

WHO SHOULD PAY FOR THE WAR ?

A Condensation of an Address which
Organized Big Business Sought to Prevent
from being delivered in various cities of the
United States.

By **SCOTT NEARING**

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Uncle Sam spends in ordinary years about ONE BILLION dollars for the up-keep of the Federal Government. This year the total expenditure will be more than FIFTEEN BILLIONS. Next year, if the war continues, it will reach a like amount. Who should pay the increased cost of government which is the result of the present war?

In the first place, as President Wilson so emphatically stated in his message to Congress on April 2nd, 1917, it is desirable that we pay as we go. Not only because it is cheaper to pay by taxation than to pay by bonds, but also because the present generation bears the burden of taxation, whereas the next generation must carry the burden of bond issues.

The difference in cost between taxation and bond issues is truly astounding. To collect one hundred dollars by means of taxation costs no more than the collection charges, which amount to a few cents, or at most a few dollars per hundred. The hundred dollars borrowed on a bond must be repaid at the end of thirty years. In the meantime, the bond draws interest at 4% each year, or a total of \$120.00 for thirty years. The total cost to the government of one hundred dollars borrowed on a bond is therefore two hundred twenty dollars, plus the cost of selling the bond and paying the interest. If the poor should pay for the war, there is only one way to make them do it—that is, to issue bonds which will spread the cost over a period of years at the same time that it inflates values and increases prices. During every great war, the governments of the contending nations have been faced with this financial problem. The usual method of meeting it is to sell bonds and to issue currency. The resulting increase in prices and in taxes throws the burden primarily upon the poor.

TAXES VERSUS BONDS

If the rich should pay for the war, the government must depend upon a system of taxation. There are probably twelve million families in the United States with incomes below a thousand dollars a year. It is quite obvious that these families cannot contribute in any large degree toward the support of the war without seriously lowering their standard of living. The six million families with incomes between one thousand and eighteen hundred dollars a year can carry some of the burden of war finances. The five million families with incomes of more than eighteen hundred dollars a year (\$150.00 a month) should bear the heavy economic burden. An income tax law which took for war purposes all incomes in excess of \$150.00 per month for each family would probably yield from seven to ten billions a year, provided that the incomes of farm families were estimated on other than a cash basis. Such a tax would impose hardship, but then war always imposes hardship. Even with an income limit at \$150.00 a month, the families of those who remain at home would be much better off than the

families of those who went to the trenches on incomes of \$30.00 a month. Such a tax, by placing the chief economic burden of the war upon the rich, would distribute hardship.

If the rich are to pay for the war, the government should levy a tax of 100% on all war profits. This would yield from two to three billions. A further tax should be laid on all increases in property value as shown by property transfers. A third tax should be laid upon the surplus which the corporations are tucking away during these prosperous years. The income tax together with the war profits tax, increased value tax and surplus taxes, could probably be made to yield from twelve to fifteen billion dollars annually.

A new system of taxation would therefore provide the costs of the war. Those who believe that the rich and the well-to-do should pay for the war, and who believe in the taxation method can easily demonstrate the feasibility of "taxing wealth to pay for the war."

CONSCRIPTION OF WEALTH

There are many, however, who insist that this method will prove ineffective, because it is not sufficiently radical. A steadily increasing number of people hold that the way to make wealth pay for the war is to take the wealth for the use of the state, without any compensation to the owners. Several ways of doing this have been suggested.

The statesmen of England are seriously considering the proposition of taking a certain portion of the national wealth—say ten per cent—and applying it to the payment of the national debt. By this method, about ten billions could be raised in England and about twenty-five billions in the United States.

The total debt of the United States at the present time is only about eleven billions. If the cost of the war for the next year is fifteen billions, ten per cent of the total wealth of the nation (\$250,000,000,000) would pay off the entire debt thus far contracted, and in addition, pay for the war during the next year. When we consider that there are hundreds of thousands of men who are offering their lives at the front, the taking of ten per cent of the wealth seems little enough.

Another possibility presents itself. The Government might take over all of the productive machinery of the nation—and use the resources, productive machinery and financial agencies during the continuance of the war, without any considerable return being paid to the owners of the property. The advocates of this plan favor a conscription of wealth which would correspond with the conscription of manhood. This method points in the direction of industrial democracy. It is, however, so far afield from the standard of economic thinking to which America has been accustomed that it will undoubtedly be less popular as a means of compelling the rich to pay for the war than the other plan which has been suggested, of heavy increases in taxation.

If the poor are to pay for this war, we should go on issuing bonds, inflating values and raising prices. If the war burdens are to be carried by the rich and the well-to-do, heavy increases in taxation or wealth conscription are the only methods that will avail.

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