

## A SYMPOSIUM ON TAXATION.

Some time ago the Tax Problem was made the subject of a discussion in the Sunset Club of Chicago and the question was raised: "Is the New Revenue Law a Success?"

Judge Thos. A. Moran granted that the new revenue law was a great improvement upon the old system, but he claimed that the principle back of it was vicious. The honesty and ability of the assessors was not only doubted, but they were praised for their efforts; and yet the system of taxation which obtains here was severely criticised and unanimously condemned. We here reproduce extracts from three speeches.

## THE ASSESSORS' BURDEN.

BY ROY O. WEST,<sup>1</sup>

Chairman of the Board of Review.

The Board of Review heard about forty thousand people during its sittings, during July, August and September. It called in on its own motion about twenty-five thousand people, individuals, firms and corporations, about eight thousand of whose taxes it raised. I refer now to personal property. The Board of Review also heard complaints on real estate about sixteen hundred in number, in some of which complaints there were as many as one or two hundred pieces of property. The list presented by Mr. Potter Palmer's agents must have contained at least two hundred separate pieces of real estate in this county; others were almost as large. In this great rush, during the hot season, with a hostile public—and you cannot blame the public if they are hostile under the circumstances—with people uncertain, it was a tremendous task that confronted us. In that work we admit that we made mistakes. However, many mistakes which are claimed, are not mistakes; and men of great wealth and concerns of great wealth in this town will, this year, for the first time, much against their pleasure in some instances, pay something near a fair proportionate share of the burdens of taxation, and it will be found that in most of the cases the men who are filing their bills in court, and trying to restrain the collection of personal property taxes, have no just cause for complaint, and many of them are assessed too low. Yet some people wonder where the Board of Review got their information. And I will say right here, that while the Board of Review may have made some mistakes, and did, it did not make a single appraisal except on positive information. The Board of Review got that information with the understanding that its source would not be revealed and some of these gentlemen who have filed their bills are smarting more to find out where that information came from, rather than on account of the amount of the assessment levied against them.

[Very instructive and interesting are the special cases which Mr. West mentioned in the course of the discussion. He said:]

Dr. Von Holst was reduced on the motion of the Board of Review. He made a statement which was evidently a full, fair statement of his belongings, overly fair; he put in his property as compared with the property of his neighbors, and the property of the other people of this town, at a very exaggerated price, on the

<sup>1</sup> I omit the remarks which explain the new revenue law as a mere enforcement of the old law. For the debate they are most pertinent, but in a general consideration of the principles of taxation they have no special interest.

presumption that the other people were going to make equally full and fair returns. He came to the Board of Review and he complained that he thought other people were going to make full returns, and he thought that the machinery would be such that the Board of Review would get all the property that ought to be assessed.

As has been said by Judge Moran, we cannot get all the personal property that ought to be assessed; we do not pretend to. We expect to get more of it during the coming year, but Professor Von Holst, if he had been obliged to pay on all he put in, would have been one of the heaviest personal property taxpayers in the town of Hyde Park, a very rich town, and it was so manifestly unfair and inequitable that the board of its own motion reduced that assessment, and the board is willing now, publicly, on the platform, or anywhere else, to admit these facts and leave it to the people to say whether or not in the administration of their office they are to hew strictly to the line and make a technical, narrow construction of the law, which will work hardships, or whether they are to make an equitable and fair assessment, distributing the burdens as equitably and fairly as they can.

I remember the case of a Rabbi in a Jewish church who put in \$9,000 in mortgages; he was about eighty years old, and he had a wife of about equal age. These mortgages were producing, I believe, five per cent per annum, making him an income of about \$450 a year. He put it in. Later he came to me and said, "I have put in \$9,000, and the tax on that at 5 per cent will be just exactly one-fifth of my income. I am eighty years of age; I cannot pay that tax." I said, "What do you think you ought to pay?" He said, "I can pay on one thousand dollars." I said, "I will make a motion before the Board of Review to lower your assessment to one thousand dollars." We did, and a little later the same man came to me and said, "I don't see how I can afford to pay the tax on a thousand dollars. Here are my expenses. I have had a misfortune in the family, and I am called on for some additional expenditures. I don't see how I can pay anything." I said, "I will make a motion that you be exempted from taxation," and he is exempted from taxation. I would make that sort of a statement on the public platform.

