

# A Plea for Scientific Taxation 2473

By CHARLES JOHNSON POST

**I**N THE rural court the justice looked down on the culprit. 'Fifteen dollars' fine for having a dog without a license,' he said. 'Might be a sheep-killer,' he added.

In a court in a big city in the same state a police officer stated the charge. The court nodded.

'Drunk and disorderly and fighting in the car?' he asked. 'Fifteen dollars' fine—maybe you'll learn not to be a nuisance next time.'

The line of prisoners moved up. A shabby owner of a tenement house looked up at the judge.

'Violation of the building code—fire escapes unrepaired endangering life of tenants; plumbing a menace to health. Fifteen dollars' fine.'

In that same up-state county the board of tax assessors was in meeting to hear protests and valuations.

'Now, Jim,' said the chairman kindly, 'you know that new cow barn of yours, paint and all, didn't cost you a cent under \$1,500. We've only raised your assessment \$750 and that only puts on \$15 to your tax. You've got no kick coming; that's fair enough. Fifteen dollars—why you ought to be paying \$15 more than that, by right.'

In that same big city the committee on protests of the board of taxes and assessments was in session.

The chairman looked at the list of names before him.

'Well, Mr. Jones,' he said firmly, 'you admit that you've put in new plumbing throughout your house—a fine job, too, and you say it needed it. You've painted it and put lanterns in the front door and our assessor says it's the best-looking house now in the block. It cost you anyway \$3,000 and all we're doing is raising your assessment so your tax is \$15 more. That \$15 tax extra will have to stand. Next!'

**A** YOUNG man stepped forward.

'Your Honor,' he said with embarrassment, 'I bought a lot when I got engaged; it wasn't anything but weeds and tin cans. Then I got married and we built a house on it. It cost \$7,500. I am paying interest on the mortgage and paying off the principal. It's not easy sledding. My tax bill of \$187.50 is pretty stiff. Most people think it looks better than it did with the tin cans and weeds there.'

'Sorry,' said the chairman, 'but that's the law. Next.'

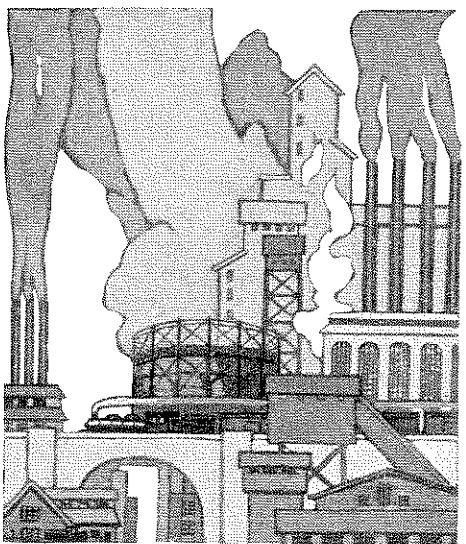
The self-possessed, clean-cut business man stepped up before the chairman.

'I have just added a new wing to my factory,' he said. 'I have hired one

hundred more skilled workmen and am paying them good wages. They spend those wages in this community, and have added that much more to the purchasing power of this city. I have put in \$50,000 in new machinery—this means that in some other town in the nation hundreds of men were paid wages to make that machinery. I am shipping ten additional carloads each week from that new wing—and that means more business for the truckmen here and for the railroads that haul it. In other words, I have invested over \$80,000, about \$250,000 more each year in wages, in this community. And you have raised my tax assessment so that I must pay \$2,000 more taxes on that account! Is that common sense?'

'Sorry,' said the chairman. 'Next!'

**W**ELL,' retorted the manufacturer, who knew about dogs and drunks and disorderlies, 'I could keep 133 sheep-killing dogs for that money or pay the fines of 133 drunks and disorderlies! I'd like to shake the hand of the man who said the law is an ass!'



And there you have the tax laws of every state in the United States in a nutshell. Unscientific! That is too mild a word for a jumble of tax laws that actually are repressive and destructive of the very business life of our nation.

