WAR PROFITEER PUBLIC NUISANCE

No Extortion to Be Tolerated, but Liberal Disposition Toward Business Needed.

Shrinkage of Values Would Curtail Capacity to Provide Sinews of War.

"Conscription of Men, Conscription of Money," Analyzed.

By OTTO H. KAHN.

Much is being said about the plausible sounding contention that because a certain portion of the young manhood of the nation has been conscripted, therefore money must also be conscripted. Why, that is the very thing the government has been doing. It has conscripted a portion—a relatively small portion—of the men of the nation. It has conscripted a portion—a large portion— of the incomes of the nation. Capital and business pay more than four-fifths of our total war taxation directly and a large share of the remaining fifth indirectly.

If the government went too far in conscripting men the country would be crippled. If it went too far in conscripting incomes and earnings the country would likewise be crippled.

Results of Conscription of Capital.

I would ask those who would go further and conscript not only incomes, but capital, to answer the riddle not only in what equitable and practicable manner they would do it, but what the nation would gain by it?

It is true that a few years ago a capital levy was made in Germany but the percentage of that levy was so small as to actually amount to no more than an additional income tax and that at a time when the regular income tax in Germany was very moderate as measured by the present standards of income taxation.

Only a trifling fraction of a man's property is held in cash. If they conscript a certain percentage of his possessions in stocks and bonds, what would the government do with them?

Keep them? That would not answer its purpose, because the government wants cash, not securities.

Sell them? Who is to buy them when every one's funds would be depleted?

If they conscript a certain percentage of a man's real estate or mine or farm or factory, how is that to be expressed and converted into cash?

Are conscripted assets to be used as a basis for the issue of Federal Reserve bank notes? That would mean gross inflation, with all its attendant evils, dangers and deceptions.

Would they repudiate a percentage of the national debt? Repudiation is no less dishonorable in a people than in an individual, and the penalty for failure to respect the sanctity of obligations is no different.

The Thrifty Would Be Penalized.

The fact is that the government would gain nothing in the process of capital conscription and the country would be thrown into chaos for the time being. The man who has saved would be penalized, he who has wasted would be favored. Thrift and constructive effort, resulting in the needful and fructifying accumulation of capital, would be arrested and lastingly discouraged.

I can understand the crude notion of the man who would divide all possessions equally. There would be mighty little coming to any one by such distribution, and it is, of course, an utterly impossible thing to do, but it is an understandable notion. But by the confiscation of capital for government use neither the government nor any individual would be benefited.

A vigorously progressive income tax is both economically and socially sound. A capital tax is wholly unsound and economically destructive.

It may nevertheless become necessary in the case of some of the belligerent countries to resort to this expedient, but I can conceive of no situation likely to arise which would make it necessary or advisable in this country.

More than ever would such a tax be harmful in times of war and post-bellum reconstruction, when beyond almost all other things it is essential to stimulate production and promote thrift, and when everything which tends to have the opposite effect should be rigorously rejected as detrimental to the nation's strength and well-being.

There is an astonishing lot of hazy thinking on the subject of the uses of capital in the hands of its owners.

The rich man can spend only a relatively small sum of money unproductively or selfishly. The money that it is in his power actually to waste is exceedingly limited. The bulk of what he has must be spent and used for productive purposes, just as would be the case if it were spent by the government, with this difference, however, that, generally speaking, the individual is more painstaking and discriminating in the use of his funds and at the same time bolder, more imaginative, enterprising and constructive than the government with its necessarily bureaucratic and routine regime possibly could be. Money in the hands of the individual is continuously and feverishly on the search for opportunities—i. e., for creative and productive use. In the hands of the government it is apt to lose a good deal of its fructifying energy and ceaseless striving and to sink instead into placid and somnolent repose.

There need not be, and there should not be any conflict between profits and patriotism. I am utterly opposed to those who would utilize their country's war as a means to enrich themselves. The "war profiteer," as the term is generally understood, is a public nuisance and an ignominy. Extortionate profits must not be tolerated, but, on the other hand, there should be a reasonably liberal disposition toward business and a willingness to see it make substantial earnings.

For, taxation presupposes earnings. Our credit structure is based upon values, and values are largely determined by earnings. Shrinkage of values necessarily affects our capacity to provide the government with the sinews of war.

The Conscription of Men.

Reverting now to the subject of the conscription of men, I know I speak the sentiment of all those beyond the years of young manhood when I say that there is not one of us worthy of the name of a man who would not willingly go to fight if the country needed or wanted us to fight. But the country does not want or call its entire manhood to fight. It does not even call anywhere near its entire young manhood. It has called or intends to call in the immediate future perhaps 25 per cent. of its men between twenty and thirty years of age, which means probably about 4 per cent of its total male population of all ages. But it has called from incomes, business profits and other imposts falling principally on the well to do, approximately ninety per cent. of our war taxation, not to mention the contributions to the Red Cross, the Y. M. C. A. and other war relief activities.

Let me add in passing that the children of the well to do have been taken for the war in proportionately greater numbers than the children of the poor, because those young men who are needed at home to support dependents or to maintain essential war industries are exempted from the draft.

Our Laws Favor Sons of the Poor.

The draft exemption regulations discriminate not, as in former wars, in favor of the rich man's son, but in favor of the poor woman's son.

I realize but too well that the burden of the abnormally high cost of living, caused largely by the war, weighs heavily indeed upon wage earners and still more upon men and women with moderate salaries. I yield to no one in my desire to see everything done that is practicable to have that burden lightened. But excessive taxation on capital will not accomplish that; on the contrary, it will tend to intensify the trouble.

Taxation must be sound and wise and scientific and cannot be laid in a haphazard way or on impulse or according to considerations of politics, otherwise the whole country will suffer. History has shown over and over again that the laws of economics cannot be defied with impunity and that the resulting penalty falls upon all sections and classes.

The question of the individual is not the one that counts. The question is not what sacrifices capital should and would be willing to bear if called upon, but what taxes it is to the public advantage to impose.

I do not say all this to plead for a reduction of the taxation on wealth or in order to urge that no additional taxes be imposed on wealth if need be. There is no limit to the burden which in time of stress and strain those must be willing to bear who can afford it except only that limit which is imposed by the consideration that taxation must not reach a point where the business activity of the country becomes crippled and its economic equilibrium is thrown out of gear, because that would harm every element of the commonwealth and diminish the war-making capacity of the nation.

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