I think of a widow who has a number of little children who have no property whatever, who was left an insurance of about three thousand dollars, and she listed every dollar of it. She lived in the town of West Chicago, and her taxes would have been about forty dollars on that. She came to the Board of Review, appeared before me and said that she could not afford to pay that amount of tax; she had a very large family of young children, I have forgotten the number. I said, "What do you think you can pay?" She said, "I could pay on \$500." I said, "I will make a motion to make your assessment that amount," and we did make it that amount.

Now, there are a few such cases. We handled over forty thousand of these cases; and I will say that every reduction that was made, where the amounts were large, was justified by the facts and the law, and in the office of the Board of Review now are the records which will show the cause for every one of them.

#### CONCENTRATE THE POWER OF TAXATION.

BY JUDGE ARBA N. WATERMAN.

Taxes are not levied as a matter of justice, but of necessity. In taxation, justice consists in an equal enforcement of the law, allowing neither property nor business within its scope to escape or avoid in whole or in part; the injustice is in sudden impositions, which have a tendency to depreciate the value of either business or property, and in the failure to fully collect the impost.

All taxation is a burden, and should be shaped so as to cause as little annoyance and friction as possible.

The load must be borne, but there is no reason why the government should require that it be carried at arm's length.

All experience shows that custom imposts, manufacturing and transportation dues, license fees and stamp requirements, are much more easily collected, with less expense and with far greater equality and fairness, than are direct taxes upon any kind of personal property.

The city of Chicago realises each year over three millions of dollars from saloon licenses, while upon all the furniture, fixtures, wines, liquors, and capital used in the business it does not collect a hundred thousand.

There is but one objection to this tax. It is imposed in such a way that the burden upon the saloon keeper is not increased by an unwise or dishonest disbursement of the public moneys, nor is his tax lessened by a prudent, upright and economical administration of municipal affairs.

The better method would be, the law providing that the total of direct taxes should not exceed one and one-quarter per cent upon the assessed value of property, the expectation being that the tax would range between three-quarters and one and one-quarter per cent, that saloons should be each assessed at the sum of fifty thousand dollars, the payment of the tax thereon being secured. The saloon keeper would thus have a strong interest in an honest and prudent administration, and we should to this extent call to the aid of economical government a force which is now quite indifferent.

The carrying into effect of any rational scheme for taxation involves an abolition of most of our taxing agencies.

At present taxes are enforced by the State Legislature; its power to tax is unlimited. We are also taxed by the Board of County Commissioners, by the Drainage Board, by the boards of the respective towns in which we live, by the respective Park Boards, by the Common Council. In addition to this there is a school tax over which the people have no control, also a public library tax beyond the control of the people, and taxes to pay interest upon public indebtedness.

Upon real estate there is also taxation to an indefinite amount in the guise of special assessment for supposed benefits, but which quite often have no relation to benefits, while sometimes the so-called improvement, for the costs of which an assessment is collected, proves to be a damage to much of the property assessed.

With our numerous bodies having power to levy taxes and our greater number of boards authorised to spend public money, each clamoring for more, it is impossible that there be a wise and economical use of the proceeds of taxation.

There is no one responsible for the total burden upon the tax payer. Each board strives to get all the money it can, to have used in its favor the uttermost limit of taxation.

All boards having charge of public matters see a necessity for the expenditure of a greater amount than is given to them.

They are neither corrupt nor silly in so doing; they are like the head of a family living upon an income of one thousand dollars per annum; he sees clearly how he could use two thousand with profit to himself and children; if he do not do this, it is because the circumstances seem to him not to permit.

From the point of view of a board, the public always has the means and if it were wise would give its substance to be expended for religious, educational, library, health, sanitary, park, constructive or police purposes. No board of expenditure is

satisfied with the means at its disposal. Each honestly feels, and there is no doubt, it could well expend a much larger sum. If there were devoted to the use of these boards, the entire net income of all real and personal property, they would yet see ample opportunity for the wise expenditure of a larger amount.

Each enthusiast in a public work, and each board of control of a public business, strives to place the amount which it may expend beyond the public control, to have a tax fixed and levied for all times, so that the people may have nothing to say about it.

The strife for liberty has turned more upon the attempt to maintain taxes long before established than any other one thing. The revolution in England, as that in France, was brought about by the determination of the people to uproot a system of taxation established in years before.

