

N. C. Wins Another Series

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principle. And the principles involved are these: (1) Life is organic; it is an expression of inner principle—an unfolding of nature; (2) Government is necessary to progress in human life; the very nature of men renders it impossible for them to live together peacefully and make progress without the existence of an agency of justice and unified activity; (3) Taxation is necessary to government, it must have some source of revenue and can not engage in industry or depend on voluntary contributions. (4) It therefore follows that the system of taxation must grow out of, and express, the nature of the government—that the levy of a tax is a natural activity of government.

Then, what of our government and its system of taxation? In the United States matters of local interest are left to the jurisdiction of the states, and matters of national interest to that of the nation; Pennsylvania manages her own schools, and North Carolina manages hers, but no state assumes to deal with foreign powers. Then, from our principle of taxation, the people of each state must support their own state government. And all the people of the United States must support the United States government. That is, the states must levy taxes local in their nature, and the national government taxes national in their nature. The taxes of our states and of our nation have always been local and national, respectively. In times of war, or for war expenses, this has sometimes not been true; but these exceptions have served chiefly to emphasize our principle that each government is to secure its revenue from that field over which it exercises jurisdiction.

What, then, is the nature of our inheritance tax? An inheritance tax is a tax on the transfer of property at inheritance. Then, its nature is local or national, according as the transfer of property is local or national in its nature. And the transfer of property is unconditionally local in its nature. The national constitution has nothing to say on the subject, Congress has and can have no laws on the subject, the federal courts have no jurisdiction, but that of the state courts is final. Then an inheritance tax is local in its nature. And this fact is intensified by the consideration that property itself, aside from its transfer, is a local institution.

Then, since the states and only the states, in the United States, can and must levy local taxes, in the very nature of the case, the states and only the states can levy an inheritance tax.

The second speaker on the affirmative was Mr. Koschwitz who advanced the argument of the affirmative as follows:

Emphasis was placed in the second speech of the affirmative upon the needs of the Federal Government primarily as opposed to those of the States. The fact, that thru evasion of existing taxes and thru undervaluation of real and personal property, the commonwealths have been unable fully to avail themselves of the real sources of revenue, was brought in. Entrusting to their care, therefore, another form of taxation was regarded, by the second speaker, as merely aggravating the present problems with which they must contend.

Through the citation of figures, the last speaker attempted to reveal

a comparatively strong financial situation among the states. On the other hand, the continued undermining of the present national revenue system was referred to, disclosing the imperative need for additional sources from the Federal standpoint.

In conclusion, in a few words, it was agreed that a Federal Income Tax could be forcibly and effectively administered by the central government.

Mr. Barnett clinched the argument for Carolina in the following words:

Not only is the inheritance tax by nature essentially a state tax, but the states recognizing it as theirs have one by one appropriated it until today no less than thirty-six states are deriving revenue from it.

The inheritance tax lends itself easily to administration by the state because of the intimate relation of the state to inheritances must in their transfer pass thru the state probate courts; they afford a field of state taxation where evasion and under assessment can be eliminated and where collection can be made certain, convenient and inexpensive.

The States have been led to resort to the inheritance tax by imperative and growing need for additional sources of revenue. We would have you consider over against the alleged approaching need of the federal government the present pressing need of the state governments. The expenses of the states must in the nature of things grow much more rapidly than those of the federal government since "upon them devolves the lion's share in our educational and industrial development." Since 1890 the annual increase in state and expenditures by the enormous sum of \$138,000,000 and in the meantime state and local indebtedness has practically doubled.

In the taxation of imports, excesses and interstate commerce then, we have "three sources of revenue which, supplemented by a judicious use of public credit, are inadequate to all needs, both ordinary and extraordinary that can present themselves to the federal government."

Let us then accept this tax on interstate commerce and leave unmolested to the states the inheritance tax which by every standard of sound reasoning and every direction of common expediency is theirs and must be reserved to them if local self government is to have its consummation among the free people of America.

As an additional source of federal revenue we propose a tax on interstate corporations instead of the inheritance tax proposed by the affirmative. In adopting such a tax the federal government levies a tax, certain in its returns, capable of almost any degree of productivity, and in its nature essentially a federal, and in no respect a state tax. Congress moreover has just taken a first step toward such a tax by levying an emergency tax on all corporations doing an annual net business of more than \$5000.00.

The State's need of the inheritance tax is become increasingly imperative because of the failure of the general property tax from which they have derived most of their revenue in the past. This is an irremedial failure, despite every effort of the States, it has become less and less productive of revenue.

The States have found in the inheritance tax a rich revenue producer, in some instances deriving from it as

much as 8, 15, and 19 per cent of their total tax receipts. Its yield moreover has shown a strong tendency to double once each half decade since 1885. It has become a necessary part of our state fiscal system.

The federal government has no real need of the inheritance tax as a revenue producer. Its revenue as well as its expenses have steadily grown with the growth of the nation. During the past three decades, for instance, altho the federal expenditures have trebled, federal revenues have not only been sufficient to meet this enormous growth but actually to reduce our public debt from thirty-eight dollars to ten dollars per capita. In its excise tax, the federal government has a flexible tax capable of a much higher degree of productivity when necessary. The enormous growth in the volume of our imports will offset any reduction in our tariff which may occur.

After these first speeches were over the orchestra soothed the minds of the audience and gave the debaters a few moments in which to collect themselves for rebuttal.

Mr. Hoover came first on rebuttal and spent his time well in summarizing his own arguments and rebutting those of his opponents.

As always, Carolina's strength was in her rejoinder. Highsmith pointed out the fallacy in the argument of the opposition and he made their position untenable at once.

Mr. Koschwitz did what he could to stem the tide but he was unequal to the occasion.

The debate was clinched for Carolina when Barnett simply tied things up in a proof and sealed them with the white and the blue.

The Carolina men won their debate as Carolina always does. They simply sank their shaft to bed rock and took their stand. Who could cut their support from under them? They just found the basic principle of the whole question and built their structure on that and the result was an argument irrefutable.

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Banquets for N. C. Teams

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bate, the members of the debating union, the faculty committee on debate, and all Carolina debaters on the Hill, comprised the number at the festal board. All the members of the teams were heard from and they held up their record of oratory even after their exhaustive efforts in Gerrard Hall just a few minutes before. Some of the others present also had a few words to say in praise of a most excellent debate.

In the Phi Society Saturday night the query was, Resolved: That the centralization of railroads is beneficial. The judges decided that the affirmative won, that Mr. Highsmith made the best speech. Mr. Hughes obtained honorable mention.

The Sigma Nu Fraternity gave a banquet Saturday night. Dr. Archibald Henderson acted as toastmaster. Besides the active members there were present, Dr. W. deB. McNider, J. G. Tooley, law '09, R. M. Wilson, '09, and Fred Henry of Ohio State University. The occasion proved a brilliant success.

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