

RELIEF OF LOCAL AND STATE TAXATION

R. E. Thompson

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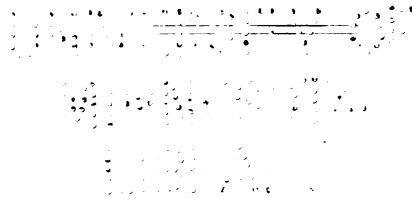
OF

# Local and State Taxation,

THROUGH

# Distribution of the National Surplus.

*Robert A. McPherson*

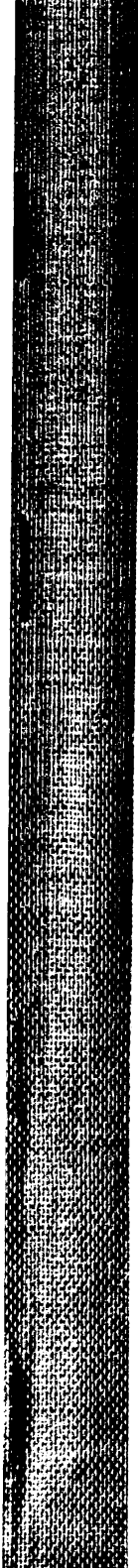


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1883.

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ॐ विष्णवे नमः  
ॐ शंकराय नमः  
ॐ ब्रह्मणे नमः

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PHILADELPHIA, June 18, 1883.

Hon. Charles J. Folger, Secretary of the Treasury, U. S.

MY DEAR SIR:—The Honorable John Bright, in the course of his recent address at Birmingham, has sharply challenged the fiscal policy of this country, and has especially expressed his satisfaction at the prospect that the present surplus of our national revenue must be “fatal to the high protection party.” As Mr. Bright looks at the subject from the standpoint of one who, however friendly to the United States, is first of all an English manufacturer, he gladly sees that with the present excess of our income the hope may be entertained that the duties on imports will be lowered to the point of practical Free Trade.

Upon a subject so vitally important to American interests, I venture to think the contribution of discussion following this note is of great value, and I therefore beg leave to call it to your attention. It is the substance of a series of articles in *The American*, newspaper, by Professor ROBERT ELLIS THOMPSON, of the University of Pennsylvania, whom I regard as Mr. HENRY C. CAREY’S successor in the Nationalist school of economists. I have asked him to put his articles into their present shape, in the belief that they might thus better serve their purpose than in the detached form in which they had appeared.

To no aspect of American affairs, in my judgment, does so much importance now attach itself as to this of reconstructing the tax system of the country, reforming its old abuses and absurdities, relieving the local tax burdens of the people, and preserving intact, by a harmonious method of adequate import duties, the protection of American labor. So great an opportunity for beneficent legislation has seldom, if ever, been offered us, and the papers of Professor THOMPSON, showing that our national revenues are in excess simply from our peculiar adjustment of governmental functions, seem to me worthy of the closest attention.

In closing this note, let me say with the utmost distinctness that my first thought in approving the measures discussed by Professor THOMPSON is the maintenance of the American system of Protection. Valuable as the other results must be, this is the first and greatest. Believe me, sir,

Yours, very respectfully,

WHARTON BARKER.

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## THE DISTRIBUTION OF THE SURPLUS.

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FOR the third time in our history as a nation, the relation of the States to the national finance is forced upon the attention of the country.

The first was when Alexander Hamilton brought forward his famous proposal that the newly-organized government of the United States should assume the war debts incurred by the States during the War for Independence. In this case good sense prevailed, and the nation assumed a burden which the States were unable to bear, and which they had incurred for national ends.

The second was when the approach of the extinction of that debt, and the certainty of a surplus in the national treasury, forced the people to ask whether that surplus should be abolished by a general reduction of the tariff, or spent in public works under national direction, or distributed among the States for their local uses. In this case also national good sense prevailed, and so long as the surplus existed it was given to the States.

From 1837 until our own decade, no surplus existed for the disposal of the national Government. Even now the national debt is far from being paid off; but the funding operations carried out by Secretary Sherman have placed the greater part of it beyond the reach of the Government. At this writing (June, 1883,) there are but three hundred and forty-five millions redeemable at any time, there is a surplus of a hundred millions a year to be disposed of, and no other bonds will be redeemable until 1891. Before that date, the surplus of revenue will have aggregated eight hundred millions, of which four hundred and fifty-five either must be spent on public works, distributed among the States, or otherwise disposed of.

In recent discussions of this subject, it has been generally assumed that if our taxation exceed the amount needed for the immediate and proper uses of the national Government, then it is in excess of what it should be. But to determine this it is necessary to consider, not merely what is collected and used by the national Government, but

also the amounts collected by State and local governments, and the manner of their assessment.

Our national Government undertakes for us but few of the services which such governments render to other countries. It leaves to the States the work of popular education, of civil and criminal administration, police, public improvements generally, road-making, and the like. We do not say that this distribution is a bad one. It has many advantages, and has worked fairly well; and, while we do not regard it exactly as a divine ordinance of perpetual obligation we should resist any attempt to make sudden or sweeping changes in it. But the arrangement has its weaknesses, and the chief is this: the bad distribution of financial resources among the State and the national governments. A government which possesses the monopoly of all indirect taxes, except licenses,—the monopoly, that is, of all the most popular and most productive sources of revenue,—should either do more for the people or should extend help from its superabundance to those governments which do what is forbidden to it.

Parallel with the cry: "What shall be done with the surplus?" comes the cry: "How shall we get rid of this weight of direct taxation?" The richest States feel the burden. New York has a trifling debt, a cheap State government, abundance of wealth. Yet her Governor has shown that to raise the moneys needed to pay the State's expenses is no light undertaking. One reason is that State government has become so much more expensive than it used to be. Formerly, popular education was left to the efforts of private benevolence for the poor, and to the pay-schools for those who could afford them. Now, a complete system of education must be maintained out of the public treasury; and, while the system is very defective in most of the States yet we cannot dispense with it. It is a part of the machinery for Americanizing the great flood of immigration which has to be absorbed into the nation every year. The demand for a public system prevailed over the resistance to it at the time when that immigration reached its modern magnitude. The old methods had to give way to new, which were equal to a great necessity.

Again, State governments are becoming more expensive as the diffusion of scientific knowledge shows what the State can do for the welfare of its people better than they can for themselves. The new church of science has no scruples about asking State aid. It does not throw itself upon the voluntary support of the people. It demands State and municipal boards of health, supported by public money and public authority. It demands State appropriations for institutions for the care of the dependent and imperfect classes. It urges on the counties the duties of providing homes, prisons, and the like, in accordance with the

better knowledge of the age. It sets up boards of agriculture for the benefit of the farmers, and geological surveys for their benefit jointly with that of the miners. All this costs money; and all has to come from direct taxation. These are things which ought not to be omitted, and, indeed, cannot be omitted. But the question of paying for them becomes more difficult with every year.