To the people, through their representatives, there should annually, or semi-annually, be an application for all moneys any public officer desires to expend and for all taxation he asks to have levied.

The endowment of any official or board with the proceeds of a perpetual tax is to place him or it beyond the control of the people.

The power of the many municipalities, now existing, to tax, should (so far as Cook County is concerned) be concentrated in one body. It would then be responsible for the total tax and the total expenditure, and it could properly apportion the public moneys to the different interests.

#### TAXATION OF REAL ESTATE.

BY JUDGE THOMAS A. MORAN.

We must have revenue. The government that we have ordained must receive support. The very institutions that are carried as a public burden must have some revenue to support them. That revenue should be obtained upon a system that would require from the person who pays the taxes to pay in just proportion to the benefits that he receives from the government, or from the institutions that the government supports. Now it seems to me that that is a fair proposition. It would not be fair to say that you are to tax a man according to his ability to pay. That is no fair measure of taxation, because if you tax a man according to his ability to pay, you will have some citizen who is blessed with a large fortune, having it taken from him in great measure, while he does not enjoy in the same measure the benefits of the government or the profits of the institutions that are supported by the government. I take it, then, that it would not be maintained that men are to be taxed according to their ability to pay, but that the fair rule will be that men shall be taxed according to the benefit that they receive from the government that the taxes are paid to support.

Now, having established that proposition, the next one we ought to go to is this: That a system of taxation ought to be predicated upon principles which enable it to reach the property on which the tax is to be spread, with little difficulty and with approximate fairness. That is to say, the only thing that there should be a mistake in, the only thing by which the property should escape its fair share of taxation, is because of a mere mistake in the judgment of the taxing officer. An honest mistake, I say. Not from his partiality; because if we go into partiality or dishonest administration we at once destroy any system of taxation. You must predicate it upon an honest administration of the taxing officer. But you never can have a taxing officer who is not fallible. Infallibility you cannot expect from any

class of men. Honesty we generally can expect, and I believe we very generally get it in the administration of public affairs. Now I say that the property that is to be subject to taxation ought to be a class of property that is most readily reached, that can be seen of all men, and upon which the only danger of inequalities will arise from the honest mistakes of the valuing officers. It seems that that proposition reduces the chances for wrong and partiality greatly. It ought to be, then, only the property that can be seen and found. It ought to be visible property. If it is invisible, if it can be hidden, if a man can put it in the tail pockets of his coat and walk away with it, if he can lie about it and conceal it from the valuing officer, you see it has dangerous defects. That leads to a proposition that you have probably already anticipated in your mind, that direct taxation with all its faults, if it is to be made successful at all, must be levied upon visible property, and visible property in the sense that it cannot be made invisible; property that is located and immovable; property that can be seen of all men—hence upon real estate.

We ought to have our attention directed, not to the mere administration of a faulty system, but to the selection of a system that will be perfect, or as near perfect as we can get it.

Hamilton, as early as his writings in the *Federalist*, laid down the proposition which denies the possibility of having a perfect system of direct taxation upon personal property. He says in different letters published in the *Federalist*, where he discusses this question, that a fair direct tax upon personal property is impossible for the reason that the subject of the tax is too nearly invisible. He does not mean that if personal property is exposed to the view of everybody it cannot be so, but he does mention that particular property of this kind of asset that it can be moved and hidden, can disappear and quite get away from the eye of the taxing officer. Its invisibility, the inability to get at it, the fact that the taxing officer must in the end depend upon information which he gets either from the oath of the owner of the property or from some other source, leads you at once, you see, into the domain of uncertainty, into the domain where everything is unsatisfactory, into the domain where the tribunal, or the man who is called upon to put the value on the property, after he has exercised his best judgment and reached the best results he can, doubts and hesitates about the result himself. Now, we see this very difficulty has met our Board. Did they have to seek for secret information about real estate? Why, no. A man cannot hide his lot. What did they get secret information about? Personal property; nothing else. Let us look at the condition of things, every one will understand what I say; I make no reflection on the Board. I have no doubt, and I publicly express it, I have confidence in the gentlemen of the Board, and I feel perfectly sure that their endeavor is an honest one; but what did they have to do, according to the statement here before you to-night of the eminent and excellent Chairman of that board? They had to take secret information against citizens, and promise that they would not disclose the source of it. Now, what do you say to a system of taxation that turns you into a spy against me, and lets you go to an officer who is exercising his judgment upon me, with secret information, in my absence, that the officer is bound to deny that he gets from you, or bound not to disclose it to me? Why, it seems to me that this very experience of ours, this very experience that this Board has had, strikes a fatal blow at the theory of taxation of personal property.

