

interests of the employer. The employes are no more to be trusted to act unselfishly and disinterestedly than the employers. In their zeal to secure a present advantage they may not only do injustice but even forfeit a larger future gain.

The strike, the only weapon of the employe at present, is a two-edged sword and may injure the workman as much as the employer, and even when wholly successful, is apt to leave a ranking in the bosom of the wage-earner that ought not to be. Society has, moreover, something at stake as well as the employer and employe, for there can be no considerable strike without considerable loss to the public. Society, therefore, is justified in demanding that the differences between capital and labor shall be settled by peaceful means. If a permanent, impartial board is created, to which either party of an industrial dispute may appeal or which can of its motion institute an inquiry, public opinion may be relied upon to enforce the finding. If there is compulsory submission to investigation it is not necessary that there shall be compulsory acceptance of the decision, for a full and fair investigation will, in almost every case, bring about a settlement.

#### INCOME AND INHERITANCE

(From Mr. Roosevelt's Message.)

The question of taxation is difficult in any country, but it is especially difficult in ours with its federal system of government. Some taxes should on every ground be levied in a small district for use in that district. Thus the taxation of real estate is peculiarly for the immediate locality in which the real estate is found. Again, there is no more legitimate tax for any state than a tax on the franchises conferred by the state upon street railroads and similar corporations which operate wholly within the state boundaries, sometimes in one and sometimes in several municipalities or other minor divisions of the state. But there are many kinds of taxes which can only be levied by the general government so as to produce the best results, because, among other reasons, the attempt to impose them in one particular state too often results merely in driving the corporation or individual affected to some other locality or other state.

The national government has long derived its chief revenue from a tariff on imports and from an internal excise tax. In addition to these there is every reason why, when next our system of taxation is revised, the national government should impose a graduated inheritance tax, and, if possible, a graduated income tax.

The man of great wealth owes a peculiar obligation to the state, because he derives special advantages from the mere existence of the government. Not only should he recognize this obligation in the way he leads his daily life and in the way he earns and spends his money, but it should also be recognized by the way in which he pays for the protection the state gives him. On the one hand, it is desirable that he should assume his full and proper share of the burden of taxation; on the other hand, it is quite as necessary that in this kind of taxation, where the men who vote the tax pay but little of it, there should be clear recognition of the danger of inaugurating any such system save in a spirit of entire justice and moderation.

Whenever we, as a people, undertake to remodel our taxation system along the lines suggested, we must make it clear beyond peradventure that our aim is to distribute the burden of supporting the government more equitably than at present; that we intend to treat rich man and poor man on a basis of absolute equality, and that we regard it as equally fatal to true democracy to do or permit injustice to the one as to do or permit injustice to the other.

I am well aware that such a subject as this needs long and careful study in order that the people may become familiar with what is proposed to be done, may clearly see the necessity of proceeding with wisdom and self-restraint, and may make up their minds just how far they are willing to go in the matter; while only trained legislators can work out the project in necessary detail. But I feel that in the near future our national legislators should enact a law providing for a graduated inheritance tax by which a steadily increasing rate of duty should be put upon all moneys or other valuables coming by gift, bequest, or devise to any individual or corporation. It may be well to make the tax heavy in proportion as the individual benefited is remote of kin. In any event, in my judgment, the pro rata of the tax should increase very heavily with the increase of the amount left to any one individual after a certain point has been reached.

It is most desirable to encourage thrift and ambition, and a potent source of thrift and ambi-

tion is the desire on the part of the breadwinner to leave his children well off. This object can be attained by making the tax very small on moderate amounts of property left; because the prime object should be to put a constantly increasing burden on the inheritance of those swollen fortunes which it is certainly of no benefit to this country to perpetuate.

There can be no question of the ethical propriety of the government thus determining the conditions upon which any gift or inheritance should be received. Exactly how far the inheritance tax would, as an incident, have the effect of limiting the transmission by devise or gift of the enormous fortunes in question it is not necessary at present to discuss. It is wise that progress in this direction should be gradual. At first a permanent national inheritance tax, while it might be more substantial than any such tax has hitherto been, need not approximate, either in amount or in the extent of the increase by graduation, to what such a tax should ultimately be.

This species of tax has again and again been imposed, although only temporarily, by the national government. It was first imposed by the act of July 6, 1797, when the makers of the constitution were alive and at the head of affairs. It was a graduated tax; though small in amount, the rate was increased with the amount left to any individual, exception being made in the case of certain close kin. A similar tax was again imposed by the act of July 1, 1862; a minimum sum of \$1,000 in personal property being excepted from taxation, the tax then becoming progressive according to the remoteness of kin. The war revenue act of June 13, 1898, provided for an inheritance tax on any sum exceeding the value of \$10,000, the rate of the tax increasing both in accordance with the amounts left and in accordance with the legatee's remoteness of kin.

The supreme court has held that the succession tax imposed at the time of the civil war was not a direct tax but an impost or excise which was both constitutional and valid. More recently the court, in an opinion delivered by Justice White, which contained an exceedingly able and elaborate discussion of the powers of the congress to impose death duties, sustained the constitutionality of the inheritance tax feature of the war revenue act of 1898.

