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elaborate. It would contain a section where the kind and prices of commonly used office supplies such as rubber bands, pencils, pens, stationery, blank books, binders, ink and the like would be listed with their prices and the name of the contractor who agrees to furnish them. Another section would contain a list of prices for hardware, another section for office furniture, and so forth.

By purchasing from such a schedule considerable saving of public money would be effected. The possible order for larger quantities would stimulate manufactures or jobbers to give their lowest prices. Purchasing from retail dealers would be eliminated and the profits made by them saved to the government. The character and quality of the supplies would be standardized. Replacements would be easier. Spare parts could be had with a minimum loss of time. Quicker deliveries could be obtained. The Government would be protected from unscrupulous contractors and petty speculations on the part of employees. Less paper work would be necessary. A large number of other advantages would soon be apparent.

It is sometimes urged that the Government should give its business to local merchants. If conditions as to price and quantity are equal, local merchants should of course be given preference, but, whenever the articles can be obtained more advantageously through purchasing directly from the manufacturers or wholesalers, this should be done. To favor all ^{of} the merchants in a particular locality, or some of the merchants in a particular business, is unfair to the rest of the taxpayers or merchants. The profits from government contracts can not be distributed equitably. The only fair policy is to treat everyone alike and to purchase at the lowest prices obtainable. Thus the savings or profits will be distributed equitably amongst the taxpayers.

It will be impossible to make all purchases on the basis of annual contracts. Emergency requirements arise which must be filled immediately.

Small purchases of certain articles which it was not thought necessary to include in the list or schedule also must be made occasionally. Special articles of technical equipment, large orders for immediate delivery, and other exceptions to purchasing on a general schedule of supplies, must be dealt with independently.

Every purchase which is made, no matter how small, should be made on the basis of written quotations of prices so that it will be possible to check the action of the purchasing officer. No informal or verbal quotations should be accepted as a basis for awarding an order. It is imperative of course that all purchases of large amounts be made on specification and public bid. It is not necessary that an elaborate specification be prepared for small quantities of articles or supplies infrequently used. In such cases a short description or the use of a trade name will serve to identify the nature and quality of the article on which bids are desired. Any dealer who is able to quote a price on the article named or its equivalent should be given opportunity to furnish the supplies needed. But where large amounts are required exact specifications should be prepared. A large number of such specifications covering practically every type of commodity has been prepared by the United States Bureau of Standards, and will be furnished to anyone on request. The Canal Zone purchasing office has specifications for a great variety of articles and supplies which may be obtained without difficulty.

It may occasionally be necessary to prepare specifications for certain particular kinds of supplies and equipment used by the Government and special contracts may be required. For instance, if the Department of Public Instruction believes that a particular kind of school desk or bench should be used, it ought to be allowed to purchase it, if the funds are available, without interference by the Purchasing Office. In this case, the Department of Public Instruction would prepare the specification describing the size of

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the desk needed, the materials of which it should be made, how it should be finished, and how packed. A drawing of the desk and other similar specifications to describe exactly what is wanted should be submitted. These specifications should then be forwarded to the Purchasing Officer who would send them, together with an invitation to bid, to all reliable jobbers and manufacturers. When the bids are received they should be reviewed by the Purchasing Officer and he should indicate the one he believes should be accepted. He should then forward them, together with his recommendation, to the Department of Public Instruction for review. Unless there is some disagreement of opinion as to which bid is the lowest under all the circumstances the contract should then be prepared and signed. The Comptroller General would have the final authority to decide any controversies as to which bid under all of the circumstances was most advantageous to the Government.

One more step in the purchasing procedure is essential. There must be thorough and painstaking inspection to see that the goods actually received comply with the specifications and terms of the contract. Whenever they do not, the goods should be rejected and, unless satisfactory replacement is made, the contractor's bond should be forfeited.

If this purchasing procedure were adopted and rigidly adhered to, there is no question in our minds but that important savings would accrue to the Government. Such procedure would be fair and open, would ensure competition, and would give uniform treatment to all. It would inspire the confidence of the public and of those who supply goods and services to the Government.

