

**THE FEDERAL GRADUATED INCOME
TAX, A DEBATE: THE CONSTRUCTIVE
AND REBUTTAL SPEECHES OF THE
REPRESENTATIVES OF THE UNIVERSITY
OF CHICAGO, JANUARY 20, 1911**

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VARIOUS

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UNIV. OF
CALIFORNIA

The Federal Graduated Income Tax

A DEBATE

The Constructive and Rebuttal Speeches of the
representatives of

THE UNIVERSITY OF CHICAGO

In the Thirteenth Annual Contests of the Central Debating
League against Northwestern and Michigan,

JANUARY 20, 1911

Affirmative: Chicago vs. Northwestern

Edward E. Jennings
Lew McDonald
Paul M. O'Dea

Negative: Michigan vs. Chicago

Merrill I. Schnebly
Albert F. Mecklenburger
Arthur P. Scott

QUESTION:

*"Resolved, That the Federal Government Should
Levy a Graduated Income Tax, Con-
stitutionality Conceded."*

Published by
THE DELTA SIGMA RHO
University of Chicago Chapter
1911

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FOREWORD

This debate is published with the confident feeling that it presents a comprehensive and up-to-date survey of both sides of the Graduated Federal Income Tax. The question is not a new one, but has been debated many times. Some of these debates have been published and are meritorious, notably that of Iowa State University, 1910. The Chicago debaters, while taking advantage of the experience of others, have gone further than any, and have given a new form to many elements of the question. They have treated it as a live issue, of present interest, and have given it a quality of freshness that may surprise those who think it is a dry subject. The fact that the negative case lost is not a proof of its weakness, but is explainable on other grounds—without detracting from the credit due our victorious opponents. It should be remembered that the negative lost in all three debates.

It will be observed that the affirmative and negative arguments do not directly answer one another. This is because the affirmative was given against Northwestern, and the negative against Michigan. The speeches are given as actually spoken, so far as possible. Although the points of one side do not meet those of the other as here given, yet it is believed that practically the whole ground is covered, and that, in any debate, substantially the same arguments would necessarily be used, though the order might be changed.

This is true in particular of the negative, whose analysis of possible methods of collection, all reducing to self-assessment, seems calculated to answer any plan the affirmative could bring up. The affirmative discuss here only the degressive type of tax, graduated downward, and omit the progressive type, graduated upward, believing its difficulties insurmountable.

CHARLES F. McELROY,
DEBATING COACH.

The University of Chicago, February 1, 1911.

INTRODUCTION

The Central Debating League

The Central Debating League comprises the Universities of Chicago, Michigan and Northwestern. Originally it included Minnesota also, and held its first contests in 1899. Each school chose one team, which paired off in semi-final debates in January of each year, the winners meeting in April for the championship. In 1906 Minnesota withdrew, and the League was reorganized on the triangular basis. Each school now selects two teams, taking opposite sides of the same question. The affirmative team remains at home, while the negative team visits. The care given to preparing the case and training the men in the Central Debating League has set a standard of excellence recognized throughout the country.

The Debates of 1910-1911

On January 20, 1911, the Chicago negative team journeyed to Michigan; the Michigan negative went to Northwestern; while the Northwestern negative came to Chicago. In each instance the affirmative won, and, as a corollary, each negative lost, making a triple tie for honors. The same thing happened two years ago, except that at that time victory perched on the negative banner.

At Chicago the debate was held in Leon Mandel Assembly Hall, and was presided over by Dean James P. Hall, of the University of Chicago Law School. The Chicago speakers, advocating the affirmative, were Edward E. Jennings, Lew McDonald, and Paul M. O'Dea. The Northwestern speakers, defending the negative, were Jay L. Chestnutt, O. E. Reinhart, and Raymond Pruitt. In the rebuttal speeches Northwestern kept the same order, while for Chicago, Mr. O'Dea spoke second and Mr. McDonald last. The judges were Judge Edward O. Brown, of the Illinois Appellate Court; Professor John M. Clapp, of Lake Forest University; and Hon. S. S. Gregory, of Chicago. Their verdict was unanimous for Chicago.

The debate against Michigan was held in University Hall, Ann Arbor, Mich., and received special honor in the presence of Governor Chase S. Osborne, who presided. While waiting for the judges' decision he made an appeal to the debaters to use their oratorical powers in the interest of the various reform measures now before the people. The Chicago speakers were Merrill I. Schnebly, Albert F. Mecklenburger, and Arthur P. Scott, on the negative. Michigan's debaters on the affirmative, were John Gutknecht, Benjamin H. Reck, and Robert J. Curry. In rebuttal the Chicago order was unchanged, but every Michigan man had a different place. Mr. Reck spoke first, Mr. Curry second, and Mr. Gutknecht third. This was a piece of skillful strategy, whose success vindicated its wisdom. The judges were ex-Attorney General F. S. Monnett, of Columbus, Ohio; Hon. Charles F. Coffin, of Indianapolis, Ind.; and Hon. Jackson W. Sparrow, of Cincinnati, Ohio. They gave a solid vote for Michigan.

