
FORTY-SEVENTH LEGISLATURE.

SENATE.

No. 65.

The undersigned, members of the Committee on Federal Relations, to which have been referred various propositions in respect to taxation, currency and the payment of the national debt, not being able to concur in the results arrived at by the majority of Committee, beg leave to submit herewith several resolutions expressing the views of the minority.

In the opinion of the undersigned, no duty more imperative, or more pressing, devolves upon the Legislature of Maine, than that of requesting our Senators and Representatives in Congress, to exert their influence, to have imposed upon the bonds of the United States such a rate of taxation, to be collected by such effective methods, as will assist to sustain the public credit, by adding to the revenue and harmonizing the various interests in the community, by a fair apportionment of the burdens of government upon all classes. The present system of exempting upwards of two thousand millions of the most productive property from any substantial taxation, not only greatly diminishes the public revenue, but by creating a privileged, monied aristocracy, excites heart-burnings and animosities among the burdened classes, which seriously threaten the security of the whole fabric of the national debt. As truly declared in resolves submitted by a Senator from Kennebec, Mr. SNELL, which were referred to your Committee, "the people of the United States of America, are burdened with oppressive taxation, their industrial pursuits paralyzed, their commerce deranged and fast falling into ruin and their finances embarrassed." Under such circumstances, the enjoyment by upwards of two billions of money, of an exemption rarely claimed, even by the feudal nobility of Europe, is not only an odious spectacle, but it is dangerous, because it is odious.

What is demanded from us, is a clear, decided and unambiguous

declaration of the opinion of the Legislature of Maine, upon this subject. It is no time for glittering and deceptive generalities. To declare merely for equality of taxation, may mean little or much or nothing. To declare for the taxation of the bonds of the United States, so far as it is consistent with national obligations, may also mean little or much or nothing. It is quite possible to make such a declaration, with a secret reservation of the opinion, real, or pretended, that no taxation of those bonds, is consistent with fidelity to the national contracts. If the Legislature of Maine, believe that Congress has the power to collect revenue from the moneys invested in the national debt, and ought to exercise this power, it is trifling with the gravest interests and with popular impatience, not to express this belief, in such language, that our delegation in Congress cannot fail to understand, what our belief is, and what our wishes are.

The undersigned, minority of the Committee, have prepared a resolution, which they hope is plain and unambiguous. We do not think it necessary to argue the right of the federal government to tax the income of the bonds of the United States. That right is clear in itself, and supported by uniform practice under all the income tax laws enacted during and since the rebellion. The objections to the present income tax upon United States bonds, are, that it is entirely inadequate, and that it is, for the most part, evaded. To prevent evasion, we propose that it shall be taken out of the coupons, just as the income tax upon railroad bonds is now collected. In reference to the amount of the tax, we propose that it shall be such as will subject capital invested in the national debt *“to its fair, average share of public burdens, as compared with other descriptions of property.”*

It is objected to this policy, that it would subject foreigners to taxation, which is declared to be unjust and unprecedented. In the opinion of the undersigned, it is neither. All real and personal property in this country is subjected to taxation, without regard to the ownership, whether foreign or domestic. So also is money loaned out on interest, if it is in such form as to be reached by taxation at all. The bonds of railroads, canal, navigation, slack-water and turnpike corporations, wherever owned, are subjected to the United States income tax of five per centum, to be deducted from the coupons. Not only are foreign owners not exempted from this tax, but they are expressly made subject to it. The language of the law is, that this tax shall be collected from every

body, "*including non-residents, whether citizens or aliens.*" And this is equally so with stock in banking and trust companies, which is really only a share in moneys loaned on interest. The dividends upon such stock are taxed five per cent. under the revenue policy of the United States, where it can be reached to be taxed, and whether the owners live in America or Europe. The language of the law is, that this tax shall be collected from "*all persons whatsoever, including non-residents, whether citizens or aliens.*" A national bond represents so much money employed in this country in a loan on interest to the government. If there is any principle of justice or law which should exempt it from taxation because owned abroad, or if there is any established course of precedents requiring such an exemption, we have failed to discover it. Foreign lenders of money to our government, do not seem to us to be entitled to any such offensive advantage over domestic lenders. If they do not pay taxes here, upon their property invested here, they probably pay no taxes upon it, as it is of a nature not to be reached by taxation where they reside.