Again, the advance of popular ideas as regards comfort and public accommodation makes new demands upon the local treasuries. For instance, our highway system is growing in expensiveness in both town and country. The American is not as yet a great road-maker. He has not inherited that from the Roman Empire, as have his English cousins. The roads at Hong-Kong, or in the Mauritius, or in the wildest parts of Ireland, are far better than are to be found in the neighborhood of our best cities. But we are advancing in this regard. The improvement in the breed of horses and the growing interest in horse-flesh demand it. Even Philadelphia will soon cease to torture the noblest of quadrupeds by cobble-stone pavements. What suited our fathers will not suit us,—ought not to suit us. We will have the better things; but the cost of them falls every year with increasing weight upon us.

What does the American system of government cost us? Nobody knows. The balance-sheet of the general Government is easily gotten at. That of the States can be had with a little more effort. But the subdivisions of the State make no reports which are accessible to the general public. One might have thought that Mr. Garfield, Mr. Cox, Mr. Walker, Mr. Atkinson, and the other statisticians who had a finger in the census bills of 1870 and 1880, would have inserted a clause providing for this inquiry. But they only thought of asking after the amount of government debt. They proposed to make the railroads tell the whole story of their affairs, but not the governments. It may be not too late, even now, to press this inquiry. At any rate, it is to be hoped that 1890 will see it made promptly. When made, it will show (1) that the American people sustain the most costly system of government in the world,—employing more officials and laying out more money in current expenses, besides salaries, than any other; (2) that while the cost of the State governments is in the aggregate less than that of the national Government, the cost of local government inside the State is far greater than that of the State; (3) that it would be the height of folly for the general Government to relinquish any revenue easily accessible to it, rather than employ it in lifting this burden from the shoulders of the people, after the precedents set in 1791 and 1836.

The people of the United States (it is estimated by the best authorities,) pay in taxes every year about seven hundred and fifty million



dollars, or fifteen dollars a head for the whole population. Of this sum, a little over half is collected by the national Government in indirect taxes; about sixty millions are collected by the State governments, chiefly by taxes on railroads, banks and other corporations; all the rest, amounting to not much less than half the entire sum, is collected by cities, counties and the various subdivisions of counties for local expenses. These local taxes are more burdensome to the people than any other. With the exception of the duty on sugar and one or two of the lesser internal revenue duties, every citizen has the liberty to pay or to decline to pay a share of the indirect taxes levied by the national Government. But no one who lives in a city has exemption from the local taxes. If he has not enough property to pay on real estate or furniture, he is taxed through the grocer who keeps the corner store, the eating-house keeper who sells him a dinner, and the horse-car which takes him down town. It is a net too fine for the smallest minnow to escape honestly; and it is one which so stimulates all sorts of dishonesty in evasion, as to justify Goldwin Smith's remark that direct taxation is more demoralizing than any other.

But even more urgent than the relief of taxation is the removal of the burden of illiteracy from the energies of those States in which it exists. With the exception of three or four, there are no States in the Union that are doing their full duty by their people and the country in this matter. The nation has an immediate and urgent interest in the education of its people for the right discharge of those great duties which our political system imposes upon them; and the first condition of any distribution should be the use of the surplus for the extinction of illiteracy.

The thing next sought, after the education of the people, should be the removal of the burden of public debts owed by the States and their subordinate governments. Mr. Spofford's *National Almanac* puts the total of State debts in 1880 at \$284,170,426; Mr. Porter's census report shows that those of the municipalities aggregated \$682,096,460 in the same year. For the debts of the counties and townships, we have no returns. And these figures cover only those debts whose validity is still acknowledged. The addition of debts repudiated by States, since Mississippi set the bad example before the war, would cause a very large increase of this total.

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While it is necessary to proceed with great caution in applying to one country what the experience of another seems to teach, because of

the great difference in their circumstances, it is none the less true that the study which Mr. Freeman calls "comparative politics" is one of the most practical and fruitful in which any country can engage. This was felt clearly enough in the recent debates on the money question. Mr. Garfield and those who differed from him in that great discussion both made their appeal, not to the authority or to the example, but to the experience, of foreign countries; and a good part of the success of the party which actually prevailed was due to the popular conviction that they made out a better case in this respect than did their opponents. We think the same method equally applicable to the embarrassment which now prevails in the United States with reference to the re-adjustment of our revenue system. Our situation is so far parallel to that which we find in several foreign countries as to point us in the light of their experience to the best possible arrangement for the national and local governments.

Our system of State and other local governments is far from being so peculiar as is often supposed. It is, indeed, a very great contrast to such a system as that of France. In France, the power of the Government has been centralized to an extent which it would exhaust the vocabulary of an American Democrat to describe. It has been so since the time of Louis XIV. The Revolution adopted the system of the old *régime*. Napoleon, the Bourbons, the Second and Third Republics, and the Second Empire, all copied the system which dates back to the time when the despot said: "*L'état, c'est moi!*" It was one of M. Gambetta's intended reforms to crush out the tendency to local independence which recently has shown itself, and make the provincial officials absolutely dependent on the will of the head of the Ministry. But France is nearly alone in this respect. Italy, indeed, has followed her much too far in the constitution of her new government, but the rest of Europe generally has avoided this extreme of centralization.

Germany is very far from it. The bursting of the *Bund* in 1867 left Prince Bismarck with a great body of local governments on his hands which it was quite impossible to displace. Germany would not be absorbed into the Kingdom of Prussia, although quite willing to be united into one empire with Prussia at the head. These governments occupy a place very similar to our American States. Like them, they are a survival of an order of things which has passed away. Like them, they are destitute of political sovereignty, and yet are entrusted with many of the most important functions of civil government. The police, education, the civil and criminal courts, the public-road system, and similar matters of expense, are left to them. But Prince Bismarck took it for granted that the revenue from indirect taxation was to belong for the future to the general imperial government, as in England and in

America. As before 1867, the revenue from the *zollverein* is divided among the various States in proportion to population. But this revenue is insufficient for the costs of local government, and, as the Empire assumed the power to levy excise duties, the States which compose it found that for the future they must raise considerable revenues by direct taxation. For a time they did so, but only for a brief time. The growth of discontent under the pressure of direct taxation was so great that it even threatened the dissolution of the new empire. The Particularists took advantage of it to inflame the people against the new order of things. They pointed to the much easier times they had while the *Bund* existed, and the kings of Saxony, Bavaria and Hanover were sovereign princes. They asked if the glory of a united Germany was worth all this suffering. The Chancellor saw that his policy was enlisting against the Empire the selfishness and the discontent of the people. He yielded the point very sensibly, by agreeing to relinquish to the States certain of the excise duties, with the condition that they should be liable for assessment in case of a deficit in the imperial budget. This plan has worked fairly well. The suggestion of it is due probably to Bavaria, which refused to enter the Empire unless the proceeds of certain of these taxes were assured to her. In the brief interval between 1867 and 1871, she had had the opportunity to see how badly the new system worked. Thanks to her instance, not only she, but the other States, are relieved of the burden.

