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The Danger of Indirect Taxation

I am afraid you will think that I have my list of speaking engagements confused, and am under the impression that I am addressing the County Medical Society, when I tell you that I want to talk a little while about the importance of an accurate diagnosis if one would cure a disease. All our agencies of government—city, town, county or state—have certain definite diseases. There is, for example, a governmental sleeping sickness when lethargy and lack of real interest throws our officials into a Rip Van Winkle slumber while modern progress and efficiency moves past unnoticed. There is a gangrene of corruption, and most dangerous of all, there is the pernicious anemia of financial wastefulness and extravagance which piles up needless appropriations, and through taxation, drains the very lifeblood of the State. All of these diseases of the State are curable if we recognize them in time.

The most dangerous of all, because it is the hardest to recognize, is the piling up of financial demands upon our citizens to pay for inefficiency or wasteful administration. You all know the story of the country doctor who only knew how to cure fits and who therefore, no matter what other disease they might have, promptly administered to his patients something to throw them into a drug-induced fit before he attempted to cure them.

We are almost blind in recognizing wastefulness and inefficiency in government. Take our ‘cities and towns, for example. When a citizen stumbles over a heap of rubbish in the gutter, he knows the street cleaning department is not functioning properly and makes a fuss about it. When the
fire department fails to arrive promptly at his house and rotten hose breaks at critical moments and his dwelling burns to the ground, he knows the fire department needs reorganizing. But when the cost of governing a county, a town, a village or a city, creeps higher and higher through needless duplication of officials, through extravagance in expenditures, through general inability to manage wisely or economically the affairs of government, there is but one sure symptom that he can rely on—that is in the increase in his local tax rate. It is the only certain diagnosis, the only sure warning of this particular disease; and that is why it is so important that what we pay in taxes to the State or to the locality must be kept, so far as possible, clearly separated. The danger of indirect taxation lies in its concealing what our money is being spent for. There is no greater spur to economy and efficiency in government than the knowledge that the citizens will clearly understand by what authority—local, state or national—the money is needed when his tax bill mounts.

Take our national government, for example. No national legislator, except under stress of public emergency, will vote for any appropriation that will increase the federal personal income tax, because that is a tax which all our citizens know goes directly to meet our national budget, but they will pile up wicked and exorbitant tariffs, which cost us during the year far more than any income tax, because the public does not yet realize that it is a tax and lay the blame of it directly at the door of Congress.

I want to impress upon you real estate men tonight the reasons which make me stand foursquare against further indirect taxation by which the citizen pays to the State and the State pays it back to the locality, for in that way the local government can manage to show a low tax rate while the local expenditures increase by leaps and bounds. If we could make each locality—with some very necessary exceptions—put the expenses of its local government in its local tax budget, we would be able to tell instantly when the expenses of local government mount beyond reason, and would seriously sit down and study how they could be reduced.

I have said there are several necessary exceptions—one of them is education. Education is a very costly thing in these days of advanced knowledge. Our children, if they are going to succeed in life, must know far more than their grandparents did. Therefore it is right and proper that the State, to prevent unwise parsimony in this line, should contribute from its revenues to the educational facilities of every locality. I wonder how many of you realize that of all forms of indirect taxes you pay to the State—the taxes on stock sales, taxes on corporations, taxes on this or that—more than half goes back to your locality to educate your children; and the same thing is true of our roads, because with the advent of the automobile good roads are needed by the citizens of other localities almost as much as they are needed by those who dwell within the tax district. But every year some ingenious plan is born by which some kind of a tax shall be collected by the State and distributed back to relieve the local tax budget. This is a wrong and vicious principle. I hope you will all stand by me in resisting such attempts to camouflage excessive costs in local government.

The doctrine of personal responsibility applies peculiarly to this matter of State and local taxes. If every county, if every town, if every city, charges directly to its inhabitants the cost of its government we will all of us be able to tell when such costs are excessive; and just as we know when this street needs cleaning or our fire department restoration to efficiency, so will we know when it is time to look over our local government machinery to see where we can save.