

**ON THE
COLLECTION
OF REVENUE**

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On the collection of revenue by Edward Atkinson

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EDWARD ATKINSON

**ON THE
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OF REVENUE**

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COLLECTION OF REVENUE.

BY EDWARD ATKINSON.

(REVISED EDITION.)



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FREE-TRADE.—This is the plain duty, and plain interest of the human race. Freedom of the seas: freedom of harbors; an intercourse of nations, free as the winds; this is not a dream of philanthropists. We are tending towards it, and let us hasten it.—*Channing.*

ALAS! we have tried everything—when shall we make the trial of the simplest thing of all—Liberty? Liberty in all that does not offend against justice—liberty to live, advance, improve—the free exercise of our faculties—the free interchange of services.—*Bastiat.*

It were to be wished that commerce were as free between all the nations of the World as it is between the several Counties of England, so would ALL by mutual communication, obtain more enjoyments.—*Benjamin Franklin.*

ALL legislation which restricts the means of living is hurtful to the moral life of nations.—*Bastiat.*

WHY should we fetter Commerce? If a man is in chains, he droops and bows to the earth, for his spirits are broken, but let him twist the fetters from his legs, and he will stand erect. Fetter not Commerce, sir—let her be as free as air—she will range the whole creation, and return on the wings of the four winds of heaven, to bless the land with plenty.—*Patrick Henry.*

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1889.

PREFACE.

THIS Pamphlet is an abridgement of Mr. EDWARD ATKINSON'S admirable *Essay on the Collection of the Revenue*, and has been revised by him.

The foot-notes have all been added by the Editor of the present publication, and Mr. ATKINSON is not responsible for the views which they express.

April, 1869.

PREFACE TO THE ORIGINAL EDITION.

THE following Essay was originally written for the purpose of testing the results of my own thought and experience by the formulas of the free-trade economists, and was afterwards read at a meeting of the Economic Section of the American Social Science Association, held in Boston in January. Some extracts, then published, having caused considerable remark, as emanating from a New England cotton manufacturer, I have thought that the publication of the whole might do a service in bringing public sentiment to what I consider just views on a momentous question, and might perhaps cause an abatement of the prejudice existing in some quarters against New England manufacturers, in consequence of views in which they are erroneously supposed to be unanimous.

There is nothing new in the Essay; but it is often useful to apply well-known principles to passing events, and present circumstances in a form that will bring them to the observation of those who are too busy to read elaborate treatises.

Boston, April, 1867.

E. A.

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ON THE COLLECTION OF THE REVENUE.

It is very evident that the questions which are soon to become of paramount interest among the people of the United States, will be those of Revenue reform; and it will become necessary for the people to decide whether the taxes shall be assessed according to the policy of those who are called Protectionists, or of those who are called Free Traders.

Our country has such boundless resources—as yet but partially developed—as to have made it easy, in the years before the war, for any one possessed of ordinary intelligence and industry to get a good living under any system of revenue laws; and mistakes in such laws, injuring but few seriously, have not compelled the attention of the whole people to the methods requisite for their correction. A little irritation, rather than any real check to prosperity, has caused the enactment, first, of a free trade, and then of a protective policy, creating fluctuations and temporary embarrassment, but never forcing the great mass of the people to give close attention to the matter. Under the pressure of our present debt, and the existing system of taxation, it is to be feared that the time has come when the people will be forced to learn wisdom by the hard teachings of adversity.

In the collection of revenue, the Government simply takes a portion of the annual product of the country for its own use—that is to say, secures to itself a portion of the result of each man's labor or effort. The method adopted is to impose a tax, either under the name of "internal revenue" or of "tariff," upon the commodities consumed by the people. Hence arises the axiom, that "the consumer pays all taxes,"—an axiom very likely to mislead, unless qualified by the statement that consumption depends upon production. If each person worked for himself alone, raising his own food,

making his own clothing, and never exchanging the result of his labor or effort for that of another, he could only be reached by the tax-gatherer by being required to give up a portion of his product. It is production alone which yields revenue either to the Government, or to the capital by which production is aided and rendered greater; and it is by the increase of production only, that we can bear the burden which the consumption or destruction of the war has imposed upon us.

To allege that the consumer pays all taxes leads to an utter absurdity, unless qualified by the statement, that the consumption of one commodity, not produced by the consumer is only rendered possible by such consumer producing or aiding in the production of some other commodity which he can give in exchange for it; and it matters not to him whether his proportion of the taxes is levied upon the article which he consumes,—let us say upon his tea,—or upon the article which he produces,—say upon his wheat. In either case, he simply gives to the Government a certain portion of the result of his labor,—he either pays a higher price for his tea or he has less money from his wheat wherewith to purchase tea; but, if he had not produced at all, or had not by the use of his capital aided or caused some one else to produce, he would have had neither tea nor wheat, and could therefore have paid no tax.

The problem therefore is so to levy the taxes as not to impede production. It will be maintained hereafter, that capital can only be taxed through its income, without causing great disaster, and that the income of capital is a certain share of the product of labor. If this proposition can be maintained, then the tax levied by Governments upon the income of capital is ultimately a tax upon production, or the result of labor.

In this connection it becomes interesting to know who are the capitalists and who are the laborers, though I do not mean here to intimate that there is any natural antagonism between the two. On the contrary, there is no finer example of the real harmony of interest in the universe than the law so well enounced by Bastiat: "In proportion to the increase of capital, the absolute share of the total product falling to the capitalist is augmented, and his relative share is diminished; while,

on the contrary, the laborer's share is increased both absolutely and relatively."

If there is any natural antagonism between capital and labor, then a man must often be his own antagonist; for many men,—I may say most men—are both laborers and capitalists. The common laborer who owns his tools is to that extent a capitalist as much as the mill-owner running 20,000 spindles. He who works the spade with his hands is no more a laborer than he who directs the spindles with his head. Each is working for the general good, although his own aim may be selfish; for one is adding to the abundance of the food which we eat, and the other of the clothes we wear.

It is only when the Government interferes with natural laws, and, discarding the only legitimate object to be considered in the imposition of taxes, undertakes, under the name of revenue laws, to give a bounty to certain interests, that antagonism between labor and capital begins, and this antagonism is more properly between a class and the mass of the people than between labor and capital.

I have said it becomes interesting to know who are the laborers and who are the capitalists in the common use of those terms, and we may approximate to this by considering the number of persons in the United States who pay a tax upon an income of over six hundred dollars per annum,—upon which point I have obtained the following statement from Washington:

TREASURY DEPARTMENT,
OFFICE OF INTERNAL REVENUE,
Washington, February 7, 1867.

SIR: In reply to your letter of the 31st ult., requesting a statement of "the total number of persons paying an income tax, and the amount of income represented," I have to say that the total collections returned on income for the first six months of the current fiscal year amount, at present, to \$47,413,075.99. Full returns from a few districts, for those months, have not yet been received. Of this amount the sum of \$20,678,035.10 was returned on income over \$600, and not over \$5,000 per annum, \$24,972,677.83 on income over \$5,000, on excess over \$5,000, and \$1,762,363.06 on income from dividends, and addition to surplus funds of Banks, Railroad Companies, etc.