England, perhaps, will be regarded as resembling France much more than it does Germany and the United States. But the resemblance to French centralization is more superficial than substantial. Inside England are local governments of greater antiquity than the royal government itself. For several centuries, the areas covered by these governments were occupied by sovereign political communities; and the process of welding these into one political system under a common head was neither easy nor rapid. Very early in the Middle Ages, England attained a degree of centralization which was far beyond that reached then by France. The king's judges rode circuit through the whole island; the earls and the high sheriffs, who successively governed the counties, were the king's nominees. But the county did not perish as in France. The lesser administration of justice, the maintenance of public works and of a local police, and the care of the poor, were left in its hands, and for these purposes it is authorized to make an assessment of taxes upon the property-owners. The English county has much less to attend to than an American State, or than has a State of the German Empire. Its need of a revenue is less; the proprietors on whom its charges fall are much richer than the tax-payers in the other countries. Yet the complaint that the local taxes are unduly

burdensome is heard from every part of England; and the present Government, although it represents the party least disposed to listen to such complaints, feels obliged to promise some relief. In the Queen's speech at the opening of the present session of Parliament, Mr. Gladstone promised to extend the system of local government in the counties in order to relieve Parliament from the pressure of business, and also to relieve the county treasury by aid from the national treasury. The national monopoly of the easy and popular sources of taxation has rendered this change practicable, and the necessities of the counties have made it necessary.

To come nearer home, we find a similar state of things in Canada. All the revenue from indirect taxes goes to the Dominion Government at Ottawa. Before the confederation of the colonies, it was not so. They raised a good part of their revenue by indirect taxation. As a consequence, although the Dominion Government has taken upon itself some of the duties which involved them in expense, yet the problem of raising the money needed by the provinces becomes more difficult with every year. Already the province of Quebec is hopelessly bankrupt, and the other colonies are losing ground. It is true that the Dominion Government is not excessively wealthy; this is the first year it has had a surplus, and the fact is so startling that the "Grits" think it must be immoral. But this is due partly to the impoverishing policy which Canada pursued as a Free Trade country, and partly to the extravagance with which money has been expended on political railroads and the like. In the long run, Canada will be obliged to do what Germany has done and England is about to do. She will be forced to aid the provincial governments out of the general treasury.

All these precedents apply *à fortiori* to the United States. We do not see how any one can accept the existing distribution of functions and of revenue between the national and the State governments as an ideal one. But for the present we must take the distribution of functions as it stands, and make the best of it. As regards the distribution of revenue, a change has become imperative. We find that the national Government takes a great deal and does very little for it. It monopolizes all the easy and popular sources of revenue. It leaves to the States all the burdensome and expensive parts of government,—the army and navy, and the diplomatic service, being the chief exceptions. The States and their local governments have to establish highways, maintain a civil and a criminal administration of justice for all ordinary cases, keep up local police, maintain jails, hospitals, refuges and the like for the dependent and criminal classes, attend to sanitary regulations, educate the children, and, in fact, do nearly everything that we include under the word "government." Outside the Post-Office, which is almost a paying

institution, the national Government hardly touches on the life of its citizens in time of peace. The State and local governments are touching it at every turn.

The possibility of giving relief to the States we have as no other country has it. With them, it is a matter of curtailing national outlay in desirable directions; with us, it is one of getting rid of a surplus.

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It was in 1827 that the proposal to distribute the surplus was made first. In the second session of the Nineteenth Congress, a bill was on the table providing for the distribution of five millions annually for four years among the States, "in the ratio of direct taxation" (*i. e.*, of population), under such regulations as the Secretary of the Treasury "may think proper to prescribe." On the 1st of February, 1827, it was taken from the table on the motion of Mr. Dickerson of New Jersey, the author of the measure. He stated its objects to be (1) to provide the States with money for educational and internal improvements, while leaving each of them free to dispose of its share according to the character of its local wants; (2) "to transfer to the Legislatures of the States the application of a part of the surplus funds of the general Government, and thus relieve Congress from a weight of legislation which from its mass alone is truly formidable, but much more so from its producing a concentration of power in the general Government which was never intended to be vested there by those who formed our Constitution;" (3) to disentangle the question of the general expediency of this or that part of the fiscal legislation from the question whether the general Government could use to advantage the revenue it would bring in. Mr. Dickerson stated the public debt at that time at \$73,920,844, of which \$53,624,597 were liable to redemption at any time. He thought it was time that "Congress should provide some channels through which may flow, without danger to our whole system of government, a part of the revenues heretofore devoted to the payment of our public debt, erecting our public buildings, making fortifications, paying pensions to the soldiers of the Revolutionary War, and a great variety of other subjects of expenditure now rapidly drawing to a comparatively small amount." He deprecated, on the one hand, the solution of the difficulty which would be furnished by a rapid reduction of the revenue, as likely to "produce the most serious injury to industry." On the other hand, he deprecated the distribution of the surplus by Congressional appropriations for internal improvements, as destroying the balance of power within the system. The measure shared the fate usual with bills introduced near the close of an expiring Congress.

Mr. Dickerson was a Democrat in the days when the Democratic

party was led by statesmen. He put forward his proposal in the era when there was but one party in America ; and he based it on the idea for which that party had contended successfully with the Federalists. Had he lived to our times, he would have heard from modern Democrats to his astonishment that his plan was dangerous as tending to obliterate the States and to make the general Government omnipotent at their expense. He would have learned that the way to crush our local governments is to make them rich without obliging them to impose burdens on their people ; and that the way to aggrandize our national Government is to empty its treasury of the moneys which might be spent on Congressional jobs.

The next appearance of the proposal to distribute the surplus was in a still more unexceptional quarter. In President Jackson's annual message at the opening of the Twenty-First Congress (December, 1829), he discussed the existence and disposal of a surplus, speaking first of "the ability of the Government in a very short time to extinguish the public debt." He proceeds:

"When this shall be done, our population will be relieved from a considerable portion of its present burthens, and will find, not only new motives to patriotic affection, but additional means for the display of private enterprise. The fiscal powers of the States will also be increased, and may be more extensively exerted in favor of education and other public objects ; while ample means will remain in the Federal Government to promote the general weal in all the modes permitted to its authority.

"After the extinction of the public debt, it is not probable that any adjustment of the tariff upon principles satisfactory to the people of the Union will until a remote period, if ever, leave the Government without a considerable surplus in the Treasury beyond what may be required for its current service. As then the period approaches when the application of the revenue to the payment of debt will cease, the disposition of the surplus will present a subject for the serious deliberation of Congress ; and it may be fortunate for the country that it is yet to be decided. Considered in connection with the difficulties which have heretofore attended appropriations for purposes of internal improvement, and with those which this experience tells us certainly will rise whenever power over such subjects may be exercised by the general Government, it is hoped that it may lead to the adoption of some plan which will reconcile the diversified interests of the States and strengthen the bonds which unite them. Every member of the Union in peace and in war will be benefited by the improvement of inland navigation and the construction of highways in the several States. Let us then endeavor to attain this benefit in a mode which will be satisfactory to all. That hitherto adopted has by many of our fellow-citizens been deprecated as an infraction of the Constitution, while by others it has been viewed as inexpedient. All feel that it has been employed at the expense of harmony in the legislative councils.

