

# HOW SHALL WE PAY FOR THE WAR?

## A Constructive Criticism on the House Revenue Bill.

### LOANS BETTER THAN TAXES

Five Reasons Why Excessive Taxes at the Outset of War Are Disadvantageous—Great Britain Example Worthy of Emulation—How the Taxes Should Be Apportioned.

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On May 23, 1917, the House of Representatives passed an act "to provide revenue to defray war expenses and for other purposes." In the original bill as presented by the Committee of Ways and Means, the additional revenue to be derived was estimated at \$1,510,420,000. The amendment to the income tax, which was tacked on to the bill during the discussion in the House, was expected to yield another \$40,000,000 or \$50,000,000.

In discussing the House bill, two problems arise:

I. How much should be raised by taxation?  
II. In what manner should this sum be raised?

#### I. How Much Should Be Raised by Taxation?

How was the figure of \$1,800,000,000 arrived at? The answer is simple. When the Secretary of the Treasury came to estimate the additional war expenses for the year 1917-18, he calculated that they would amount to some \$6,000,000,000, of which \$3,000,000,000 was to be allotted to the allies, and \$3,000,000,000 was to be utilized for the domestic purposes. Thinking that it would be a fair proposition to divide this latter sum between loans and taxes, he concluded that the amount to be raised by taxes was \$1,800,000,000.

There are two extreme theories, each of which may be dismissed with scant courtesy. The one is that all war expenditures should be defrayed by loans, and the other is that all war expenditures should be defrayed by taxes. Each theory is untenable.

It is indeed true that the burdens of the war should be borne by the present rather than the future generation; but this does not mean that they should be borne by this year's taxation.

Meeting all war expenses by taxation makes the taxpayers in one or two years bear the burden of benefits that ought to be distributed at least over a decade within the same generation.

In the second place, when expenditures approach the gigantic sums of present-day warfare, the tax-only policy would require more than the total surplus of social income. Were this absolutely necessary, the ensuing havoc in the economic life of the community would have to be endured. But where the disasters are so great and at the same time so unnecessary, the tax-only policy may be declared impracticable.

Secretary McAdoo had the right instinct and highly commendable courage in deciding that a substantial portion, at least, of the revenues should be derived from taxation. But when he hit upon the plan of 50-50 per cent., that is, of raising one-half of all domestic war expenditures by taxes, the question arises whether he did not go too far.

The relative proportion of loans to taxes is after all a purely business proposition. Not to rely to a large extent on loans at the outset of a war is a mistake.

#### Disadvantages of Excessive Taxes.

The disadvantages of excessive taxes at the outset of the war are as follows:

1. Excessive taxes on consumption will cause popular resentment.  
2. Excessive taxes on industry will disarrange business, damp enthusiasm and restrict the spirit of enterprise at the very time when the opposite is needed.

3. Excessive taxes on incomes will deplete the surplus available for investments and interfere with the placing of the enormous loans which will be necessary in any event.

4. Excessive taxes on wealth will cause a serious diminution of the incomes which are at present largely drawn upon for the support of educational and philanthropic enterprises. Moreover, these sources of support would be dried up precisely at the time when the need would be greatest.

5. Excessive taxation at the outset of the war will reduce the elasticity available for the increasing demands that are soon to come.

Great Britain's Policy. Take Great Britain as an example. During the first year of the war she increased taxes only slightly, in order to keep industries going at top notch. During the second year she raised by new taxes only 9 per cent. of her war expenditures. During the third year she levied by additional taxes (over and above the pre-war level) only slightly more than 17 per cent. of her war expenses.

If we should attempt to do as much in the first year of the war as Great Britain did in the third year it would suffice to raise by taxation \$1,250,000,000. If, in order to be absolutely on the safe side, it seemed advisable to increase the sum to \$1,500,000,000, this should, in our opinion, be the maximum.

In considering the apportionment of the extraordinary burden of taxes in war times certain scientific principles are definitely established:

#### How Taxes Should Be Apportioned.

(1) The burden of taxes must be spread as far as possible over the whole community so as to cause each individual to share in the sacrifices according to his ability to pay and according to his share in the Government.

(2) Taxes on consumption, which are necessarily borne by the community at large, should be imposed as far as possible on articles of quasi-luxury rather than on those of necessity.

(3) Excises should be imposed as far as possible upon commodities in the hands of the final consumer rather than upon the articles which serve primarily as raw material for further production.

(4) Taxes upon business should be imposed as far as possible upon net earnings rather than upon gross receipts or capital invested.

(5) Taxes upon income which will necessarily be severe should be both differentiated and graduated. That is, there should be a distinction between earned and unearned incomes and there should be a higher rate upon the larger incomes. It is essential, however, not to make the income rate so excessive as to lead to evasion, administrative difficulties, or to the more fundamental objections which have been urged above.

