A TAX UPON INDUSTRY.

At the commencement of this inquiry into the income tax I cited it as being in the nature of a direct tax (one that did not admit of being shifted), and in so far, commendable. Many economists are reputed to be in accord as to the general truth of this, yet it is not always true. Look at it in the best possible light we can, make all the excuses for it we can, it is still a tax upon industry, a fine in other words on superior ability, and as such reduces wealth by limiting enterprise, education and training, and is therefore in its ultimate effects the same as increase of price, since it reduces purchasing power. The retrenchment of expenses which the income tax would make desirable to all and necessary to many would act in this way.

PERSONAL PROPERTY TAX.

Let us now consider the personal property tax, dividing personal property into two classes—chattels and credits. Chattels include food, clothing, furniture and all things necessary to satisfy human desires. Credits include bonds, mortgages, notes, bank deposits, book accounts, shares of corporate stock, etc.

The personal property tax is probably that most frequently brought to the attention of accountants among the items of expense in the books of their clients. The personal property tax is to the mercantile class what the income tax is to other classes previously referred to, but with this difference, that it is an indirect tax, which is almost invariably shifted on to other shoulders,and this I intended to imply when I previously referred to its inclusion among expense accounts.

It has every objection which can be brought against the income tax, and none of its presumable virtues.

It also is inequitable and places a premium upon misrepresentation and evasion, tending to stultify the character of every merchant or manufacturer who, struggling between his principles of right and wrong, and his knowledge of the fact that many of his estimable friends pay only such taxes as they cannot avoid; finds profit in deception.

A UNIQUE CONDITION

It also comes directly in the nature of a levy upon what we are taught to believe to be the virtue of frugality, discouraging a man just in proportion as he is careful and saving and literally fining him for not consuming his wealth as fast as he acquires it. While at the first blush it appears to operate in favor of the profession and the clerk as against the merchant by taxing the former upon his income and the latter upon the whole or chief source of his income and each at the same rate, such is not the case, the merchant actually transferring it to his customers, since it is one of the factors which must determine the price at which he can afford to sell his goods.

EXPLANATORY ARGUMENT.

At the risk of appearing lengthy I would like to enlarge upon this. Capital expects some return wherever invested, the lowest price generally accepted for its use is where the risk of its loss or depreciation is least, which in this instance I will cite as British consols, and the lowest return at say, 2 per cent.; from these up to mortgages and similar securities at 6 per cent. or 7 per cent., there are a host of investments, yielding various returns according to their desirability, flexibility and the element of risk accompanying them ; therefore to atone for the risk of its venture in mercantile pursuits, it follows the return there must be greatest. This is true whether the returns from other investments be from 2 per cent. to 7 per cent., or more or less ; there can be no arbitrary sum, because when the returns from investment in mercantile pursuits refuse to yield to capital sufficiently more than the investments which do not partake of the same element of risk, capital withdraws only to compete with itself in the safer field until the returns therein are forced down to such a level as drives it back to business risk (a process hastened by the scarcity due to its temporary absence), for a lower return than it previously received in the same field, but still in the same ratio to the safer investments which it previously bore.

While capital therefore has the potentiality to earn specific returns for its use, according to the risk, any tax upon it acts as an expense of maintaining it in its sphere, and must be refunded in the form of enhanced profits.

ANOTHER INEQUALITY.

There is an apparent exception to this which, however, is really destroyed by the element of injustice under which it would operate, for while taxes upon merchandise and machinery equally distributed simply increase the cost of goods to consumers, it is manifest that where they are unequally distributed it is impossible for the merchant or manufacturer who is taxed beyond his just share to recover such tax from his customers, while his competitor who is taxed below his share can recover from his customers all he would have paid under strictly equal taxation, and actually profits by the inequality of the system.

Again, let us try to trace its effects upon the primitive industries of which farming will serve as an illustration. The personal property tax imposes itself first upon the farmer and adds to the price he must obtain from the factory for his products. This tax reimposes itself in the factory where the farm product is converted into usable form, and again when the finished article forms part of a merchant's stock, which article finally reaches the consumer with this tax three times imposed, together with the usual rate of profit thereon. The increase in price resulting therefrom lessens the quantity of farm products the consumer can afford to acquire lessens the sales of the merchant and his orders from the factory, finally reaching the farmer by curtailing the demand for his products, forcing him to content himself with less of the products of other industries and taking one step in the direction of hard times.

IT REDUCES CONSUMPTION.

The personal property tax, in so far as it acts upon production, reduces consump-