Just think it over for a minute. What makes a people prosperous? It is their ability to produce merchandise in all forms and exchange the same. With this production of mer-

chandise invention is stimulated, merchandise is produced more easily and more people enjoy it; new desires create new jobs and more prosperity. The encouragement of the production of merchandise in all its forms is the basis of a nation's prosperity and progress. It is its life.

So that one would think, naturally, that a wise nation and an intelligent people would demand that every encouragement be given to the production of merchandise. And yet we put the penalty of higher taxes on the very enterprises that make more jobs, employ more men, and increase the purchasing power of the country. We fine the owner of sheep-killing dogs; we fine the man who is a public nuisance; we fine the man who allows his tenement to be a menace to health and life; and we do all this, properly enough, in order to keep down the number of these nuisances.

And we fine the man who builds better and safer houses! And we fine the man who increases the manufacturing business of the nation, and increases the amount of wages that he pays, and who adds to the wealth and purchasing power of the country! We fine them by higher taxes. Are these men nuisances, too? If not, why should they be treated as such?

It is time to stop and think—that is, if we want our prosperity to continue—and do some scientific thinking on tax matters and the actual destructiveness of our tax laws.

**O**UR tax laws are nothing but an evolution of the ignorance of the historic past. They are not based upon scientific principles. Originally taxes were nothing but tribute, or plunder, exacted from a conquered people; and their collection was farmed out to tax-gatherers who extorted as they chose so long as they turned in to the central government a fair share of the plunder.

Then, in feudal times, the king received tribute, or taxes, from the feudal barons who, in turn, exacted tribute from the people directly under them. But here was really a much higher plane, for the king gave a service in return—the service of a common protection to his barons. The barons, in their turn, gave the service of protection and security to those directly under them. This was not so bad, in principle, for it had in it the sound principle of taxes to the government in return from definite service rendered.

But then came the muddled thinking. Just because these taxes were collected from the rich—barons or merchants or farmers—so the idea developed that taxes should be col-

lected from those who made wealth, that it was just tribute and should be collected like tribute. As governments expanded and progressed the idea became crystallized that taxes should be paid out of merchandise and goods! And the sound principle that taxes are merely a payment from individuals to the government in return for services rendered by the government to the people dropped out of sight.

Thus we evolved into our present condition where we apply the same principle of penalty taxation to the nuisance that we do to the things that benefit the nation and are its source of prosperity.

As one studies the development of government since the Middle Ages, one sound underlying principle is noted—and it has been forgotten or snowed under. It is the principle that taxation rests on *services* rendered by the central government in whom the taxing power properly resides.

These governmental services—security, good roads, schools, police, fire protection, courts of justice and the whole mechanism by which a community is administered—are the services which the people must support and pay for in the form of taxes.

All of these services performed by the government create values. These values, and the opportunities that lie in them, help to create wealth. So it is proper that taxation should be levied against the values that government creates; it is proper, again, that taxation should be collected from this government-created wealth. And, since these values are created by the government as a whole, they properly *belong* to the government, and *not* to any private individual. This is reasonable and scientific in principle. Any other line of thought brings us back to taxation as a mere form of extortion or tribute. If this is too abstract let us take the young man who built himself a house and home on the weedy, tin-can vacant lot.

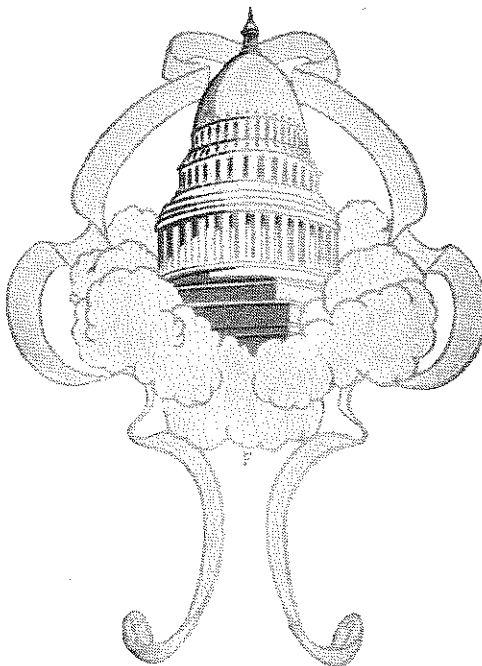
**W**HEN that young man bought the lot, the man who sold it to him said: 'Now, when you buy this lot you have water piped in this street; the street is paved; there is a splendid school system here just a few blocks away; we have the finest fire department; in fact, while this lot may cost a little more than elsewhere, yet you get better service with it.' Fine.