"To avoid these evils, it appears to me that the most safe, just and Federal disposition which could be made of the surplus revenue would be its apportionment among the several States according to the ratio of their representation ; and should the measure not be found warranted by the Constitution that it would be expedient to propose to the States an amendment authorizing it."

But it is to be noted that President Jackson's doubts as to the Constitutionality of the measure were by no means invincible. It was he

who in 1836 signed the bill to distribute annually among the States the surplus of revenue beyond five millions of dollars.

The President's proposal met with a prompt and favorable response in many quarters. The Legislature of Pennsylvania in 1831, by a nearly unanimous vote of both branches, resolved that—

“. . . as soon as the national debt shall be paid the most equitable and just mode of disposing of the funds which may remain in the Treasury of the United States, after defraying the ordinary expenses of the Government and the payment of appropriations which may be made to objects of great national importance, will be by a distribution among the several States in proportion to their representation in the Congress of the United States.”

How was Jackson's proposal received by the Congress of 1829? It was regarded as a blow to the method of effecting internal improvements by Congressional appropriations. As such it was resented, not only by the Whigs, but by those Democrats who agreed with the Whigs in favoring a protective tariff and internal improvements. These acted with the Whigs, and were able to secure adverse reports on this and some other parts of the message; and some who had been disposed to act under General Jackson's lead were alienated permanently from him. In fine, it was in 1829 a point of simon-pure Democracy to believe that the surplus should be distributed among the States. Is it a point of Democratic orthodoxy in 1883 to believe that it should not be distributed, and to regard the plans of President Jackson and Senator Dickerson, to prevent the aggrandizement of the general Government at the expense of the States, as plans which must have had exactly the opposite effect?

In 1829, the Protectionists opposed the proposal to distribute the surplus in the interest of large schemes of internal improvement,—a national canal and road system, and the like. Time has proved that they were mistaken. Their large plans came to nothing. Individual and corporate enterprise has done the work in a better way than they proposed. Congressional appropriations for internal improvements have degenerated into an annual bill—not always passed,—for spending some money wisely and wasting far more upon our rivers and harbors. It has become the most intolerable piece of jobbery in our legislative practice, and one which is sure to vanish out of our practice at no distant date. Are the Protectionists of 1883 going to repeat what they discovered too late was their mistake? As we shall see, they would have been glad enough in 1842 to have done exactly what President Jackson suggested in 1829. But it was too late. A narrower and even a more obstinate man than Jackson stood between their majority in Congress and this achievement.

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The second stage in the discussion of this matter is that in which Henry Clay plays the most prominent part, and in which the distribution of the national income from land sales is proposed. It extends through the sessions of Congress from 1831 till 1838.

The public domains of the United States came into their possession : (1) By cessions from the States which existed at the time when the Constitution was adopted ; but in this arrangement Massachusetts (including Maine,) took no share. Like Texas in later times, these two States continued to own and control all the public lands within their boundaries. The largest donors were Virginia, the Carolinas and Georgia, whose gifts conveyed to the national Government at least all the territory lying between the present western boundaries of those Commonwealths and the Mississippi River. (2) By the Louisiana and Florida purchases. And (3) by the annexation of parts of Northern Mexico in 1848. The original gifts were for a specific purpose. It was to pay the debt of the newly-formed federation of States, and to contribute to its defence. When the debt was about to be paid off finally, and a time of permanent peace seemed to have come, there arose a difference of opinion as to the proper management of this great trust. The newer States wished to see the price of lands reduced to a sum which would pay the expenses of surveyance and sale, or, at any rate, to a much smaller charge than the \$1.25 an acre then asked. They insisted, as did Jefferson, that the interest of the Government was in securing actual settlers, whose industry would develop the wealth of the country. Senator Benton in 1829 proposed that the Government should lower by twenty-five cents a year for four years the price of lands which had been surveyed for a long time, should give lands for nothing to persons actually too poor to buy, and should divide among the States such lands as could not be disposed of in either way. The States of Illinois and Indiana went farther. They claimed that the general Government had ceased to possess a lawful control of the public lands, since the conditions contemplated by the grant had ceased.

On the other hand, the older States were opposed to these proposals on various grounds. They thought that the public domain was national property which should be used for the benefit of all the States, and not merely to secure settlers. With Mr. Rush (Secretary of the Treasury in 1829,) they thought that even the price of \$1.25 an acre amounted to a bounty on agriculture which tended to divert too large a population into that industry, and to prevent the country's attaining a proper balance of its industries. They favored rather a cessation of surveying and the limitation of sales to the seventy-two million acres already in the market, so that new settlers might be obliged to take up public lands of a lower grade in the older States.



Of these views Henry Clay was the recognized expounder. He began his campaign in the session of 1831-2, by carrying a resolution which instructed the Senate's Committee on Manufactures to inquire into the expediency of distributing the revenue from public lands among the States. This instruction would have gone to the Committee on Public Lands with much more appropriateness; but that committee was made up of Senators from the new States chiefly, and would have reported adversely. The Committee on Manufactures reported a bill for distribution with great promptness. It left surveys and prices on the present footing, but proposed to distribute by "loans" to the States the income of the Land Office. The general basis of distribution was that of population; but a larger share by fifteen per cent. was assigned to the new States. This concession did not conciliate their opposition, and a prolonged debate ensued, in which Clay represented the affirmative and Benton the negative with distinguished ability. Of Clay's chief speech, we quote a passage which applies equally to our present situation:

"The States are in want of and can use most beneficially that very surplus with which we do not know what to do. The powers of the general Government are limited; those of the States ample. If these limited powers authorized an application of the fund to some objects, perhaps there are others of more importance to which the powers of the States would be more competent, or to which they may apply a more provident care.

"But the government of the whole and of the parts is but one government of the same people. In form, they are two; in substance, one. They both stand under the same obligation to promote by all the powers with which they are respectively entrusted the happiness of the people; and the people in turn owe respect and allegiance to both. Maintaining these relations, there should be mutual assistance to each other afforded by these two systems. When the States are full-handed and the coffers of the general Government are empty, the States should come to the relief of the general Government,—as many of them did, most promptly and patriotically, during the late war. When the conditions are reversed, as is now the case, the States wanting what is almost a burden to the general Government, the duty of this Government is to go to the relief of the States."

Yet Mr. Clay declared that he would not approve of a distribution of a surplus from revenue generally, as that should be kept by Congress within the bounds of the public expenses. It is not to be forgotten that Henry Clay's idea of national expenses included large outlays for internal improvements; and we shall see that he outlived his prejudice against the distribution of a surplus from customs and excises.

Mr. Benton's speeches were much occupied with pleas for the new States. This bit has a modern ring:

"It is a tariff bill,—an ultra-tariff measure. It is intended, by diverting the land revenue from the support of the Government, to create a vacuum in the Treasury which must be filled up by duties on imported goods. It is intended, by keeping up the price

of land, to prevent the emigration of laboring people from the manufacturing States, and to retain them where they were born, to work in factories."