No exception to this procedure should be made. Automobiles, trucks, hospital supplies, and equipment, agricultural machinery, staple foods -- all should be purchased either on a general schedule of supplies, or on a special set of specifications and public bids with award made to the lowest bidder.

In our study of the purchasing system we have noticed that supplies were

being purchased when there was no money available with which to defray the costs. This is accomplished by delaying the submission of the bill and indicating that it should be charged to the budget (presupuesto) for the following fiscal year. It is obvious that this procedure defeats the purpose of the budget, increases the amount of outstanding Treasury obligations, and causes loss to the Government, since the contractor probably includes in the price of his goods the interest or discount on the money he has in effect loaned the Government.

Printing (C)

It is believed that more attention should be given by the Government to study of its bills for printing. With a little effort considerable saving might be made in this field of expenditure.

The Government of the Republic of Panama expends approximately B.100,000.00 per annum for the printing of Government forms and publications. Of this amount about B.22,500.00 is allotted to the Government Printing Office (Imprenta Nacional) and about B.16,000.00 is used to pay for printing done by private firms. So far as we can learn, no public bids are invited on such printing as is done outside the Government office.

The Imprenta Nacional should be reorganized and equipped to perform all of the printing needed by the Government. While the present management seems to be doing as well as might be expected under existing circumstances, there is nevertheless great opportunity for improvement. Equipment is antiquated; methods are ^{behind the times;} ~~obsolete~~; the standards of printing leave much to be desired. With improvement of these conditions considerable savings in cost can be effected. The improvements suggested can be made gradually if the proper Government officers adopt the policy of encouraging the operation of the plant, permit the purchase of better machinery, and insist upon having all Government printing done at the Imprenta Nacional. There is no reason why the service and quality of the work can not be as good as that obtained outside; but so long as only

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these documents which are of secondary importance are printed at the Imprenta Nacional it will continue to be a second-rate priority. The management of this plant ought to be in the hands of a well-paid expert who would have authority to reorganize the shop.

The practice of printing in this government shop certain publications which are not strictly official in nature should be discontinued. It is of questionable propriety to allow the printing of such magazines as "La Raza" at the Imprenta Nacional. This publication is compiled by private persons and sold to the general public in much the same way as are ordinary magazines with only the most indirect benefit to the Government. It is unfair to private printing establishments for the Government office to be doing such work.

Other magazines besides "La Raza" - "Estudios" and "Revista Conmemorativa del XIV Aniversario de la Fundacion de la Republica" - contain advertisements. There is no evidence to show that the money received from these display advertisements is turned into the National Treasury. Desirable as these publications may be, ^{if} they are printed at the expense of the public treasury there should be an accounting of income from them.

The cost of printing can only be kept down by constant and careful scrutiny of every article of form presented for publication. An appropriation (partida) should be made to each department for printing and no office should be allowed to exceed its allotment. But even with this restriction the utmost vigilance should be exercised by the head of the department and by the budget authorities to see that no unnecessary printing is done.

Much of the printing that is now done by the Imprenta Nacional and by outside firms could be done more quickly and cheaply on a mimeograph or multi-graph. The instructions and examinations furnished school-teachers, for instance, could readily be duplicated on such office machinery. A central

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duplicating unit would prove of great value in saving money and in expediting government business.

Personnel Problems (B)

No program of budgetary procedure, however sound, no program of business administration, however meritorious, will guarantee to a government a successful administration, if execution of that program is entrusted to a body of public servants individually incompetent or indifferent to their duties. In the last analysis the success of any government administration depends upon the integrity, initiative, and efficiency of its employees. To cultivate and encourage these qualities a personnel system ^{should} be set up and maintained which is equitable as between different classes of employees, which insures them a fair compensation, and which gives them promise of a satisfactory and stimulating career. They must be protected against arbitrary and unreasonable dismissal.

Moreover, experience the world over has shown that it is practically impossible to prevent the public service from being overloaded in numbers and impaired in efficiency unless some non-partisan system governing changes in the personnel is adopted. Officials who have the making of appointments and who desire to give good administration find it almost necessary that they have some protection from demands upon them for places usually far beyond the number of places at their disposal.