So he bought lumber for his house—business was that much better in lumber, plumbing supplies, wall paper, masonry, carpentry, cement, bricks; all paid wages to build that house; and railroads and truckmen had to haul it. The young man had contributed just that much to make business better for the country. But as soon as the house was up, along came our unscientific tax system to

fine him—I mean tax him—for having helped add that much more business activity and prosperity to the country. Could anything be more absurd? We fine men who are nuisances or maintain nuisances in order to lessen the number of nuisances. And we fine men who do the things that we want to have done plentifully in order to increase business and make prosperity more plentiful!

Or, take the business man who built the new wing to his factory and added a hundred new men to the payroll—with money to be spent in that community. We fine him, too! Could anything in taxation be more unscientific?

These men have added new values to the community. They have helped make business better—not only for their own community but for the entire nation. These are the men who



are making the United States what it is. They are progressive, forward-looking, energetic citizens upon whom the wealth and prosperity of the country depend. And we raise their taxes, make them pay stiffer fines for the benefits they create.

Of course, the business man adds the taxes to his price. The price is higher and fewer goods are sold on that account. Fewer goods require fewer men to make them. Fewer men earning wages make less money to spend in buying goods in all other lines.

In other words, our present unscientific and actually destructive tax methods destroy each year a large part of the purchasing power of every city and every state throughout the nation. And it is upon this purchasing power that the prosperity of our country depends.

If you think that there is only a trifling figure involved just take New York State, for example, where, on our present unscientific methods, the tax

valuation is over *sixteen billion dollars*. With a tax rate of two per cent this means our unscientific taxes for that one state are over \$320,000,000 a year. Naturally, tax dodging, methods of favoritism and various other causes reduce the actual amount but taxes actually collected for that year amounted to \$133,500,000. Some of the tax, of course, was collected from the mere value of unimproved lands; but most of it was collected from the *improvements* of the land—in other words, upon the very things we should encourage and not fine, as if they were a nuisance.

**N**O STATE can afford to fine its industries with taxation by from \$25,000,000 to \$75,000,000 or more a year and not seriously affect its purchasing power and business interests.

Observe, on the other hand, what our unscientific tax laws do to the man who owns land—either farm land or city land—and does nothing at all with it, who lets it run to weeds and scrub or tin cans and rubbish. *He pays the lowest taxes!* The man who does nothing to increase the business and prosperity of the community or the nation, who builds no house or plant, who stimulates no industry by purchasing its manufactures for use upon his property—this slacker in our national business life is rewarded by being charged the *lowest taxes* just so long as he *does nothing* to stimulate business and manufacture!

Is that unscientific?

The step to scientific taxation is simple. Let the taxes or fines be gradually abolished on the improvements—houses, buildings, machinery, herds, orchards, crops and all the constructed values that go upon the land and that create business and prosperity—and placed instead upon the value of the land itself. Not upon the *amount* of the land, but solely upon its *value* whether a city lot of high value or a farm, the value of which was made by the farmer's labor upon its raw, unfenced, undrained and bush-grown acres. Exempt the labor values. The foundation of prosperity is production. The foundation of production is purchasing power. As we tax and thus penalize production, we lessen purchasing power. Scientific taxation is a business necessity. And it must not be delayed.

Let me quote you one of the best American authorities in the field of economics and taxation in the United States, Professor Irving Fisher of Yale University:

'Premising, that so important a change should not be made abruptly, I favor the gradual reduction, so far as possible, of the tax burden on industry and labor and taking instead the economic rent of the bare land.'

This is scientific taxation.