At last, on the 2d of July, the measure came to a vote. One *bona fide* amendment was adopted with the consent of the bill's friends. Then filibustering was tried to prevent its passage. Eleven times the Senate was divided on proposals to postpone, to table, or to amend by destroying its character; ten times the yeas and nays were taken. But it passed by a vote of 24 to 18. In the House next day, a strenuous effort was made to take up and pass the measure. But the session was expiring, and the enemies of the measure were aided by those who feared to act without much deliberation. It was postponed by 91 to 88.

In his annual message to Congress in the session of 1832-3, President Jackson declared that he shared the views of those who thought that the Government should cease to draw revenue from the sale of lands, and that the prices to actual settlers should be reduced to a minimum. But Mr. Clay, before the session had well begun, put the bill of the previous session on its passage again. His chief speech in its favor was on January 7th, when he replied to Senator Kane of Illinois. Among his arguments we find this :

"Was there any project conceivable by man better calculated to strengthen the Union than this bill? It proposes that a sum amounting to about three million dollars, and annually increasing, which twenty years hence may be six million dollars, and forty years hence twelve million dollars, shall be annually and parentally distributed through the whole confederacy, amongst all parts of it, for the purpose of improving the moral and physical condition of the whole. Let this project go into operation, let all the States be satisfied that it will last as long as the fund from which it is distributed, as long as the almost exhaustless public domain shall continue, and we shall cement the Union by the strongest of ties for five hundred years to come. . . . No section, no State, will be found so lost to its own interest as to cut itself loose, and to abandon its participation forever in this rich and growing resource."

Senator Buckner of Missouri was the principal speaker in the negative. The bill offended him, not only as unfair to the new States, but as hostile to the principle of "State rights." It gave the States money, but it prescribed to them the ways in which they must spend it. It limited them to popular education, internal improvements, and the colonization of free persons of color. In his view, the States should have been left free to deal with it as they pleased. Yet the Senate passed the measure on the 28th of January by a vote of 24 to 20. In the House it did not come to a vote until March 1st, where it was passed in the last days of the short session by a vote of 96 to 40. But the President refused to sign it; and, as Congress was not in session when the Constitutional ten days had expired, the refusal amounted to an effectual veto.

In the long and stormy session of 1833-4, Mr. Clay and the Senate

were too much occupied with the President's removal of the public money from the Bank of the United States to press the distribution plan. But Mr. Clay did reintroduce the bill early in the session, and the President sent in a special message giving his reasons for his "pocket veto." It required some ingenuity on General Jackson's part to show that he was consistent in proposing in 1829 a measure of distribution which even Mr. Clay thought extreme, and yet vetoing a measure for the same end which its friends supported as more moderate. But the President was equal to the occasion. He wrote:

"It has been supposed that with all the reductions in our revenue which could be speedily effected by Congress without injury to the substantial interests of the country there might be for some years to come a surplus of moneys in the Treasury, and that there was on principle no objection to returning them to the people by whom they were paid. As the literal accomplishment of such a project is obviously impracticable, it was thought admissible to hand them over to the State governments as the more immediate representatives of the people, to be by them applied to the benefit of those to whom the property belonged. But this bill assumes a new principle. Its object is not to return to the people an unavoidable surplus of revenue paid in by them, but to create such a surplus for distribution among the States. It seizes the entire proceeds of one source of revenue, making it necessary to raise from other sources the moneys for supporting the Government and meeting the general charges."

Beyond a committee's report answering the arguments of this message, nothing further was done in this matter during the session. Nor was the distribution of a special branch of the revenue again voted at any session, although even in that of 1837-8 we find Mr. Clay still agitating the matter, with the support of resolutions passed by the Kentucky Legislature.

Mr. Clay's record as a legislator in this matter, as in nearly all others, is that of success far below what might have been expected from his ability. It is true that his failure in this case was not due to that irrepressible tendency to prefer compromise to principle which proved so disastrous with the tariff, the annexation of Texas, and the fugitive slave law. What is seen in this case is the want of the firm touch and the sagacious divination of the great statesman. He put his proposal into a shape which aroused local prejudice, endangered the national revenue, and gave the President abundance of vantage-ground for resistance.

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With the year 1836 we see a return to the ideas of General Jackson's message in 1829, and a measure of distribution actually adopted by Congress and approved by the President.

The originator of this measure was no less a person than Mr. John C. Calhoun. He had resigned the Vice-Presidency in 1833 to accept

the South Carolina Senatorship. As early as 1835, while the excitement over Henry Clay's proposal was agitating the Senate, he made a motion which looked to a simple distribution of the surplus, but it secured no attention. When the Twenty-Fourth Congress met in December, 1835, the excitement over Mr. Clay's land bill was in its last stages. Before that month ended, Mr. Calhoun introduced three important measures. The first was a joint resolution to amend the Constitution in accordance with General Jackson's suggestion, so as to provide for a distribution of the surplus revenue. The second was a resolution instructing the report of a bill for the further reduction of the revenue. The third was a bill for the regulation of the deposit of the public money in the State banks, to which it had been removed when General Jackson instructed Secretary Taney to discontinue the deposits in the Bank of the United States.

It was the third of these three measures which proved of real importance. It came up for action May 3d, when Senator Wright of New York moved an amendment directing the Treasurer to invest the surplus beyond seven and a half million dollars in State bonds bearing interest. This proposal seems to have suggested to Mr. Calhoun that the time had come for a distribution of the surplus without waiting to have the Constitution amended in this sense. He met Mr. Wright's amendment by a substitute providing that the Treasurer should "deposit" with the States in four quarterly instalments the surplus above seven and a half million dollars actually in hand at the end of that year, in proportion to Congressional representation; that these sums should bear no interest, but should be represented by marketable bonds bearing interest from the date of sale or transfer by the United States; and that they should be liable to recall as soon as the general Government needed money.

Mr. Calhoun's defence of this proposal should be interesting reading to modern Democrats, who think distribution of the surplus a means to the overthrow of the independence of the States. If ever a man was pervaded by the idea of State sovereignty, it was he. He believed that, even under the rule of the Democratic party in the golden era of General Jackson, the general Government was absorbing the rights and the authority of the States.

As to his reasons of political expediency for distribution, he regarded the present tendency of the Government as being towards "a central, absolute, irresponsible and despotic power. It is this fatal tendency which the measure proposed in the bill is calculated to counteract, and which I believe would prove effective, if now applied. It would place the States in the relation in which it was universally believed they would stand to this Government at the time of its formation, and make

them jealous and vigilant guardians of its actions on all measures touching the disbursements and expenditures of the Government, and . . . would arrest the fatal tendency to the concentration of the entire power of the system in this Government, if any power on earth can."

He assured the Senate that "after bestowing upon the subject the most deliberate attention he had come to the conclusion that there was no other so safe, so efficient, and so free from objections, as the one he had proposed." But it was not his intention that the general Government should absolutely relinquish to the States the sums thus deposited with them. On the contrary, in case of a deficit they were to be repaid on demand. "But Congress would be very reluctant to make the call, and would not make it until from the wants of the Treasury it should become absolutely necessary; and in order to avoid such necessity it would resort to a just and proper economy in the public expenditures as the preferable alternative."