But, you say, what do you mean? Do you mean to let property go without being taxed? Do you mean to say that men who have millions in personal property shall not pay a tax upon it? Would you advocate letting the immense stock of

goods of our fellow-citizen, Marshall Field, on the corner of State and Washington streets, piled up in his great store, be held there and trafficked in by him, without his paying a dollar of tax upon the property involved?

If you put the proposition that way, you are thinking that the tax system would be unfair that would let that property escape taxation and put a tax upon the lot upon which these goods are stored. Well, gentlemen, I am radical enough to say that in my opinion it is just and right that the personal property of a merchant upon the lots, the stocks in the stores, in the storehouses in this city, should absolutely escape direct taxation, and that the tax should be put upon the real estate which the piling up of these stocks upon it makes valuable.

You say the real estate won't bear it. Why not? What is it that makes this valuable? I may be correct or incorrect in assuming that the lot on which Marshall Field's store stands is the most valuable piece of real estate in the city, or quite as valuable as any other piece. Assuming that I am correct, will you tell me why it is the most valuable? Because it is nearer the center of that place in the city where men most do congregate, and where the largest amounts of personal property are to be found stored. That it is that gives it value. If you could move this center, if you could set at defiance the laws that have contributed to make a commercial center in Chicago, and could by force remove that center somewhere else, you would remove the value of that real estate to the point at which you establish the new center. Now, if that is the center, as property retreats from that it decreases in value, and as property nears that point it increases in value.

What, then, should be our policy?

To leave commercial property entirely without taxation, to invite it to our city to be placed upon our real estate without laying upon the transactions of commerce any burden of tax whatever, to tax the real estate.

Does the personal property owner escape an indirect tax? No, he does not. He cannot escape an indirect tax. He pays a tax through the real estate on which he does his business. When you take this center of Marshall Field's lot as the place where the business is, other great retail merchants seek to be in that vicinity. A man who wants to share the business that centers around Marshall Field's, and to catch some of it, pays a rent for the store. If some other merchant wants the store he offers bigger rent for it. In other words, the fact that you have got a center in which there are commercial transactions in personal property lends a rental value to that property and the building upon it. The land owner who owns the real estate and that building gets from the competition of men who want to rent for the purpose of carrying on business upon it, an increased rent. The competition regulates the rent. This real estate is all visible. It can all be valued. My learned friend and his co-laborers on this board can go around on this property within the loop and they can make a valuation of it which will be substantially fair and impartial. They see it, they can ascertain its value. Not a foot of it can be hidden from them: they do not have to search any man by an oath, and they do not have to have any secret information. The open discussion before their board by Mr. Field, if he is the owner, and other owners, will give them the information, and a just result will be reached. I do not mean to say an infallible result, but a just result.

The condition of such a proposition makes its fair solution almost necessary. The real estate man, then, who is the owner, collects his tax from his tenant through rents. The tax is fair upon the tenant because it is regulated by competition with other lots. If the particular lot is rented at too high a rate, the adjoining

lot will be offered at a little less. The man who deals in personal property in this way, indirectly, through his landlord, pays his tax. It comes out of the landlord ultimately, but it comes through this value to which the tenant is a contributor, and he is a fair contributor, and there is no secret information about it; it comes as regularly as the rent comes; it is upon a fair valuation. Justice is done, and in my opinion this is the only method by which a system of direct taxation can be made to approximate a just and successful system.

Now you will say I am traveling along the line of a single taxer. Well, maybe I am. I am going at least part of the way. We ought not to be frightened, gentlemen. We ought to travel along any line that is shown by our judgment of the facts to be just. We never did hesitate to reach a logical conclusion that is forced by facts. You know better than I do what the difference is between what I am saying, and the single taxer. He says that it is the rental value of the land which should be taxed, the building should not be taxed at all. In my opinion the building is to be taxed. It is part of the real estate, and it is the thing from which the real estate is made valuable. A vacant lot never built upon brings no revenue, and produces nothing, and therefore it is the building with the improvements that is to be valued, and that it is which ought to be taxed.