(6) The excess profits which are due to the war constitute the most obvious and reasonable source of revenue during war times. But the principle upon which these war-profit taxes are laid must be equitable in theory and easily calculable in practice.

#### The Proposed Income Tax.

The additional income tax as passed by the House runs up to a rate of 66 per cent. This is a sum unheard of in the history of civilized society. It must be remembered that it was only after the first year of the war that Great Britain increased her income tax to the maximum of 34 per cent., and that even now in the fourth year of the war the income tax does not exceed 42½ per cent.

It could easily be shown that a tax with rates on moderate incomes substantially less than in Great Britain and on the larger incomes about as high, would yield only slightly less than the \$332,000,000 originally estimated in the House bill.

It is to be hoped that the Senate will reduce the total rate on the highest incomes to 34 per cent., or at most to 40 per cent., and that at the same time it will reduce the rate on the smaller incomes derived from personal or professional earnings.

If the war continues we shall have to depend more and more upon the income tax. By imposing excessive rates now we are not only endangering the future, but are inviting all manner of difficulties which even Great Britain has been able to escape.

The House bill contains other fundamental defects which may be summed up as follows:

(1) It pursues an erroneous principle in imposing retroactive taxes.  
(2) It selects an unjust and unworkable criterion for the excess-profits tax.  
(3) It proceeds to an unheard-of height in the income tax.

(4) It imposes unwarranted burdens upon the consumption of the community.

(5) It is calculated to throw business into confusion by levying taxes on gross receipts instead of upon commodities.

(6) It fails to make a proper use of stamp taxes.

(7) It follows an unscientific system in its flat rate on imports.

(8) It includes a multiplicity of petty and unincisive taxes, the vexatiousness of which is out of all proportion to the revenue they produce.

The fundamental lines on which the House bill should be modified are summed up herewith:

(1) The amount of new taxation should be limited to \$1,250,000,000—or at the outset to \$1,500,000,000. To do more than this would be as unwise as it is unnecessary. To do even this would be to do more than has ever been done by any civilized Government in time of stress.

(2) The excess-profits tax based upon a sound system ought to yield about \$500,000,000.

(3) The income-tax schedule ought to be revised with a lowering of the rates on earned incomes below \$10,000, and with an analogous lowering of the rates on the higher incomes, so as not to exceed 34 per cent. A careful calculation shows that an income tax of this kind would yield some \$450,000,000 additional.

(4) The tax on whisky and tobacco ought to remain approximately as it is, with a yield of about \$230,000,000.

These three taxes, together with the stamp tax at even the low rate of the House bill, and with an improved automobile tax, will yield over \$1,250,000,000, which is the amount of money thought desirable.

The above program would be in harmony with an approved scientific system. It will do away with almost all of the complaints that are being urged against the present. It will refrain from taxing the consumption of the poor.

It will throw a far heavier burden upon the rich, but will not go to the extremes of confiscation. It will obviate interference with business and will keep unimpaired the social productivity of the community.

It will establish a just balance between loans and taxes and will not succumb to the danger of approaching either the tax-only policy or the loan-only policy. Above all, it will keep an undisturbed elastic margin, which must be more and more heavily drawn upon as the war proceeds.

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### THE ROMAN PERIL

Reflecting upon the European war and the frightfulness of German campaigning, one is prepared to believe that almost anything may happen.

Even to attempted papist domination in the United States.

Once the paper called the Menace was read by most people with a certain degree of careless amusement. It was classed with the Appeal to Reason and other frenzied publications.

But now through the smoke cloud of the Menace we may see the gleam of fire.

At our very door—in the city of Walla Walla—a Catholic outrage was perpetrated upon a public lecturer in a manner calculated to arouse the ire of all free Americans of other faiths.

In the unlikely event things done or said by this lecturer were unlawful the Catholics could have had redress through the law.

But no; they sought redress instead through the brutal act of a quartet of ruffians the strong-arm henchmen, it is said, of the Knights of Columbus, inspired by the local priest.

The current issue of the Menace contains a first-page report of the astounding affair, and there is no reason to doubt its accuracy.

After being insulted on his way to his hotel by a Catholic mob, the lecturer was assaulted and almost killed in the hotel corridor by four burly men, who then disappeared.

He had no police protection. In fact, he was virtually forbidden to give the lectures by the mayor and police chief.

Germany has shown to what

lengths an obsessed nation may be led by its war-mad emperor's dreams of conquest.

Is it impossible, then, that a priest-ruled church may be seeking the religious and political control of this great republic? Witness the intolerant attitude of the Catholics in every city where they have attained to a measure of influence and power.

If the Catholics encourage or condone such lawless acts as that at Walla Walla they will have only themselves to blame if a certain degree of credence is given the unspeakably traitorous and murderous oath in secret circulation which is attributed to the Knights of Columbus.