The amendment was carried, June 15th, by a vote of 22 to 16, and the bill passed, June 18th, by a vote of 40 to 6. In both votes Mr. Calhoun had the support of Mr. Webster, Senators Crittenden, McKean and Ewing; in both Mr. Benton voted in the negative. The measure was taken up by the House on June 20th, when Mr. Anthony of Pennsylvania made an able speech in favor of the principle of distribution, but objected to some of the details of Mr. Calhoun's proposal. He offered a substitute which proposed, instead of requiring marketable paper from the State governments, that the Treasury should accept certificates of deposit, and should give due previous notice whenever it desired to recall from any State more than ten thousand dollars a month.

The substitute was adopted, and the amended bill was passed on June 22d by the vote of both houses, as the Senate concurred promptly in the change. It was approved by the President on June 23d. It actually distributed twenty-eight million dollars in three instalments. It was defective in that it prescribed no restrictions on the expenditure of the moneys "deposited" with the States. It was not in accordance with Mr. Calhoun's ideas of State dignity that there should be any such restrictions. Some of the States used their shares well and wisely. In some their interest still contributes to defray the expenses of the public schools; in others they were as good as wasted. New Hampshire, for instance, illustrated extreme Democratic principles by distributing the money among her citizens; and Mr. John L. Hayes still possesses a couple of silver spoons which his father bought with his share.

The popularity of distribution seemed to be assured when Congress met again in December, 1836. A very general desire was felt, and

found expression in a petition from North Carolina citizens, to have the arrangement made permanent. Mr. W. B. Shepard, who presented the petition, spoke in very severe terms of the moral and political effects of spending a large surplus in appropriations for public works and the like, such as had been customary, declaring that the result had been to corrupt the national Government and the Capital :

“ Let us by returning annually the surplus revenue to the people strip the Federal Government of its attraction and lessen its power for evil. . . . Since its corruptions are incurable, let us no longer deceive the people with idle projects of reform. Let us strip the reeling prodigal of the means of pandering to his appetite, and starve him into sobriety. . . . To the Southern country the distribution of the surplus revenue offers the only practicable mode of obtaining any share whatever in the enormous appropriations of public money which are made at every session of Congress. From the geographical position of that country, and its peculiar Constitutional opinions (which being honestly entertained will not be easily abandoned), there is but little spent among its population on public works. The western parts of New York are indented with harbors made at the expense of the nation. . . . The glorious work of destroying a general system of internal improvements has already been achieved ; a few private jobs have alone escaped the general wreck.

“ North Carolina in common with all the States has a deep interest in this question. She is now commencing a system of internal improvements which will entail upon her vast expenses. Where is she to procure the funds? She has surrendered to the general Government the customs, the only safe and profitable mode of public revenue. Let us beware how we teach the people of the South to reflect whether they have received an adequate consideration for this most liberal bequest.”

The battle now began between those who favored an immediate and wholesale reduction of the revenue, and those who favored the continuance of distribution. The former had control of the Committee of Ways and Means, who reported a bill (January 11th, 1837,) carrying the reduction of 1835 still further. It was opposed with ability by Mr. Lawrence of Massachusetts and Tom Corwin of Ohio. But the distributionists were the stronger party, and under the lead of John Bell of Tennessee they proposed to amend the Fortifications Appropriation Bill in a way that would make the law of the previous session a permanent arrangement. An attempt to add an amendment embodying the reductions in duties proposed by the Ways and Means Committee was defeated. Colonel Hayne of South Carolina, speaking for the pronounced **Free Traders**, declared that there was now “conclusive evidence that the distributors are in fact and in principle opposed to any reduction of the revenue. He warned Southern gentlemen who voted with Mr. Bell that they are making common cause with a party utterly and entirely opposed to a reduction of the tariff.” But Mr. Bell’s amendment passed by 110 to 84. The bill went up to the Senate, which refused to concur in Mr. Bell’s amendment by a vote of 19 to 26. Senators Calhoun, Clayton and Webster were in the minority. A remark-

able change of political feeling had been going on in the Senate through this and the previous session. Mr. Benton and the friends of the Administration had been securing a majority through the detachment of Mr. Calhoun's friends from their alliance with the Whigs. The defeat of distribution was one result of this change. Besides this shift of feeling, the Government's revenues already began to experience the disastrous effects of the tariff of 1835, and Secretary Taney produced a long debate by a proposal to withhold the "fourth instalment" due to the States under the law of June, 1836. It was agreed to postpone the payment. Yet a law was passed at this session repealing so much of the distribution law as provided for the manner of the recall of the money deposited with the States.

When Congress met again in September, 1837,—three months earlier than usual,—it was to see what could be done to relieve the national distress which had culminated in the terrible panic of this year. Mr. Van Buren, who had become President in the meantime, recommended that the Government should abstain from interference. An act was passed to cease the deposit of surplus revenue with the States, but nothing was done for the relief of the people. It was this "do nothing" policy which by 1840 turned the majority of the people against the Democratic party, and caused the election of General Harrison to the Presidency. Before he entered upon office, the general Government had no surplus to distribute, and even found itself unable to borrow a mere pittance in the money-markets of Europe. In the brief interval of Whig rule, 1841-5, the leaders of that party did their utmost to establish distribution of the surplus as a permanent feature of our fiscal policy, but were defeated on this as on other points of their policy by the resistance of President Tyler. The tariff of 1842 was twice passed by Congress with a provision to this effect, and vetoed by the President. Not until the removal of a feature approved by General Jackson and Mr. Calhoun was the tariff sufficiently Constitutional for the man who had been elected as a Whig. From 1842 until 1883, the question did not come up in Congress.

From 1837 till our own time, the national Government had no surplus to distribute. After the return of the Democratic party to power in 1844, and the enactment of the "horizontal tariff" in 1847, the public revenue no more than sufficed for the needs of government, and the debt of the nation though never large was a standing item in the Treasury accounts. The Free Trade experiment of 1857 made matters so much worse that by the opening of the war it had risen to sixty-four millions of dollars, some of it bearing twelve per cent. interest. In 1860, just before the outbreak of the Rebellion, the annual deficit in the Treasury was estimated at twenty-four million dollars, and of this a

part only was taken, although the Treasury accepted bids at 89.03 per cent of the par value.

This imperfect sketch of the history of the matter suffices to show that the idea of distribution is not novel in our history, that it has commanded the support of great men who took the most different views of the relations of the States to the national Government, that it can plead a consensus of the leading statesmen of the fourth decade of this century, that all the objections which have or may be urged against it were anticipated half a century ago, and that the reasonings of its friends triumphed over them all.

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The best mode for the distribution of the surplus revenue, by which the nation may come to the help of the States, is a subject which requires the gravest consideration. If we venture to enter upon any suggestions, it is only with the protest that objections which may appear to lie to these do not apply to distribution itself. The discovery of the best way must be the result of serious discussion in many quarters.

