

the local basis for taxation, and on the other, the local need for the services which the taxes procure. If, then, the older system of assessing and levying taxes and of expending them was justified on the ground of dealing with an actual situation in a practical manner, have we not good reason for asking that a totally new situation in these respects should also be dealt with in a practical manner? It is no criticism of either the justice or adequacy of the older system, when applied to the same conditions out of which it arose, to say that it is neither just nor adequate when applied to a totally new state of affairs which, without displacing the older conditions, has been super-added to them. The objection, therefore, to new departures in taxation which result from the changing shapes and conditions of property and the diffusion of its ownership is not complimentary to those who devised the older forms of taxation to which the objectors commonly adhere; for all that is asked is that we should deal with the new conditions in the same spirit as they dealt with the older ones; in other words, in a practical manner in the light of existing needs.

What, then, are the primary facts with reference to public service corporations, from the point of view of their possible taxation? Practically all of these corporations have to do with transportation or transmission. Financial corporations, such as banks, trust companies and insurance companies, are dealt with elsewhere in this program. Taking the most typical and important of the transportation services, the great railway companies, what are their characteristics? In a normal example we have a corporation the members of which — the stockholders — are, or may be, a changing body of individuals or other corporations. But even these members do not contribute all or even a majority of the capital which the corporation has invested; for modern railroads are financed chiefly by means of borrowed capital, for which the property of the corporation, either as a whole, or, more commonly, in specific sections of it, is formally pledged by mortgage. The holders of these mortgage bonds, like the holders of the shares, are or may be a changing body of individuals or other corporations, such as banks and insurance companies. Under modern systems of finance the capital which is contributed to a railway