We would not propose the sweeping installation of any new system. The merit system could not be made effective over night, or established by the simple process of enacting a civil service law. The change must be made gradually; that is, by installing here and there a system of competitive tests, and by allowing efficient employees to remain in office even though their political views may be a variance with those of the administration. Commendable progress in Panama along this line has recently been made by providing for the examination of school teachers. The tendency of the present administration not to dismiss

an employe simply because some friend or relative of a politician wants his job is a healthy sign. There are other indications of progress including the recent determination to keep a closer check upon the hours of arrival and departure of government employees.

Civil Service Law. (C)

There is now in the Administrative Code (Codigo Administrativo) a civil service law which has never been made effective. The explanation probably lies in the fact that attempt was made to apply the sections of the law which provide for the examination and certification of candidates for public office to all positions in the government service and to make mandatory the dismissal from the service of all those who failed to pass the examination. Such provisions would, of course, work great hardship upon practically all of those in the public service at the time of its passage and would result in the replacement of the more experienced personnel with those who had no knowledge of the work of the offices in which they were to be employed but who were successful in the examinations because of their better or more recent academic training. Such application of the law was clearly inadvisable, but there seems to be no reason why the law could not be applied at once to certain classes of new entrants.

Every country which now has the competitive system of selection and retention of its employees on the basis of merit has put the plan into effect gradually. Assuredly, in the Republic of Panama no attempt ought to be made to apply the civil service law to all positions at once. At first the competitive selection process ought to be made to apply only to such employees as school teachers, policemen, minor clerical officers, customs employees, postal clerks, telegraph and telephone operators, nurses, hospital attendants, messengers, porters and similar classes. Even here it should be installed gradually and made to apply only to new appointments. Lists of persons who are eligible to hold certain positions should be prepared by the Civil Service Commission and

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all replacements of employees made from this list.

For some time it will probably be desirable, even necessary, to exempt the higher classes of public employees from operation of the civil service law. Especially is this the case with certain positions which have a peculiar political significance. The judges, alcaldes, corregidores, foreign ministers and consuls, all those employees holding positions of a confidential character, and all the higher administrative officers (which would include almost all positions receiving a salary above P.1,800.00 per annum) may reasonably be excepted from the terms of the civil service law until such time as the merit principle has proved its value fully in the lower classes of the service. Also those in the very lowest level of employments, as, for instance, laborers engaged on road or construction work, might reasonably be appointed without being required to pass tests prescribed by a Civil Service Commission, since the nature of their work is usually temporary.

Certainly no system of competitive examinations will solve all of the problems connected with the selection of employees on a merit basis. This is especially true wherever one examination is designed to test the fitness of persons for all types of positions. Even when an examination is prepared for a single group of employees with the greatest care by a competent body of experts who understand the psychological basis for each job the results are sometimes most unsatisfactory. As the importance and responsibility of positions increase the difficulty of selecting persons by mental tests to fill them increases tremendously. It is well, therefore, in the interest of flexibility and avoidance of bureaucracy, to hold these higher positions outside the civil service law until the general public is educated to demand the highest non-partisan type of service in all public offices. However, it is relatively easy to select through competitive examination persons to fill the more routine type of clerical and messenger positions.

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We are of the opinion that the civil service law ought to be reenacted. It should, however, be redrafted with the specific types of positions to which it will apply clearly set forth. These classes of positions will include those previously mentioned. The law should also give the Civil Service Commission the power to exclude temporarily from the terms of the act any particular position if extraordinary conditions warranted so doing. While the employees now in the service whose positions are covered by the terms of the act should not be required to pass an examination nor be dismissed arbitrarily from the service, any new appointments or replacements should be made under the terms of the civil service act. The civil service act should confer on the employees now in the service no rights which they do not now enjoy but it should give to each new employee selected in accordance with its terms the right to be retained in office as long as he performed his duties satisfactorily and as long as there is need for his services. The Civil Service Commission should be given the right to pass judgment on whether an employee who is recommended for dismissal has been guilty of insubordination, inefficiency or disloyalty.