The third debate, held at Northwestern, resulted in a victory for that school's affirmative team over Michigan's negative by a vote of two to one.

The Chicago Debaters

Edward Jennings is a graduate of Wayland Academy, Beaver Dam, Wis. While there he won the Newton Oratorical contest and represented Wayland Academy in a debate with Carroll Academy. At Chicago he was a member of

the Literature college debating team and the Sophomore debating team. He won the Junior Extempore contest in 1909. Member of the class of 1912, Arts College.

Lew McDonald is a graduate of the Hopkinton, Iowa, high school and of the State Teachers' college. He took part in debates against the State Normal school and the State Agricultural college. He also won first place in several school medal contests. He is in his second year in the Law department at Chicago.

Paul M. O'Dea graduated from the Springfield, Missouri, high school in 1905, and from Drury College in 1909. While at the latter institution he participated in debates against Arkansas University and Washington University, and was class orator. He was a member of the Varsity championship team that defeated Michigan in 1910. President of the Freshman class in the Law School.

Merrill I. Schnebly, of Peoria, Ill., prepared at the Peoria high school. He graduated from Bradley Polytechnic Institute in the class of 1909. While there he was on the Bradley debating team against Eureka College. He is now a member of the Senior class in the College of Arts, and a Freshman in the Law school.

Albert F. Mecklenburger, of Okolona, Mississippi, prepared for college at the Okolona high school. He graduated from the University of Mississippi in the class of 1907. He represented his University in the Gulf States Oratorical contest, winning first place. He is at present a Senior in the Law school of the University of Chicago.

Arthur P. Scott, of Evanston, prepared for college at Lewis Institute, and graduated from Princeton University. He was a member of the University debating teams there against Harvard and Yale, and was valedictorian of his class. He is at present a graduate student in the department of history in the University of Chicago.

The Delta Sigma Rho

The Delta Sigma Rho, under whose auspices this debate is published, is an honorary fraternity composed of debaters and orators who have competed in inter-university contests. It has chapters in twenty-eight of the leading schools of the country. The chapter of the University of Chicago keeps in close touch with the debating situation. Its members are willing and valuable aids to the coach during the preparation for each debate, while its general oversight goes far to stimulate and sustain debating interest among the students. In promoting this publication, the chapter hopes it is initiating a regular series of printed debates for Chicago, to be brought out each year.

Honor to Whom Honor is Due

Thanks and appreciation are due to Prof. Alvin S. Johnson, of the Economics Department, for advice and criticism in the shaping of the affirmative case; to Mr. H. P. Chandler, Instructor in Debating; B. Samuels, H. G. Moulton, M. F. Carpenter and D. E. Carlton, all $\Delta \Sigma \Phi$ men, for assistance and criticism in the training of the men; to Paul M. O'Donnell and J. W. Hoover, of the $\Delta \Sigma \Phi$, for active aid in the publication of this book; and to Miss Cora M. Gettys and Miss Clara S. Roe for co-operation in the use of the library facilities.

The Debate

(The Michigan debaters, on the affirmative, proposed to apply the English income tax system to the United States, but raising the limits. Incomes below \$5,000 were to be exempt, incomes between \$5,000 and \$15,000 to be taxed on a graduated scale and incomes over \$15,000 at a uniform flat rate.)

(The Chicago affirmative plan is to tax incomes between \$2,500 and \$20,000. While modeled on the English plan, its adaptation to American conditions is pointed out. The Michigan debaters contented themselves with saying they would use the English system.)

EDWARD E. JENNINGS, FIRST AFFIRMATIVE.

Mr. Chairman, Honorable Judges, Ladies and Gentlemen—

Our question means that Congress should levy a tax upon incomes, so graduated that small incomes are exempt; moderate incomes bear a low rate, and larger incomes bear a higher rate of taxation.

This question is of immediate interest. An amendment to the Federal Constitution is now before the various states. Six states, including our own state of Illinois, have already ratified this amendment and the chances are that most of the rest of the states will do the same.

The income tax is not a novel, theoretical, nor untried scheme, but it is old and well established. Fourteen foreign nations at present are using some form of an income tax. England has used it for one hundred and ten years. These nations vary in size from the German Empire to little Holland. The rate varies from 2 per cent in Italy to 68 per cent on incomes over fifty thousand dollars in Japan. The amount exempted varies from fifty dollars in Japan to eight hundred dollars in England. The temperament of the people varies from the stolid Swede to the mercurial Frenchman. In short, each of these nations levies an income tax in a form best suited to its own size, needs and the temperament of its people.

Our Federal Government used it as a Civil War measure. Congress again placed it upon the statute books in 1894, but the Supreme Court declared it unconstitutional. The fear of a similar fate prevented its being made a part of the Payne-Aldrich tariff bill, but popular demand forced Congress to submit the Sixteenth Amendment to the states, which would forever set at rest the question of its constitutionality.