Practically, an exemption from taxation of the foreign holders of our public securities, would lead to frauds, vast in extent and impossible to be prevented. Foreign ownership would be falsely alleged, where it did not exist. Sham transfers of every kind would be resorted to, and the unscrupulous would escape taxation altogether.

In all just senses, the whole of our national debt, is a *domestic* debt. During the revolutionary war, our loans were some of them negotiated abroad and some of them, directly with foreign governments. *But during the recent civil war, Congress steadily voted down, every proposition for the creation of bonds, payable abroad, or in any other currency than our federal currency.* If foreigners have invested in our public funds, they have done it at their own instance and for their own enrichment. And they have profited vastly by the investments of that kind, which they have made. The foreign holders of our national bonds have not paid, upon the average, more than one-half of their par value, and if now taxed, to a degree, equal to taxes upon other property in this country, they will still receive, a rate of interest far above the ordinary returns of European capital.

The question of the taxation of the present bonds of the United States, is not to be evaded, by the substitution of new bonds, to be subjected to such taxation. All schemes of that kind, will be

found to involve either a breach of the public faith, or what is more probable, the conferring of new advantages upon those who already enjoy privileges which are equally odious and unjust. If it is intended to coerce the holders of the present bonds to take new bonds, bearing a less rate of interest, or subjected to a greater liability to taxation, we denounce it as a measure of repudiation. If it is intended to offer the holders of the present bonds the free option of taking new bonds, or of declining to take them, we denounce it as a transparent fraud upon the country, in the interest of monied capital. No man will voluntarily take a new bond in place of an old one, unless the new one is more valuable than the old. And in truth, it is to create new bonds more valuable than the old which is the object of all these schemes. They are not intended to relieve the people, but to enrich the owners of monied capital still more.

To illustrate this view, it will be seen by reference to current marked quotations, that the present 10-40 bonds of the United States, bearing five per cent. interest, and both *principal* and interest payable in gold, with a liability to taxation, at the discretion of Congress, are saleable at a premium of two per centum. It is probable that 10-40 bonds, bearing six per cent. interest and both principal and interest payable in gold, with one per cent. interest set apart for taxation, so as really to make a non-taxable bond bearing five per cent. interest, would command a premium of near twenty per centum in the market. And yet it is proposed, in both the plans of the Secretary of the Treasury and of the Finance Committee of the U. S. Senate, to offer to the holders of our debt, the option of enriching themselves, by taking such bonds at par. Instead of paying the five hundred and fourteen millions of 5-20 bonds, which are now due and payable, in lawful money, it is proposed to give to the fortunate owners of them, foreign and domestic, new bonds which might be worth fully one hundred millions of dollars more than the present bonds. But from the nature of the case, and without reference to particular plans, it is apparent that new bonds cannot be substituted for old ones, except by giving some unjust and fraudulent option to the monied interest, unless it be done by coercion, and to coerce the holders of the national debt into taking less valuable securities than they now possess, is a mere measure of repudiation. We are inflexibly opposed to all such schemes whichever aspect they assume. We are in favor of paying the present bonds of the United States in money, dollar

for dollar, according to their tenor, and until they are so paid of taxing them in such form that the tax cannot be evaded and to an extent which will make the public burdens reasonably equal upon all descriptions of property.

The undersigned, minority of the committee, have also reported a resolution declaring that the principal of all bonds of the United States is payable in lawful money, except in the cases where a special contract to pay in gold was authorized by Congress. The soundness of this view as a *legal proposition* since the act of Congress of February 25, 1862, declaring all claims against the United States to be payable in lawful money, except the interest on the public debt, is believed to be incontrovertible. The creditors of the United States who hold its bonds, are entitled to no preference over other creditors and do not stand upon an equal footing of merit with some of them, such as those who receive but a pittance for the loss of limbs in battle or for the loss of husbands and fathers slain while fighting for the country on the land or on the sea. To pay bonds in gold, which are payable in lawful money, is to aggrandize the few at the expense of the many.