We think the experience of 1846 shows that distribution should be so controlled by general laws as to secure the application of the quota in each State to the purposes which most call for assistance.

The first of these is the *abolition of illiteracy*. This object commends itself to the public judgment everywhere. A bill to appropriate the revenue from land to create a fund for this purpose was proposed by the late Senator Burnside of Rhode Island, and passed by the Senate; but it failed to become a law. Another bill has been proposed by Senator Logan of Illinois, to appropriate to public education the whole of the revenue from the whiskey tax. We object to the shape of his proposal, while approving heartily of its spirit and intentions. We object to associating education with the liquor traffic, and giving topers a new excuse, however bad, for their tipping. We object, as did President Jackson, to dividing among the States the proceeds of any particular tax, instead of accepting the general principle that all the surplus shall go that way. Only the latter plan will make Congress thoroughly economical. We object to collecting into one huge fund so large a sum for education, and thus enabling a general outcry from that valuable class of "people to whom a penny before their eyes looks bigger than a sovereign in the distance." But we do think that the special urgency of this great object should modify the manner of distribution, and that, while in general it should be made with exact reference to population, a larger share should be given to States in which illiteracy is extensive, until this has been extinguished.



A second purpose which should be specified in the law of distribution is the *extinction of debt*, both acknowledged and repudiated. Not all, but a part of the share assigned to each State, should be reserved by the Treasurer of the United States for the benefit of the State's creditors. This share might be used for the discharge of its debts, principal and interest in full, in the order of their priority, as ascertained by a public record of claims in the Treasury. If any State had a good reason to give why any of these claims should not be recognized, it might have a hearing by its representatives before a special judicial authority, or could proceed by suing out an injunction against the Treasurer in the Supreme Court. A few test cases would suffice to determine the legal rights of various classes of creditors, and the American people would remove the stain of repudiation from their good name, even without the repeal of that Eleventh Amendment behind which so many States have taken refuge.

But State debt is not the only or the chief burden of which the country might rid itself. The burden of local and municipal debt is far greater. In Ohio, the State debt is less than five millions; that of the counties and cities is nearly seventy millions. New York State owes about eight millions; but one of its cities owes over a hundred millions, and another nearly forty millions. Even the sober State of Connecticut has seen a great increase of municipal debt during the past twenty years, without any corresponding advantage. Once the States had effected the extinction of illiteracy and the payment of their creditors, they might be required to divide their share of the surplus equally with the county, township and municipal governments, and to appropriate half of the share thus assigned to the payment of local debt.

No greater good could flow from the possession of a national surplus than the inauguration of a great movement for the discharge of these public debts and the beginning of a rule of prohibition against public debts everywhere. Nothing would help so much to attract to America the most desirable class of immigrants from Europe,—those who have something to lose by excessive taxes. In order to deter this class from coming, free use has been made of Mr. Porter's census reports as to the amount of local indebtedness as an offset to the rapid reduction of the national debt. It was said: "You see, America is as heavily in debt as we are. It appears otherwise only because the complexity of their system of government conceals the true state of their financial system." The use of the surplus to extinguish these debts would add one more attraction to those which the country possesses for the thrifty and far-seeing part of the people of Europe.

In the course of twenty years, we might effect a complete obliteration of the burden of public debt which weighs upon the States, cities

and lesser governments of the country, and which is alleged constantly as a reason against all sorts of needed local improvements. And when once the burden was lifted it might be possible to effect such changes in their organic laws as would render the incurring of new debts impossible. Kentucky is forbidden by its Constitution to incur more than half a million dollars of debt. So is Western Virginia. Under the new Constitution of Pennsylvania, the local governments are compelled to make both ends meet every year. Similar restrictions exist in other States, but they might be extended with great advantage.

The third use of the surplus would be to relieve the people from the burdens of *taxation*. The States never have been able to place their finances in a satisfactory position since they abandoned the most remunerative forms of indirect taxation to the national Government. As we have said already, the richest of them find it difficult to raise the small amounts needed for their local administration. What the poorer suffer, may be seen from the example of Vermont, where a system of elaborate iron-clad oaths has been devised in order to extract by property taxes the sums needed to keep the State Government going. Such practices cannot fail to be demoralizing to its people, and to render them discontented. In Pennsylvania, we enjoy the distinction of having a system of taxation which other States regard with envy. Yet even here the State finds that every kind of taxation involves unforeseen difficulties. A very large part of the State revenue is raised by taxes on corporations, with the effect either of forcing the manufacturers into the two great cities, where their machinery is exempt, or of driving them to Commonwealths which deal more generously with capital. Another source of revenue is the license laws, which compel persons pursuing quite innocent occupations to contribute to the income of the State equally with the dealers in articles whose use should be restrained by increasing their cost. A third source is the taxes on houses and personal property; and to make these effective it has been found necessary to enact that the goods of the tenant shall be liable to seizure, if the landlord is a delinquent. Altogether, this model system of ours is far from being so admirable as local patriotism sometimes prompts us to believe.

Here again the principle should be recognized that the States shall divide their share with the local governments. The distribution of the whole national surplus among the States for their own use would be a mistake. They could not use profitably much more than half the amount, as their combined expenses do not much exceed half of the national surplus. Nor is it their taxes which press the most heavily on the people. Few people feel what corporations have to pay; everybody is affected by taxes which raise rents, add to the prices asked in every store, and increase the costs of local travel. One-half, at least, of the share assigned to the people of each State should be employed in the

relief of burdens more local and heavier than those which the State imposes. And if the half left to the State creates a surplus, after the removal of all the taxes the people care to have taken off, the State should follow the national example and distribute its surplus.

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Of the *objections* to distribution, the most common is that it would disturb the right relations between the States and the national Government, and lead to the degradation and enslavement of the former. What Mr. John C. Calhoun, the great champion of State rights, thought on this point, we have seen already. Does not his opinion, that distribution would make the States more zealous and watchful as regards the acts of the national Government, commend itself as good sense?

After all, the national and the State governments are but different organs of the same American people. It is the will of the people that is done in Washington, as in Harrisburg; and any notion of a collision between the two under ordinary circumstances is without the warrant of probability. If the people, acting through their agents in Washington, come to the conclusion to spend a part of the income they receive in that quarter to relieve their burdens in other quarters, are they thereby setting aside those State authorities which they have created at thirty-eight local centres for their other purposes? If they decide to do this, it will be in a shape which will preclude all possibility of favoritism on partisan or other grounds. They will divide the surplus among the States with exact reference to population. This will involve no favoritism to any, although it is true that the poorer States will profit the most by the arrangement, which will tend to redress local inequalities. To this, we presume, nobody would object very seriously. But be it noted that no State would have anything to gain by servility to the powers that be, or anything to lose by hostility to the party in power. Its claim to its share would be a matter of legal right under general laws, on exactly the same footing as its present claim to its share in the lands voted for the promotion of education.

