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## Correspondence : "Why Should We Have a New Federal Tax Law?"

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## Correspondence

### "Why Should We Have a New Federal Tax Law?"

*Editor, The Journal of Accountancy:*

SIR: Mr. Montgomery's article "*Why Should We Have a New Federal Tax Law?*" which appeared in your November issue is a departure from the ordinary run of your articles.

While there is much truth in what Mr. Montgomery says concerning the incompetence and insincerity of many of our lawmakers, still on the whole the article relates to fundamental questions of wide scope which are controversial to say the least.

The trend of life in these days is and is going to remain that of a great leveling process; a movement to reduce the great inequalities in the matter of incomes and consequent influence, in all walks of life. The existence of income tax laws in Great Britain and the United States, taxing income as high as 80% and 67% respectively are indications of this tendency. Of course these changes evidence themselves first in the appearance of crude laws; at present we are groping our way. Mr. Montgomery contends that "congress has proceeded on the theory that all large profits are illegitimate," and I think congress is partly right. Many people are of the opinion that an income of a million dollars by one man and a thousand dollars by another is an evil tendency that should be remedied. Graduated taxation is the first step towards a scaling down of this inequality. Whether it is properly the function of the government to effect this is a question to which some will say "yes" and others "no." The majority has come to the conclusion that "yes" is the answer.

Then there are many who are contending that huge profits are immoral because the possessor of them can exert undue influence on our government in order to facilitate his making even more and maintain a despotic grasp on the conduct of industry. What great moral right is there for large contributions by business men to campaign funds for the purpose of securing "business" legislation?

Mr. Montgomery is right in asking business men to stop contributing to campaign funds; but why not ask them to do so for all time? Contributions by business men, as such, have an immoral influence in that the amount of a man's contribution is apt to give him more power in the affairs of government than his suffrage would warrant him. Rather than an evil I think it is a great good that business men cannot hold our lawmakers to carry out their promises but rather that the lawmaker follows public opinion.

Public opinion at this time is in a Sargasso Sea of doubt and uneasiness; its mind is not made up. Naturally this timidity is reflected in our national legislature by a do-nothing policy.

"A confiscatory tax law appears to tax the few rich for the benefit of the many poor," says the article. It would seem that the fact that there are "few" rich and "many" poor would be an indication of something wrong in our economic order and that taxation might do something to alleviate the condition. So far as confiscation goes that is not a new principle in the art of government. Two of the greatest issues this country has had to face, slavery and the liquor question, have been answered by a form of confiscation.

A question is asked in the article "If the representatives are in duty bound to legislate for the majority why do they need or accept help from the minority?" I can find no answer to this question in the article and I wonder if any business man who has made large contributions to campaign funds can satisfactorily answer it. It is one of the problems of democratic government which has not been solved yet by any conventional political theorist.

## Correspondence

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"Men of ability, of daring and superior imagination must not be allowed to accumulate wealth!" says Mr. Montgomery. Neither must men of inability, who lack daring in certain respects and who have no foresight or imagination be allowed to accumulate wealth.

Tax laws do not discriminate against the wise or unwise. The ability to accumulate money is no criterion of character as to daring, or superior imagination, nor necessarily even ability. Sometimes it is the force of circumstances in the case of any number of wealthily-born men.

The vague feeling of the many as reflected in the tax law is the growing opinion that ability to accumulate huge fortunes should be curtailed and the energy which is used in accumulating wealth for selfish purposes often to public detriment, should be diverted to public usefulness. While it is true that ability and talent and imagination cannot be coerced into public service, high taxes on large incomes do in a measure bring this about.

The distribution of earned wealth under our economic order is not likely to remain in the same status in the future. Any industry in which the unskilled workers receive a certain proportion, the skilled workers another proportion, and the managing and capital-furnishing group another, is an arbitrary arrangement. Public opinion may force one group or another to yield at any time, and if the capitalist group, let us say, is refractory and disgruntled, the other groups might gradually oust this group and substitute for it a coöperative ownership. Under such an arrangement the legal ownership would be secondary and relatively unimportant provided the industry were operated by and for the worker and the investment kept intact out of profits.

This letter may seem far afield from the question of the federal income tax, but if it is not looked at in a broad light by us as accountants and citizens we are likely to see only the technical and narrow side of the matter and be unable to understand the greater meaning of this particular legislation.

Yours truly,

VICTOR G. GOUGH.

New York, N. Y., November 18, 1922.