The undersigned, minority of the committee, have also reported a resolution declaring that so long as the currency consists in whole or in part of paper, the privilege of issuing it should be exercised by the government itself, and not be granted to favored associations of individuals. The substitution of three hundred millions of dollars of United States legal tender notes, for the same amount of national bank notes, while it would cause no inflation of the currency, would enable the government to pay off three hundred millions of bonds, upon which the people are paying an annual interest of eighteen millions dollars in gold, wrung from the country by a system of taxation which is fast reducing our laboring men to a hard and doubtful struggle for the bare necessities of life. The enormous dividends of the (so-called) national banks, and their still more enormous undivided surplus profits, realized when all "*industrial interests*" are paralyzed and when the wages of labor are falling day by day, are a standing condemnation of the laws which permit and produce such results.

In conclusion, the undersigned, minority of the Committee, feel it to be their duty to declare that the whole present system of national finance, upon the several particulars which they have reported resolutions looking to reform, is fast tending to divide the country into two great classes, of rich and poor, of tax payers and tax receivers, and must end in bringing on a contest between cap-

ital and labor, which, it is feared, may end in a total repudiation of the national debt. The monied classes seem blinded by cupidity to their own real and permanent interests. Their claims to be exempt from the taxation, which is thus made doubly oppressive upon their fellow citizens, invested in addition with the prerogative, royal in its nature, and in the gains which result from it, of furnishing the paper currency of the country, makes up a mass of pretensions, each in itself sufficiently offensive, but in the aggregate and combinations, so utterly arrogant that submission to them is impossible. The real interest of the holders of the national debt, is to listen to the counsels of equity and moderation. The present system is overstrained, unsafe, and fails to command genuine confidence, either at home *or abroad*. High rates of interest and exemption from taxation have not carried our bonds to par in the markets of Europe. Men feel instinctively that extravagant usury jeopardizes the security of the principal of loans. We have tried that system with our public credit, and tested by the barometer of the prices of our securities in London, Paris and Frankfort, it has proved a failure. It is our most thorough conviction, that with new measures, reducing the net income from our national debt to more moderate and reasonable proportions, and relieving it from the danger of a war between capital and labor, the bonds of the United States would rise rapidly and permanently in the markets of the world.

Our present national debt grew up suddenly, and while the public attention was absorbed in the progress of our civil war. Monied capital was more interested in this struggle than any other form of property, but not only did it contribute less to its sacrifices, but it actually found in the necessities of the government consequent upon it, the means of unprecedented enrichment. The masses, who furnished that most precious of all contributions, their own sons, to the country, recover from the excitement of the great events of the late struggle, to find themselves in the toils of a financial system, so contrived as to build up a paper money oligarchy, lacking all the qualities requisite to command popular regard.

E. W. FARLEY,
E. W. WEDGWOOD,
P. J. CARLETON.

STATE OF MAINE.

RESOLVES relating to the taxation of United States
bonds, and the national finances.

Resolved, That the right of the Federal government
2 to tax the income of the national debt, is clear in
3 itself, and supported by practice, and ought now to be
4 effectively exercised by collecting the tax out of the
5 coupons of the national bonds, and that such a rate of
6 taxation should be imposed upon these coupons, as
7 will subject capital so invested to its fair average
8 share of public burdens, as compared with other de-
9 scriptions of property.

Resolved, That the proceeds of such taxation should
2 be distributed among all the states, on just and equit-
3 able principles.

Resolved, That it is the duty of the government, in
2 good faith, to abide by the terms of all its contracts,
3 and that the principal of all debts, due and owing by
4 the United States, having been declared by the act of
5 congress of February twenty-five, eighteen hundred
6 and sixty-two, to be payable in the currency which
7 was made a legal tender by that act, it will confer

8 unjust advantages upon money lenders, and impose
9 oppressive burdens upon the people, to pay any bonds
10 of the United States in gold, except such as are by
11 their terms made so payable.

Resolved, That so long as the currency consists, in
2 whole or in part, of paper money, issued under the
3 authority of the national government, such paper
4 should be issued directly by the government itself,
5 and that the great and valuable privilege of issuing
6 three hundred millions of this money, yielding a profit
7 equal to fifteen millions annually in gold, has been
8 too long enjoyed by favored individuals, associated under
9 the national banking law, and should forthwith be re-
10 sumed by the people, represented by the political
11 authorities of the nation.

Resolved, That our senators and representatives in
2 congress be requested to support such changes in the
3 national legislation as will carry out the objects of the
4 foregoing resolves.

STATE OF MAINE.

IN SENATE, March 3, 1868.

Laid on the table by Mr. FARLEY, and on his motion ordered to be printed.

THOMAS P. CLEAVES, *Secretary.*