Salaries of Public Employees. (C)

A fair and adequate scale of compensation for public employees is of the highest importance in encouraging initiative, loyalty and honesty. We are impressed that by and large, the salaries paid to the rank and file of the employees of the Republic of Panama are not unduly high. But while this is true of the lower classes of employees it does not apply as generally to those holding the higher administrative and political positions. Judged by standards prevailing in countries where the general wage level is much higher than in Panama, some of the officials of the Government are receiving salaries high enough to be out of proportion to the responsibilities of their positions. We question the action of the last Assembly in raising the salaries of the

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governors, alcaldes, corregidores and other political officials of the provinces, particularly in view of the existing state of the Treasury. Certain of the other salary increases granted by the last legislature seem to be without justification, in view both of the class of services and the many present opportunities for expenditures of general public benefit.

Adjustment of Salaries (C)

As a result of lack of proper coordination, salaries of the employees of the Panaman Government now do not have a proper relationship to the importance, duties or responsibilities of the positions occupied by the employees. Some heads of offices are receiving twice as much as the employees who are next in responsibility. Section chiefs are receiving salaries wholly out of proportion to those received by the minor clerical employees. Heads of small offices receive more than heads of larger offices. The supervisor of the dock of Bocas del Toro receives one-third more than the person occupying a similar position in the much larger and more important city of Panama. The market inspector at Colon receives half as much again as the market inspector in Panama.

Flagrant inconsistencies are bound to arise when salaries are not fixed according to a definite standard or system but are determined as the appointment is made. The remedy for this condition is to make a careful survey or classification of all positions and determine the minimum and maximum salary which will be allowed for each position. Note that it is primarily the position which should be classified and rated, not the employee. All appointments and promotions should then be made in conformity with the standards thus established.

Readjusting the salaries of the employees of the Republic of Panama does not necessarily mean increasing the gross expenditures of the Panama Government for personnel services. The fact that there is "overmanning" or surplus personnel in the government departments and offices is known. Not alone are non-producers an unjust charge upon the public treasury; their presence has a

disastrous effect as well on the esprit-de-corps of the government establishments, undermining the morale of those employees who are conscientiously endeavoring to carry out their duties. If useless positions were abolished, merited reductions in salary made, and surplus employees dropped, funds would become available for adjusting the salaries of others.

The extent to which the number of employees has increased in recent years according to the most accurate information available in the Fiscal Agent's Office is shown in the following statement:-

<u>Department</u>	<u>Number of Employees</u>			
	<u>1923</u>	<u>1925</u>	<u>1927</u>	<u>1929</u>
Government and Justice	1910	2161	2536	2547
Foreign Relations	48	48	51	78
Finance and Treasury	292	310	382	358
Public Instruction	1289	1446	2076	2079
Agriculture and Public Works	47	68	104	147
Total - - - - -	2586	4033	5149	5209

The annexed statement showing the amounts expended for salaries for the month of January in each of the years from 1920 to 1929, indicates the extent to which expenditures were increased.

Personnel Records (C)

Quite independent of the action taken in regard to the proposed civil service law there should be established in one central office a record of all public employees. This record or file should contain:-

1. The personal history of the employee - name, age, education, experience, residence, date of appointment, salary and position to which assigned.
2. Copies of all orders and decrees affecting him.
3. Copies of orders imposing disciplinary action or fines on the employee.
4. Copies of complimentary orders.
5. Copies of all orders affecting his leave, vacation, or salary.

