

year will not preclude consideration in another year.

The Committee will act on the applications before April 1 and applicants will be notified as soon as possible.

THE TRUTH ABOUT THE COST OF GOVERNMENT

DURING recent years a ceaseless and generously supported campaign has been financed by certain interests to discredit public expenditures of all types. A favorite trick has been to exaggerate the proportion of the national income which is expended for public services. Proceeding on the basis of bogus figures, and assuming that there is something inherently undesirable in public expenditure as such, it is easy to arrive at the conclusion that taxation is threatening to undermine our economic and political system.

A recent bulletin, *What Government Costs*, of the Tax Policy League, a research organization conducted under the direction of a competent group of economists and tax experts, contains material which is particularly pertinent to this problem. This publication opens with the following statement:

There has been no phase of public finance more variously represented and more extravagantly estimated during recent years than the total amount which the citizens of the country are paying for their federal, state, and local governments. Estimates given out by persons high in the business world which have reverberated throughout the country run up, in some cases, to the fantastic heights of 20 or 22 billion dollars a year.

This bulletin then proceeds to make an expert analysis of income and governmental costs based upon the most reliable sources of information available. Basing its figures on 1932, the last year for which anything more reliable than approximate estimates are available, the Tax Policy League discovers that approximately eight and a half billion dollars of revenue was collected by the 183,000 political units of

the United States—federal, state, and local. This is stated to be “the actual present burden of government upon the taxpayer.”

How do the fulminators against public expenditure arrive at estimates two and even three times this amount? They do it by using gross figures. They include sums realized from bond issues and borrowings, and also include expenditures for debt requirements, “which is obviously misleading, since it involves counting debts as a cost of government, both when they are incurred and when they are paid off.” They include the full cost of public service enterprises, which are partly or wholly self-supporting and take no account of the fact that about 9 per cent of the revenues of state and city governments come from these enterprises.

These misleading figures as to the burden of public expenditures are then used in relation to equally fictitious statements as to the amount of the national income. The result has been that estimates concerning the proportion of the total income which goes into taxes have assumed extravagant proportions, frequently running as high as a fourth or a third of the national income.

What are the facts as to the ratio of taxes to income? If one takes his income figures from a study of the national income, 1929-1932, recently made by the United States Bureau of Foreign and Domestic Commerce, and the estimates of taxes collected by the National Industrial Conference Board, the ratio of taxes to income distributed, as opposed to income currently produced, was as follows in recent years: 1929, 12.1 per cent; 1930, 13.6 per cent; 1931, 14.6 per cent, 1932, 16.3 per cent.

The foregoing percentages give a proper picture of the burden of government—indicated by the ratio of governmental costs, as represented by actual tax collections—to income, as represented by payments actually received by the people of the United States.

In appraising the worth of statements as to the burden of government in the United States, which are frequently issued by interests, anxious to keep public expenditures down to the lowest possible figure irrespective of social effects, it is well to have the following considerations in mind.

First, it is probable that these figures are misleading, if not grossly inaccurate. They usually overestimate the cost of government by double counting certain expenditures, by omitting revenue earned by public enterprises, and other statistical tricks. They underestimate by similar devices the amount of income actually received.

Second, these statements frequently imply that the increase in the percentage of income paid for taxes is the outcome of a recent and tremendous increase in governmental expenditures. They emphasize the increase in federal expenditures in recent years, but fail to note that this increase is offset in considerable degree by decreases in local expenditures, which have taken place as a result of the depression. They fail to note that most of such increase, as has taken place in the ratio between governmental costs and income received, is due to the tremendous drop in income since 1929.

It is much more comfortable for those high in the business world to use the foregoing procedure. By this trick, school teachers and other public employees become the villains in the plot. Attention is deflected from the fact that these industrial leaders have proven unable to operate the marvelous instruments of production which the American people have paid for by their savings. The result of this inability has been a catastrophic drop in income, which is another name for the depression.

Third, those who mourn over the amounts expended for schools and other essential public services frequently argue from the assumption that all money expended publicly is wasted, whereas all

money expended privately is productive. This assumption has no basis, either in sound economic theory or in obvious practical conditions. Millions of dollars of the earnings of the American people have been expended since 1920, with what they believed was competent financial advice, for South American bonds, Kreuger and Toll stock, and Insull certificates. Have these private expenditures proved productive?

Let us recognize that the productivity of an expenditure is not dependent upon whether it is made under private or public auspices. It is productive to the extent that it purchases goods and services that satisfy worthy individual and social wants. Under this sound criterion, no apology need be made for past and present expenditures for education, nor for any public enterprise of equal importance which renders a sufficient and genuine return on money invested in it.

Fourth, the strictures against public expenditures frequently assume that the incidence of taxation automatically and evenly spreads itself over the whole population. Arguing from this false assumption, many tears are shed by the representatives of wealthy interests over the burden borne by the poor people of the nation. What they have in mind is the fact that the principle of ability to pay is increasingly being recognized as a fundamental criterion in determining the basis of taxation. This canon of taxation is finding increasingly effective expression through such modern taxes as those on income. It is difficult to shift these taxes. They have a tendency to stay put. The result is that the cost of government is not evenly and generally diffused. Rather, it is increasingly and properly paid for by those into whose hands the results of the work of all of us tend to concentrate.

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in Sierra Educational News.