In its incidents, and apart from the main purpose of raising revenue, an income tax stands on an entirely different footing from an inheritance tax; because it involves no question of the perpetuation of fortunes swollen to an unhealthy size. The question is in its essence a question of the proper adjustment of burdens to benefits.

As the law now stands it is undoubtedly difficult to devise a national income tax which shall be constitutional. But whether it is absolutely impossible is another question; and if possible it is most certainly desirable. The first purely income tax law was passed by the congress in 1861, but the most important law dealing with the subject was that of 1894. This the court held to be unconstitutional.

The question is undoubtedly very intricate, delicate and troublesome. The decision of the court was only reached by one majority. It is the law of the land, and of course is accepted as such and loyally obeyed by all good citizens. Nevertheless, the hesitation evidently felt by the court as a whole in coming to a conclusion, when considered together with the previous decisions on the subject, may perhaps indicate the possibility of devising a constitutional income tax law which shall substantially accomplish the results aimed at. The difficulty of amending the constitution is so great that only real necessity can justify a resort thereto. Every effort should be made in dealing with this subject as with the subject of the proper control by the national government over the use of corporate wealth in interstate business, to devise legislation which without such action shall attain the desired end; but if this fails, there will ultimately be no alternative to a constitutional amendment.

(From the Madison Square Speech.)

The income tax, which some in our country have denounced as a socialistic attack upon wealth, has, I am pleased to report, the endorsement of the most conservative countries in the old world. It is a permanent part of the fiscal system of most of the countries of Europe and in many places it is a graded tax, the rate being highest upon the largest incomes. England has long depended upon the income tax for a considerable part of her revenues and the English commission is now investigating the proposition to change from a uniform to a graded tax.

I have been absent too long to speak with any authority on the public sentiment in this country at this time, but I am so convinced of the

justice of the income tax that I feel sure that the people will sooner or later demand an amendment to the constitution which will specifically authorize an income tax and thus make it possible for the burdens of the federal government to be apportioned among the people in proportion to their ability to bear them. It is little short of a disgrace to our country that while it is able to command the lives of its citizens in time of war, it can not, even in the most extreme emergency, compel wealth to bear its share of the expenses of the government which protects it.

If we can but repeal the laws which enable men to reap where they have not sown—laws which enable them to garner into their overflowing barns the harvests that belong to others—no one will be able to accumulate enough to make his fortune dangerous to the country. Special privilege and the use of the taxing power for private gain—these are the twin pillars upon which plutocracy rests. To take away these supports and to elevate the beneficiaries of special legislation to the plane of honest effort ought to be the purpose of our party.

And who can suffer injury by just taxation, impartial laws and the application of the Jeffersonian doctrine of equal rights to all and special privileges to none? Only those whose accumulations are stained with dishonesty and whose immoral methods have given them a distorted view of business, of society and government. Accumulating by conscious frauds more money than they can use upon themselves, wisely distribute or safely leave to their children, these denounce as public enemies all who question their methods or throw a light upon their crimes.

#### CAMPAIGN CONTRIBUTIONS

(From Mr. Roosevelt's Message.)

I again recommend a law prohibiting all corporations from contributing to the campaign expenses of any party. Such a bill has already passed one house of congress. Let individuals contribute as they desire; but let us prohibit in effective fashion all corporations from making contributions for any political purpose, directly or indirectly.

(From the Madison Square Speech.)

The investigations which have been in progress during the past year have disclosed the business methods of those who a few years ago resented any inspection of their schemes and hid their rascality under high-sounding phrases. These investigations have also disclosed the source of enormous campaign funds which have been used to debauch elections and corrupt the ballot. The people see now what they should have seen before, namely, that no party can exterminate the trusts so long as it owes its political success to campaign contributions secured from the trusts. The great corporations do not contribute their money to any party except for immunity expressly promised or clearly implied. The president has recommended legislation on this subject, but so far his party has failed to respond.

No important advance can be made until this corrupting influence is eliminated and I hope that the democratic party will not only challenge the republican party to bring forward effective legislation on this subject, but will set an example by refusing to receive campaign contributions from corporations and by opening the books so that every contributor of any considerable sum may be known to the public before the election. The great majority of corporations are engaged in legitimate business and have nothing to fear from hostile legislation and they should not be permitted to use the money of the stockholders to advance the political opinions of the officers of the corporations. Contributions should be individual, not corporate, and no party can afford to receive contributions even from individuals when the acceptance of those contributions secretly pledge the party to a course which it can not openly avow. In other words, politics should be honest, and I mistake political conditions in America if they do not presage improvement in the conduct of campaigns.

#### COLLECTING DEBTS BY NAVY

(From Mr. Roosevelt's Message.)

In my message to you on the 5th of December, 1905, I called your attention to the embarrassment that might be caused to this government by the assertion by foreign nations of the right to collect by force of arms contract debts due by American republics to citizens of the collecting nation, and to the danger that the process of compulsory collection might result in the occupation of territory tending to become permanent. I then said: "Our own government has always refused to enforce such contractual obligations on behalf of