Although having but one-fourth or one-fifth the population the Catholics of Walla Walla are said to control the mayor's office, the police department, the fire department and the schools. It is significant that no other religious denomination has sought such power in Walla Walla or elsewhere.

Although the Catholic Church is known to be opposed to the public school system, every member of the Walla Walla school board is said to be a Catholic, and it is also said that fifty percent of the teachers acknowledge this faith.

If we mistake not the aroused temper of the Protestants, a sweeping change is apt to be made in Walla Walla's officialdom when next they have a chance to assert themselves at the polls.

In what is said here the Leader does not wish to be misunderstood as attacking the Catholic religion, with which we have no quarrel. We limit our criticism to Catholic activities along political lines.

Of what avail to the cause of freedom to dethrone the Kaiser and elevate the Pope?

"Eternal vigilance is the price of liberty."

### ELIMINATE THE PADDING

Patent flour is now quoted at \$11.40 a barrel. Representative McLaughlin of Michigan, in discussing the food-control bill, said that "some of these gentlemen who are interesting themselves in this matter and who will have something to do with it" had told the House committee that "they had followed the wheat from the producer to the consumer through all its stages of holding and production into bread, and in their opinion the price of flour could be reduced by eliminating unnecessary movements and unnecessary charges and costs" to \$6 a barrel.

There is \$5.40 of padding in the present price, comments the Oregonian. Food control would cut

out that padding. It is opposed by the men who get the \$5.40 and who have suddenly become great friends of the farmer and the Constitution. It is also opposed by those skulking friends of Germany who strive to limit our war efficiency by causing high prices, confusion, discontent and, if possible, riot.

Everyone who directly or indirectly opposes or delays the passage of the Lever bill is open to suspicion. His associations, interests and prejudices should be examined to determine whether he is a food gambler fighting for his illegitimate profit or a secret friend of the Prussian autocracy.

And Hell will also be found in Hohenzollern by alphabetical analysis.

When reading of his insistence upon steel ships and \$95 steel we are somehow inclined to wish that the public career of General Goethals had ceased with his wonderful achievements as a canal builder.

As to \$95 steel, the spelling is in need of amendment.

As far away as Berlin it is likely that a thrilling effect is felt from the American draft.

Spokane is reported to have a preacher who is opposed to accepting any contributions for his church unless the donor is a member of the congregation and who is also against the soliciting of merchandise to be used as prizes at church fairs.

Although so described, the unpleasantness in China is apt to lack quite a bit of being a civil war.

Goshallfishhookovitch, what a dandy drivesky on the eastern front!

Two hundred and fifty dead negroes were the frightful fruit of the race riots in East St. Louis—showing that not all the blood lust is confined to war-torn Europe.

### ALBERT GLEAVES



Admiral Gleaves, in command of the warships which conveyed the American transports across the Atlantic.

### FOOD BILL MAY NOT PASS FOR TWO WEEKS

Washington.—A formidable mid-summer legislative program with food, prohibition and revenue the major measures, still confronts congress in its war session, which began three months ago.

With business congested in the senate and the house marking time in recess, senate leaders hope to make rapid progress on the food control bill, with its provision prohibiting the manufacture of distilled spirits and send it to conference by the end of the week.

With the house recess until July 9, even should the senate dispose of the bill this week, a conference agreement and final enactment probably will not come until near the middle of the month.

Intervention of President Wilson checked the bone-dry national prohibition movement in congress. Confinement of prohibition legislation to distilled beverages without interference with the manufacture of beer and wines, it is generally agreed, will result.

Confronted by the malodorous Manchus, a number of Chinese dignitaries are literally losing their heads.

Umatilla county will do well to closely guard its grain in field, bin and bag.

### Praise for Weston Band

The current issue of Up-to-The-Times Magazine contains the following compliment to Weston's popular band, whose members express their appreciation:

"The Weston Concert Band, under the leadership of A. W. Lundell, has developed into an excellent organization of 25 members, well equipped with the very best instruments, neat uniforms, etc. The band filled an engagement at Athena July 4, and will no doubt perform this fall at the Pendleton Round Up. It is altogether likely that the band will play an engagement this year at the Pioneer Pow Wow in Walla Walla. It deserves all the work to be given out hereabouts, for as a band its programs are smart and up-to-date, and in every way it delivers the goods as a musical organization."

### Dearest and Cheapest.

Hokus—"Closest says his wife is the dearest little woman in the world." Pokus—"I suppose by that he means she's the cheapest."—Town Topics.

### Church of the Brethren

Order of services for Sunday July 8, 1917:

10 a. m. Sunday school.  
11 a. m. Preaching.  
2:30 p. m. Mission Study.  
6:30 p. m. C. W. S.  
7:30 p. m. Bible Study, Life of Christ.

JOHN BONEWITZ, Elder.

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