It seems to be feared that the national Government will grow unduly powerful through a distribution of the surplus. A little reflection will show the contrary. Under our present system, and under any conceivable system except distribution, there will be money for Congress to waste. Every session will see "log-rolling" in behalf of districts. It is this that turns men's eyes to Washington and fixes their regard on Congress as the creator of fat jobs. Distribution of the surplus would put an end to this. Every State would exact of its representatives a strict account of their votes on money questions, when every piece of extravagance was seen to diminish relief from local taxation. Popular

self-interest would be enlisted as strongly on the side of national economy as it now is enlisted on that of national extravagance. The national Government would be the poorer, and probably, therefore, in so far the weaker, for the change. There would be fewer offices created and more abolished.

It is objected that some, at least, of the States would make a foolish use of the surplus, and would undertake expensive and preposterous enterprises, on the supposition that this supply would be inexhaustible. But, if we cannot trust to the good sense of the people as organized in Commonwealths, we can at least trust to the peremptory authority of national law. The nation can prescribe most strictly what shall be done with the money distributed. And when the people of the States come to see that the money distributed is not meant as an addition to State revenue, but a substitute for revenue which otherwise would have to be collected, their good sense will supplement the law effectually.

It is objected also that distribution handicaps the Free Trade party by making certain the continuance of high duties for the sake of a surplus to distribute. This reasoning seems to admit that when once this method has been adopted it will prove such a relief to the States that they will endure the alleged inconveniences of the protective policy, rather than collect the same revenue by direct taxes locally imposed. It comes to this simply,—that, if the States and the lesser governments were in possession of this as a feasible means of raising revenue, there would be no hearing for those who propose a wholesale reduction of the revenue in the interests of Free Trade. This we cannot regard as a very grave objection to the plan.

But, in truth, distribution is a means to prevent the advocates of the protective policy from being handicapped. We have a peculiar distribution of governmental duties between the national and the local governments, by which the former renders but few services to the people. The cost of those services naturally is smaller than in other countries. With the growth of our wealth and population, their cost is decreasing, as many of them can be done as cheaply for sixty millions as for sixteen. So long, therefore, as it is assumed that national revenues shall defray national expenses only, so long will the advocates of high duties be placed at a disadvantage. The reduction of the tariff will be advocated on the ground that the Treasury is full to overflowing, apart from the consideration whether or not higher duties are a benefit to the country at large. It is this last question that constitutes the real issue between the Protectionist and the Free Trader. We do not mean to discuss it here. We advocate the distribution of the surplus as the means of narrowing down the main controversy to this single issue, and securing its settlement upon the basis of principle.

But the proposal to distribute the surplus can stand on its own merits,

quite apart from its relation to the other controversy. It would come up under a tariff for revenue only, quite as pertinently as under that we now have. It would be as urgent a problem under such a tariff as the English, as it is under our own. It could be avoided only by a *tariff constantly readjusted to keep down the revenue*, which appears to be what some people mean when they talk of "a tariff for revenue only."

It is objected to distribution by some Protectionists that the proper solution is to be found in the abolition of the internal revenue duties, and the dependence of the nation upon import duties exclusively for its revenue. To this proposal there is the sufficient objection that it cannot be carried out. The last Congress went as far in this direction as any Congress can be expected to go. It removed all the internal revenue duties, except those on spirituous and malt liquors and that on tobacco, and it reduced the latter. The duties which are left in the internal revenue system have a great body of public opinion enlisted in their support. Even those who do not favor the plans of the Prohibitionists are not inclined to set whiskey, beer and tobacco free from the burden of contributing to the national revenues. In this they are right. For precisely the reason for which there should be duties on foreign manufactures,—viz., to discourage their consumption,—there should be duties upon beer, whiskey and tobacco.

To this it is replied that the States should levy these duties, and not the nation. But the States cannot do so. No State can tax the manufacture of whiskey or tobacco, for the simple reason that a tax on their manufacture would drive them to other States. That no State can tax the consumption of even whiskey, has been shown by the experience of Virginia with the "bell-punch tax." Nothing is left to the States but license laws, which tax only the sellers of whiskey, and do not reach that purchased for private consumption from dealers outside the State, and which tax them so unequally as in no way to enhance the price of what is sold in large and prosperous establishments. "High license" may effect a good deal for the abolition of the baser sort of saloons and the promotion of temperance; but it does not solve the problem of taxing whiskey.

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To distribution of the surplus we look for the abolition of illiteracy, for the equalization of public burdens throughout the country, for the abolition of both the acknowledged and repudiated debts of our States and municipalities, for the reduction of taxation by enabling all our governments to profit by indirect taxes on articles whose use deserves to be discouraged, for the cessation of wasteful appropriations at Washington, and for the increased attachment of the States to the Union.

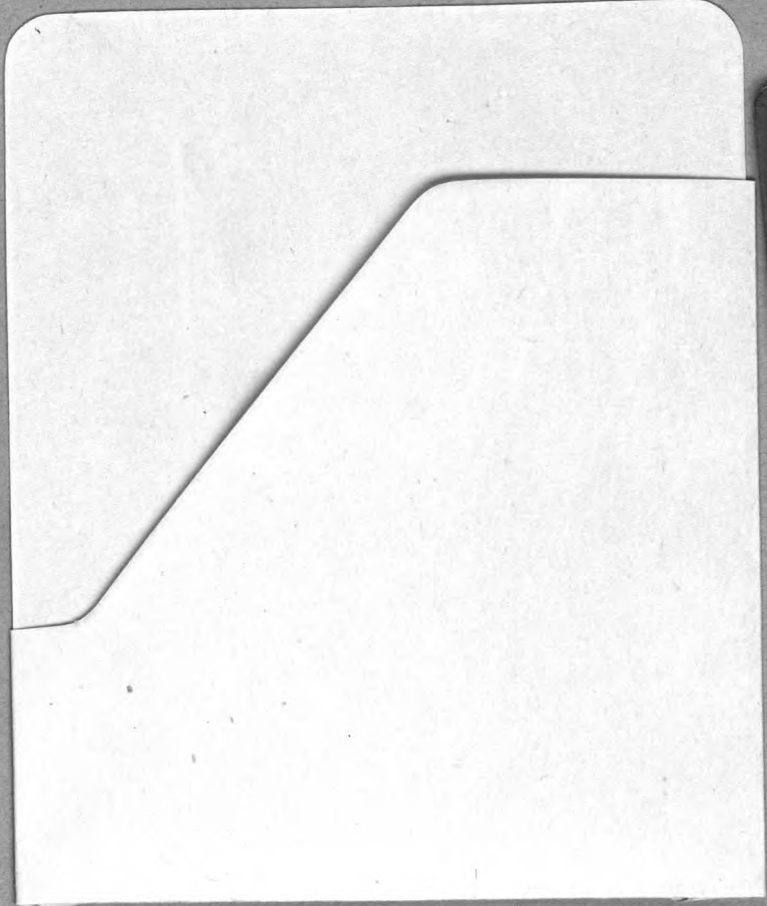
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Thompson, Robert Ellis, 1844-1924.

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