

thy of a country like the United States. If we cannot cut down public expenditure so as not to outrun revenue, then there is nothing for it but to take steps to increase the revenue.

Such is the inevitable conclusion to be drawn from Secretary MELLON'S official statement, even if he does not say so in actual words, and does not mention by name any of the new taxes which he appears to think necessary. He takes pains to cite previous warnings of the Treasury against narrowing the base of taxation, and asserts that ever since the Hoover Administration came into power it has sought to set its financial house in order, so as to "prepare for the rainy day that was sure to come." This makes it still harder to understand why neither the President nor the Secretary of the Treasury hoisted any storm signals during all those months in 1929 when they must have known that the hurricane was sure to burst upon the stock market.

MR. MELLON ON TAXES.

Broadcasting seems a fit way to get a plea for broader taxation before the country. Secretary MELLON made use of that medium on Saturday, and what he said was highly interesting. The stress of his speech was laid upon the fact that the income tax is a broken reed for the Treasury in a time of depression. It does not yield a steady revenue through good years and bad. Secretary MELLON shows that this is intensively a defect in our system, since by our exemptions and exclusions we have reduced the numbers of those who pay income taxes at all to only about 2,500,000 individuals out of a total population of 120,000,000. A fair inference from Secretary MELLON'S reasoning on this point would be that he desires to make our taxation of incomes conform more nearly to the British plan of requiring payments, even though small, from those having small incomes. That may be partly the explanation of the fact that the estimates of the British Exchequer stood up much better than did our own last year in the matter of revenue from income taxes. But Mr. MELLON does not commit himself to this specific measure or, indeed, to any other. He contents himself with showing that the present plight of the Treasury of the United States is due largely to taxation not broadly based. He also speaks of the fruitfulness of excise taxes, like that on tobacco, but again does not indicate any which he thinks ought to be laid.

His restraint may be due to knowledge that his implied suggestions of new and wider taxes will not find favor with Congress. All its recent talk has been not about broadening the base, but about getting more off the apex. Instead of limiting exemptions, the apparent inclination of Congress would be to enlarge them, and then to clap much higher rates upon the larger incomes. As for reviving excise taxes, like the tax on bank checks which was resorted to at the time of the war with Spain, friends of the common people in Congress would fight such a proposal to the death. For that would be a way of letting a great many know for the first time that they do pay taxes to the Federal Government. Of this, Congress would naturally prefer to keep them in ignorance, by levying indirect taxes, like customs duties, which innocent Americans can be induced to believe that the foreigner pays, not they.

With great frankness and plainness of speech, Secretary MELLON states that the Treasury is seriously embarrassed. It has to meet a very large deficit by a recourse to borrowing, thus temporarily increasing the public debt and the interest charges. Moreover he does not attempt to conceal the fact that, unless great economies are effected, or new sources of revenue tapped, there will also be a deficit in the next fiscal year. This is really no news. The yield of income taxes on the business of 1931 is certain to be much curtailed, although it is possible, of course, that the heaviest "capital losses" will have already been deducted from the returns for 1930. But in any event, Mr. MELLON is justified in regarding the public finances of the Government at present, and for the immediate future, as in a highly unsatisfactory position. The Treasury and Congress ought to work together to make sure of a well-balanced budget. Hand-to-mouth borrowing is a shiftless and burdensome course, unwor-