The only records approaching the one mentioned which we have found in

STATEMENT OF AMOUNTS EXPENDED FOR SALARIES

FOR THE MONTH OF JANUARY BY

THE REPUBLIC OF PANAMA 1920 TO 1929

DEPARTMENT	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929
GOBIERNO Y JUSTICIA	95,344.58	99,780.37	95,841.35	103,707.76	102,153.43	117,436.98	123,406.58	147,206.71	136,838.35	155,558.74
RELACIONES EXTERIORES	8,682.40	5,363.81	7,820.00	13,412.63	14,120.00	9,881.66	21,327.76	16,130.00	16,154.56	21,230.86
HACIENDA Y TESORO	24,566.23	26,181.53	26,024.84	25,727.40	29,302.84	30,881.54	40,198.74	35,294.12	36,387.51	41,440.62
INSTRUCCION PUBLICA	37,115.10	41,884.19	43,173.96	59,359.56	101,159.61	112,860.41	111,194.88	122,526.68	124,650.85	132,055.29
AGRICULTURA Y OBRAS PUBLICAS:	14,300.28	7,794.65	20,096.55	9,713.64	20,306.19	9,211.76	16,822.48	28,886.96	20,893.38	20,033.94
TOTAL	180,008.59	181,004.55	192,956.70	211,920.99	267,042.07	280,272.35	312,950.44	350,044.47	334,924.65	370,319.45

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the Republic is that concerning policemen and the record which is kept of the service of school teachers. But there is no central record of any other group of employees. Such a record should be set up and used for the purpose of auditing payrolls, making promotions and other personnel purposes.

Fundamental Safeguards. (C)

Before concluding this discussion of personnel problems we feel it our duty to point out the futility of hoping for an improved morale in the lower walks of the civil service unless those who occupy the higher positions are above reproach in their dealings with the government. Certain practices have existed among the higher officials that, without doubt, have a demoralizing effect on the whole service.

No government officer, employee or member of the legislative branch of the Government should be permitted to share in the profits derived from selling services or goods to the Government. The situation would be bad enough if such contracts were safeguarded by a rigid system of public bids and specifications; it is infinitely worse in the absence of any such system. It is patently impossible, in the very nature of the case, for a government officer to be completely impartial when he is dealing with a company in which he has a direct personal interest. The practice of doing so admits of no defense. It is contrary to every principle of good administration.

It may be argued that, in a republic as small as Panama, it is impossible, owing to lack of business competition, for the Government to obtain the goods or services it needs unless a government officer is allowed to share in the profits of such transactions. This argument will be supported by the claim that as business men are the ones best qualified to administer the Government they are usually to be found in public office and that they will inevitably be forced to deal with the firms they represent in private life if they wish the Government well served. In answer to this argument it may be said that there

are perhaps a few extraordinary instances of cases where the Government would suffer were government officials forbidden by law to profit directly by government contracts. But cases of this kind are so exceptional that they should not be taken as a guide for ordinary practice.

An administration anxious to avoid criticism and jealous of its reputation for fair dealing would also scrutinize with utmost care the terms and conditions of contracts awarded to active political supporters of the party in power. The best method of providing these safeguards is through a system of open competitive public bids and award of the contract only to the lowest bidder. In passing, a word should be said ~~in~~ ⁱⁿ condemnation of the "cost-plus" basis method of making contracts which the Government has sometimes adopted. Certain streets and subdivisions of Panama City are now being developed under that form of contract. The same is true of the new Nurses' Home being built at Santo Tomas Hospital. It is obvious that, under this kind of contract, opportunities for graft are manifold. No matter how rigid the inspection, there is bound to be loss to the public when the contractor can gain by merely running up the cost of a job. Payrolls are too easily padded; work too easily retarded. Rarely are such contracts justified.

Plural Office-Holding (C)

Another practice noted in our survey of government offices which affords unlimited opportunity for abuse is that of permitting one man to hold several government positions at the same time. In one instance a government official is drawing four salaries from the public treasury for holding four separate and distinct positions. It is true that some of these positions are not full-time employments but it is obviously impossible for any person to perform the full duties of all of these positions. He ^{also} has a private business to which he must devote a considerable portion of his time. Numerous cases have been noted of government officers drawing two or more salaries from the treasury.

Even where such positions ~~simply~~ require only part of the time of the government employee he should not be permitted to hold a second office unless its duties are such that they may all be performed during other than the regular office hours. There are, for instance, a few positions on the teaching staff of some of the evening professional schools which could be filled by people regularly employed by the Government.

