. In the former paper the bur-den of taxation was estimated at two earn a few dollars a year in vacations per cent. On this basis, the abolition of the mortgage tax would fix the rate of ing farm work in the country, and thus the mortgage tax would fix the rate of interest on mortgages in this State at about five and one-half per cent. The figure is certainly sufficiently high, as is an advance of one and one-half per cent. On government securities, and also on the offer just quoted. In the offer just quoted. In the offer just quoted. In the securities of the tax. By this unjust and discriminating impost on this class of citizens.

Massachusetts. The injustice and impoicy of that system have often been ably exposed, but hitherto without avail The whole fabric of tax legislation is based upon a false foundation. Double taxation is not the exception, but the

8030 31

By the Labor Report for 1876, pages

\$536 89 To this must be added for income from all other 25.00 10.75 10 By the Report for 1875 the average

family expenses without rent are put at \$620.35, divided as follows:-6422 3 Clothing and dry goods.

The Report of 1876, however, fixes \$550 as the yearly sum for which a fam-

ily of five may be maintained. Rent is fixed at \$93, but no other item is given. The Report of 1875 shows that the wages of young children under fifteen years old, who ought to go to school, amount to about sixteen per cent, of the family wages. Assuming the latest figures to be correct, the account stands as follows:-

101 00 \$67287 Cost of living by report of 1876. 8457 04 Add interest on mortgage and taxes on \$2,000 at \$12 per \$1,000".... 100 00 8557 00 Total externet Balance . "The estimated value of the house taken at \$2,000 is not from the Labor Reports or any official statistics. Three things are demonstrated by setts is seven and four-tenths per ily. (2.) That a workingman with a

It is well, however, to err upon the \$20 or \$30 would be saved on the inter-

nating impost on this class of citizens, may rise still higher. Massachusetts

rule within the commonwealth. The error of the system lies in the proposition that every citizen is to be taxed ac cording to his ability to pay. A mortgage is part of a man's property; hence e must be taxed on the mortgage, otherwise he would not contribute his proportion to the State. All this reasoning is manifestly fallacious. Property is what should be taxed, not men, unless upon their polls. The supposed ability of certain citizens is certainly beyond the question. Taxable property is something that has intrinsic value. There is a certain amount of property within the State such as houses and land, goods and merchandise, cattle, gold, silver, and machinery. This constitutes the wealth of the citizens. Notes, bonds, mortgages, and the like are simply evidences that the holders have lent money on the faith of the property having intrinsic worth. In themselves these notes and bonds have no value, any more than paper money has in itself value. The taxes upon these evidences of debt are all necessarily double taxes; since to tax property at all it is worth, and then if it is pledged, to tax the money raised upon it, is clearly to tax it twice. Mcreover, the difficulty with all this taxing of debts is not only that it is absurd in theory, but that it is iniquitous in practice The borrower always has to pay. If four per cent, is the market rate for money, and taxes amount to two per cent., we have seen that the mortgagor can borrow only at seven per cent. The capitalist will collect the tax for the government, but he pays himself at the expense of the borrower for his risk and trouble in so doing. No statute can change this law of trade. The only effect of taxing loans is to raise the rate of interest. Thus it is that taxation in . Massachusetts cramps industry and works injustice. The debtor class is doubly taxed throughout the commonwealth, and the debtors are precisely those who are least able to pay. It is bad enough for a man to have every third dollar taken from him by the State, but when besides he has to pay three per cent. of extra interest above the market rate on every dollar he borrows, the position of the debtor becomes well-nigh desperate.

The only hope lies in popular education. Could the people be made to understand the merits of the question, the present tax laws would not disgrace the statute book one day after the next meeting of the legislature. The danger consists in ignorance. Workingmen who cannot pay their mortgage intervat are wrought upon by demagogues and clamor at the capital. They do not see the real enemy. Men feel that they are suffering, but do not know the cause. The educated and the wealthy struggle

to repress discontent, but do not move a



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