#### SPECIAL ASSESSMENTS.

BY JUDGE ARBA N. WATERMAN.

Of all forms of taxation now in use, special assessments for alleged benefits are the most vicious.

Taxation, unless controlled by laws that operate equally upon persons and property sought thereby to be reached, speedily becomes robbery under forms of law.

Special assessments are imposed at the unregulated will of public officials and the uncertain caprice of juries.

Those who must pay the cost have no voice in the letting of the contract or the supervision of the work. They are not even favored with a statement of how their money has been expended.

They are compelled to pay and to be content with whatever the public authorities see fit to have done therefor.

Practically, the average citizen does not and cannot know whether, as compared with his neighbor, his property has been fairly, justly or honestly assessed, or that the practice in one case is followed in another.

The system is a joy and delight to the public official who is called upon to do public work, because neither constitution nor statute limit the exaction that can be made, and practically there is no supervisory board or power to which report must be made and by which work done and accounts rendered will be scrutinised.

Nothing but the most gross negligence or dishonesty will attract attention.

If the city desires to expend one hundred thousand dollars for a city hall, it is confronted with the fact that its power to tax is limited, that there are many and pressing demands upon its purse; that if fifty thousand dollars be fraudulently or improvidently used in building, it will have so much less to expend for some other pressing necessity; but if it squander fifty thousand dollars raised by special assessment for paving, or permit contractors to slight the work so that it is of no value, it has lost nothing. The property owners have lost their money and the city can make another assessment.

That the necessity for work done under such circumstances will be carefully considered; the fact of and the amount, if any, of the alleged benefit justly ascertained; the contract carefully let and rigidly supervised, so that the owner who pays shall at least have the so-called improvement honestly done at the least possible cost to him, is, in the nature of things, under such system, impossible.

The imposition of a special assessment for a supposed benefit compels the owner to engage in a speculation which may not only be unwise, but one which he often cannot afford.

He is told that the opening of a street or the creation of a park will specially increase the value of his property; that therefore he and others thus benefited, and not the general public, must pay for the improvement. His opinion and his remonstrance that the work will not only be of no benefit, but a damage to him, is of no consequence.

The fact that he cannot obtain the money with which to pay the assessment unless he mortgages his property is disregarded. The public decide that he must somehow get the money and enter upon a speculation which it declares will improve his property.

If he be correct in his forecast, and the work proves to be to him a damage instead of a benefit, he has no remedy.

It is not likely that the irregular, uncontrolled and illimitable taxation by means of special assessments can be done away with. Some, perhaps much, of the injustice, profligacy and waste so attendant upon the system would be eliminated if in all instances the municipality paid one-fourth of the cost of the work. City and town authorities would then not be free to order improvements that work might be found for useful voters and places for handy politicians.

Contractors would not be given so free a rein, and the making of improvements at the least cost consistent with good work would be thought to be a necessity. The public authorities would have a real interest in securing honest service.

Assessments for such things as the opening of streets, creation of parks, erection of fountains, arches, statuary, etc., the special benefit of which to particular property is a speculative question, should never be allowed; assessments for paving, sidewalks, sewers, water pipe, lamp posts, grading, curbing, etc., should be placed only upon the property abutting on the proposed work—the practice of spreading the assessment around so as to reach property not abutting on the improvement, but in its vicinity, is fruitful of injustice and iniquity.

No law regulates the distance to which the spreading shall go nor requires such action in each case. The opportunity for favoritism is thus complete. He who has influence and he who understands devious ways can be favored, without one chance in a hundred that the injured will ever know of it.

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#### BOOK NOTICES.

Prof. Ernst Haeckel's *Riddle of the Universe* which created such a stir on its appearance in Germany, and at once ran through many editions, has been well translated by Joseph McCabe and published by Harper and Brothers, New York and London. Professor Haeckel's views on "the conflict of science and religion" have been frequently discussed in *The Open Court* and *The Monist*, and our readers are familiar with their main trend. They will find, however, in the present work, an admirable and systematic *résumé* of Professor Haeckel's thought, in its genesis, historical development, and final form. We have also to note in this connection a