The practice of augmenting the salary of a government officer through the subterfuge of appointing him to more than one position, as for example, to a salaried position on a government board or institution, is, to put it mildly, fundamentally unsound. A number of such cases are found in practically every government department. It is unnecessary for us to mention the beneficiaries by name. Government officers should be allowed to sit on such boards ex-officio but they should receive no extra emolument for such duties. The law forbidding a government officer from drawing more than one salary from the public treasury should be strictly enforced. Exception should be made only in the case of part-time school teachers.

Travel Allowance. (C)

Another method of augmenting the salaries of government officers which is practiced to a considerable extent in the Republic of Panama and which should be discouraged, is the allowance of a certain specified monthly amount to each government officer for traveling expenses (viaticos). The officer receives this amount regardless of the extent to which he travels, or whether he travels at all. This practice, while not subject to as much abuse as the one previously mentioned, is wrong in principle and should be abolished. Every government officer who travels on official business should be required to submit a detailed expense account and should be reimbursed for exactly that he spends on the government business, and no more.

Need For Wider Publicity (B)

Finally, the public interest would be safeguarded by the establishment of a complete system of public reports of the operations and expenditures of each government office. At present few offices render a full and accurate account of their stewardship either to the Chief Executive, or to the Assembly. This should be done at least once a year and to these individual reports wide publicity should be given. All newspapers should receive copies. The extent to which such a system of public reports would operate to discourage subterfuge is obvious. A full accounting to the public of the acts of every official would provide one of the fundamental checks on public servants. Such an accounting is especially necessary in a democracy. Generally speaking officials of the Republic of Panama ought to disclose to the taxpayers more fully than is their custom what have been the accomplishments of their administration and what plans they have for the future. They ought also to publish in complete detail statements of how all revenues have been expended, giving the basis of all claims against the Government. At convenient times all payrolls and accounts should be exposed to the public gaze. Experience has demonstrated that complete and frank publicity of all the acts of a government affords the best possible means of protecting the public interest.

THE REVENUE SYSTEM (A)

In the fiscal year 1927-1928 duties collected upon imports amounted to B.3,039,111.14, out of a total of about B.7,000,000.00 of revenues resulting from all forms of taxation. If consular fees, which for the most part are also charges on imports, are included the total from that source was B.3,469,150.00, or about one-half of the revenues from taxation. This is a very unusual proportion for any country. The aggregate yield of taxes on the manufacture and retail sale of beer and liquors is over twenty per cent of the yield of all taxes, while the taxes collected on real estate produced

only about five per cent of that total. These figures are unusual also, particularly the latter, if regard is had for the fact that the principal functions performed by local governments in most countries -- the maintenance of the courts, schools, police, etc. -- in Panama are performed by the National Government. The situation of course is due to the fact that the rural country is undeveloped, and the revenues are collected mainly in the cities of the Isthmus whose business to a great extent is with transient travel through the country and with residents of the Canal Zone.

Panama at present is essentially a trading nation and looks forward to continued development of the tourist and other outside trade. While this trade is yielding important revenues, a reduction of some of the import taxes presumably would help the development of the trade in the future. It is an accepted economic principle that a trading nation should endeavor to place itself as nearly as may be practicable upon a free trade basis, at least with the regard to the purchases which it expects to sell to foreign customers (in this case tourists temporarily in the country).

Unquestionably it will be desirable to keep this principle in view and work in accordance with it as may be practicable, by the removal or lowering of duties known to be a handicap upon trade. It is obvious, however, that import duties are too large a factor in the total revenues to allow of any hope that the country can adopt a general policy of free trade, or that any sweeping reduction can be made unless other sources of revenue are developed. We are not impressed that other sources of importance are likely to be found in the near future, and incline to the opinion that for any reduction in the schedule of duties, or any increase of revenues, dependence must be placed upon more effective administration of the present taxes and the growth of volume which will come with the development of the country. This, of course, does not preclude rate changes from time to time.

It has been suggested that a general sales tax might be substituted for import duties. Taxes on sales are a very old form of taxation, but now generally discarded except in limited application. A general sales tax applicable to all small transactions is difficult of enforcement, costly in collection and unpopular both with merchants and the buying public. Those applied to limited lists of commodities during the late war-time were commonly called "nuisance" taxes, and have been generally repealed. Even more certainly than an import tax, a sales tax is a charge on consumption, entering directly into living costs. It would affect the tourist trade in the same manner as the import taxes.