We of the affirmative base our case in support of this tax upon three propositions:—

*First—*We need another tax as a supplement to our revenue system.

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Second—This should be a tax on incomes, graduated, and levied by the Federal Government.

Third—Such a tax can be levied and collected beyond the shadow of a doubt.

I. It is my purpose to show that the United States needs another kind of tax. Our present revenue system is deficient in two ways. In the first place it is unstable and inelastic. It has an embarrassing faculty of piling up surpluses at times and giving way to deficits when it is most needed. The Treasurer's report shows a surplus of \$111,000,000 in 1907, followed by deficits of \$20,000,000 in 1908, \$119,000,000 in 1909, and \$19,000,000 in 1910. Here are three deficits in succession, and President Taft in his recent message predicted a deficit for the coming year. In the twenty years since 1890, according to the Statistical Abstract of 1909, we have had ten deficits and ten surpluses. The surpluses have aggregated over \$500,000,000, or \$50,000,000 a year. The deficits aggregate \$650,000,000 or \$65,000,000 a year. With a revenue so fluctuating and undependable it is impossible to make our receipts and disbursements balance. These surpluses and deficits can be estimated with a fair degree of accuracy, but the tariff and internal revenue are so rigid that Congress is powerless to prevent them. But these taxes could be adjusted so as to furnish the major portion of our revenue, and if supplemented by an elastic income tax, Congress, after determining the legitimate expenditures of the Government, could raise the proper amount of money to meet them.

According to statistics from the Department of Commerce and Labor, England by adjusting her income tax keeps her receipts and disbursements within \$4,000,000 of balancing. Japan with a protective tariff similar to ours supplemented by an income tax keeps almost an exact equilibrium between receipts and disbursements. The Statistical Abstract shows a surplus of only \$4,000 in a budget involving \$600,000,000.

Then again, with an income tax supplementing our present revenue system we would have the machinery in operation to meet any emergency that might arise. The slight financial flurry of 1908 created a deficit of \$119,000,000 in 1909. Ten years previous to that the Spanish-American War brought on large financial obligations that the tariff could in no way cope with. In 1862 Congress passed an income tax as a war measure, but it yielded almost no revenue until 1866, after the war was over and the time of greatest need had passed. If we have the machinery of an income tax in operation it will be possible to expand the rate to meet any such emergency.

II. In addition to this need for elasticity, we need it for justice in the distribution of taxation. The old economic theory of taxation based upon ability to pay has not been improved upon.

Our present Federal taxes are taxes upon consumption. In other words

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we are taxing people upon what they eat, drink and wear, and not upon their ability to pay. Such taxes are manifestly unjust, because of their burden upon the poor and middle classes. It is estimated that 25,000 people own one-half of the wealth of this country, but they pay very little more of our Federal taxes than do any 25,000 taken haphazard from the middle class. You and I, members of the middle class, consume as much sugar as does the person with an immense income. Thus we pay our per capita share of the \$60,000,000 revenue from sugar, and as a side issue we foster a disreputable and unprincipled sugar trust. The same is true of a high tax upon wool. It takes as much wool for a \$30 suit of clothes for you and me as it does to make a \$200 suit for the millionaire, and the duty is higher upon the cheaper grades. Cotton goods follow the same rule. The tax is highest on the goods of lowest grade. And so we might continue almost indefinitely to verify the general rule that we must have a high tariff upon articles of common consumption—goods that all the people eat, drink and wear every day in the year—in order to raise the enormous amount of money needed by this Government. Is it any wonder that the Payne-Aldrich tariff bill as a relief measure was an "insult to the intelligence of the common people?" With no other available form of taxation it was necessary to inflict these injustices.

Because of these great defects in our revenue system there is a spirit of discontent with our tariff schedules that cannot be stifled. The voice of the people in the last election was unmistakable. We maintain with confidence that our tariff schedules are going to be reduced. The people will not stand for any one per cent reduction or any other such farce. The demand is for a material and decided reduction. The conscience of the people is awake to the injustice and inefficiency of our present system and a cleaning up is inevitable. Our position is stronger than that of merely stating that our tariff ought to be revised. It not only ought to be revised but it is going to be revised. Such a revision must result in less revenue.

The question therefore arises: Can we get along with less revenue in the future than we have in the past? According to the Department of Commerce and Labor there has been a steady yearly increase in expenditures averaging since 1890 \$100,000,000 for every five years. In 1890 our disbursements were \$297,000,000, 1895 \$356,000,000, 1900 \$487,000,000, 1905 \$563,000,000, 1909 \$662,000,000. It is true that there was a decrease in expenditures of \$28,000,000 last year, but this was due partly to the fact that less money was used for improvements than previously and partly to the business administration of President Taft. The field for saving and cutting down expenses is necessarily limited, both in extent and in time, and everyone must concede that we are going to continue to expand and develop. Not only must the constructive work already begun be completed but new de-