Until comparatively recent times the great bulk of the revenues of all Governments have been provided by the taxation of tangible property, principally land and improvements thereon but including movable property, chattels, etc. Also, there have been excise taxes, stamp taxes and other taxes devised by the ingenuity of legislators, the guiding purpose being to raise revenues by levies which were fairly definite in terms of application, could not be readily evaded, were not too costly to the Government or annoying to the public in collection, and which would yield considerable sums. The old window tax of England was an example of a tax readily assessed, for the tax official could determine the amount due in each case without interviewing the owner or entering the house. However, it had the undesirable effect of causing people to reduce the number of windows in their houses, which illustrates the importance of giving consideration to all possible effects of a proposed tax. Simplicity is one of the chief requisites in taxation.

There is a very proper desire among enlightened persons everywhere to keep the common necessities of life as free as possible from taxation, and to distribute the burden of supporting government as nearly as may be in proportion to ability to bear it. However, the effects of taxation are so widespread

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that they are not readily seen. Taxes levied upon luxuries and particularly goods of a class representing luxury spending by rich people have general approval, but on the other hand tax measures which have the effect of depleting the supply of capital available for the development of industry, and especially of causing home capital to be invested abroad, or foreign capital to stay out of the country, will tend to reduce the opportunities for employment and thus do injury to the wage-earning population as well as to the general interests of the country.

Efforts have been persistently made to collect taxes upon "moneys and credits," including money at interest, and upon paper representatives of tangible property, as corporation stocks, etc., but in most countries until very recent years the share of the revenues collected from all sources other than real estate, imported goods and certain common excise taxes has been comparatively small,

It is fundamental to just and successful taxation that assessments shall be made with a fair degree of equality upon all who are lawfully subject to them. It is recognized to be more important that all business of the same class shall be taxed equally than that different kinds of business shall be taxed ^{at the same rates.} ~~equally~~ For example, if everybody in a given line of business was entirely relieved of taxation, it is probable, competitive conditions being unchanged, that profits in that line soon would be no greater than when all were taxed alike. In other words, the benefits of immunity from taxation in such a case, like any general reduction in the costs of doing business, probably would be seen in lower prices.

A common subject of controversy in the construction of taxation systems is the tax on promissory notes or mortgages. Many states of the United States maintain it but it is notoriously ineffective as a source of revenue, and when collected is usually paid by the borrower. It is an element of uncertainty

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which tends to raise the cost of mortgage credit without producing the expected revenues. A number of States instead of attempting to apply the general ^{tax} property/to mortgages have substituted a small mortgage tax, payable when the mortgage is recorded, which yields more revenue than was formerly received under the general property tax.

The taxation of land and of a mortgage on the same land is objected to as double taxation, and the taxation of property owned by a corporation and also of the capital stock of the corporation presents a similar state of facts. In both cases the taxation falls on the same values. This, however, would not be a serious matter provided the taxes were uniform and certain. Objection arises mainly on account of the uncertainty and inequality which have been found to attend upon what may be called the secondary levies.

Generally speaking, ~~former~~ measure for the taxation of "moneys and credits" are giving way to the income tax, which, with growth of intangible wealth in countries that have reached an advanced stage of economic development, has become an important feature of taxation systems. However, this is not an easily administered tax; it requires a high degree of cooperation on the part of taxpayers and a competent force of officials in charge; moreover, it affords opportunities for favoritism and corruption. In a country like Panama, where the greatest need is for increasing supplies of capital, it might do more harm by sending or keeping capital out of the country than all the collections under it would amount to. For these reasons we are not recommending an income tax for Panama at this time.

The Revenue Laws and Present Revenues (B)

The accompanying tabular statement of revenues collected in each year from 1921 to 1928 shows the total receipts and also the sources from which the principal sums were received. The figures indicate a regular annual increase in revenues since 1924, after a temporary decrease in 1922 and 1923 due to the post war