

Socialism via Taxation

PART II

TAXATION has surrounded itself with doctrines of justification; it had to; no miscreant can carry on without a supporting philosophy. Until recent times this pilfering of private property sought to gain the approval of its victims by protesting the need for maintaining social services. The growing encroachment of the State upon property rights necessarily brought about a lowering of the general economy, resulting in disaffection, and now taxation is advocated as a means of alleviating this condition; we are now being taxed into betterment. Whether for one reason or the other, the yardstick for all levies is the ability-to-pay formula, suggesting a leveling-off process and quite appealing to our instinct of envy. Let us look into these two postulates of taxation and the supposedly ethical yardstick.

Taxation for Social Services

TAXATION for social services hints at an equitable trade. It suggests a *quid pro quo*, a give-and-take, a relationship of justice. But, the essential condition of trade, that it be carried on willingly, is entirely absent from taxation; the very use of compulsion which taxation must resort to removes it from the field of commerce, puts it squarely in the field of politics. Taxes cannot be compared to dues paid to a voluntary organization, for such services as one expects to obtain from membership, because the choice of withdrawing does not exist. In refusing to trade one may deny oneself of a profit, but the only alternative to taxes is jail.

In respect to social services a community may be compared to a large office building in which the occupants, following widely differing businesses, cannot carry on without the aid of common services, such as elevator transportation, heat, cleaning, window-washing and so on. Each tenant might provide these conveniences for himself, as indeed is done in smaller buildings, or when one tenant occupies the entire space. The more tenants in the building the more important do these over-all specializations become to each one, and at

a pro rata fee far less than the cost of individual self-service the operators undertake to supply them; the fee is included in the room-rent. Each of the tenants is enabled to carry on his business more effectively because he is relieved of his share of the over-all duties.

Just so are the citizens of a community better able to carry on their several occupations because the streets are maintained, the fire department is on guard, the police department provides protection to life and property. Like all analogies, this one is not quite a synonym because the tenant may avoid the fee by moving to a building which does not provide the services, may build his own house, may go out of business; the only way to avoid taxation is to die.

When a society is organizing, as in a frontier town, the need for these services is met by volunteer labor. The road is kept open by contributions of time and effort, there is a volunteer fire department, the respected elder performs the services of a judge. As the town grows these extra-curricular jobs become too onerous and too complicated for volunteers, whose private businesses suffer because of the increasing demands of social services, and the necessity of hiring specialists appears. At this point, also, compulsory taxation appears, and the question is, why must the residents be compelled to pay for being relieved of work which they formerly performed willingly? Why is coercion a correlative of taxation?

Why Taxation Needs Compulsion

THE answer may be the obvious one that men are inclined toward getting something for nothing. Then again, it may be the realization that while these social services do provide certain conveniences, these merely spell more chances to work but no more returns per unit of labor. The barber, for instance, does earn more than he did when population was sparse because he has more customers, but his increased earnings are due to a greater exertion of effort and not to the social

services. The clothier cannot charge as much as he did per suit when he sold only one suit a week, because he now has competitors, but he does have a larger net profit because he sells more suits. The printer has more jobs but he gets no more per hour. That is to say, the population increase offers more opportunity to produce, and it is to this greater effort that the increase in earnings must be credited. The per-hour wage does not go up because of increased population or the social services introduced.

The natural inclination is to hold on to one's wages, because the natural inclination is to associate wages with oneself, as an inalienable right. If I have a right to myself I have a right to what I produce, as against all men, even if they are organized and possess political power. The greater concentration of population does in fact enable me to produce more, to work more intensely; but to take from me part of my product seems to be a charge for the opportunity to live, and that strikes me as unfair, unjust. The natural inclination against taxation arises then from an innate sense of its injustice. The practice of injustice necessitates the use of force.

Trace an injustice to its cause and you will find another injustice. The burgeoning community which necessitates better streets, a sanitation department, traffic policemen, a park for the children, and so on, brings about an economic betterment which, peculiarly enough, does not accrue to the population as a whole. Where the bank building now stands there was once a pig-sty, and what was once the site of a barn now supports the general store. The bank and the general store represent more intense productivity, opportunities to render wider services to the community. Competition between bankers and storekeepers for the use of these sites has greatly enhanced their value. This value does not arise from the services rendered by these entrepreneurs but from the presence of the population they serve, while, as we have seen, the presence of this population necessitates the social services enjoyed by the community.

It would seem logical that this value—which we call land-rent—should go to defray the expenses of these common services. However, under our prevailing land-tenure system this economic increment accrues to the erstwhile farmer who holds title to the sites, or maybe to the banker who holds a mortgage on them. The economic betterment which the community as a whole creates is diverted to individuals who return nothing for it to the general fund of wealth. This is the injustice which fosters the injustice of taxation.

It is the landowner, then, who in truth owns the social services for which the producers of the community are forced to pay. And he owns them in the full sense of the word, for he collects the rent which follows

from them, and sells them when he disposes of his holding. He makes no bones about it; when he puts his plot on the market he proclaims the advantages of the subway station, the neighborhood school, the efficient fire and police protection given it, and he computes his price accordingly; the buyer, likewise, acquires title to the social services which center in that location. It's all open and above-board. What is not advertised is that these social services have been paid for by compulsory "dues and charges" levied on the producing part of the public. These folks receive for their pains the vacuous pleasure of writing home to their country cousins about the marvellous underground railway system, the beautiful boulevards, the fabulous zoo and the other wonders of the great city; also, they have the opportunity of working more intensely. And that is all they get for their tax-bill.

Taxation As a Cure-All

WE come now to the modern doctrine of taxation—that its justification is the social purpose to which the revenue is put. It is interesting to note that this doctrine emerges from a general condition of poverty, and hence of social unrest, and that the advocates advance it as a cure-all. It is quiescent during the short interludes of relative prosperity which the country enjoys. It is

the humanitarian's prescription for the social malady of poverty-amidst-plenty, the doctrinaire's method of leveling economic inequalities, the charitarian's first-aid treatment of apparent injustice. But, like all proposals which spring from the goodness of heart, taxation-for-special-purposes is an easy top-surface treatment of a deep-rooted illness, and as such is likely to do more harm than good.

In the first place, this doctrine denies the right of the individual to his property. That is basic. Having tacitly or openly fixed on this premise, it jumps to the conclusion that the needs of society are the end of production, and offers the mechanism of taxation as the means for its diffusion. In the fact that it does not concern itself with the control of production, or with the means of acquiring property, but only with distribution, it is strictly speaking not socialistic, and its proponents are usually quick to deny that charge. Their purpose, they assert, is reform, not revolution; even like boys whose innocent bonfire inadvertently puts the forest ablaze.

The doctrine does not distinguish between property acquired through privilege and property acquired through production. It cannot, must not, do that, for if it did it would question the validity of taxation as a whole. When we examine privileges we find that they are economic advantages granted by the political power, and political power is born in and thrives on taxation. If taxation were abolished, for instance, the cost of maintaining the necessary social services of a community would fall on rent—there is no third source—and the privilege of collecting rent would vanish. If taxation were abolished the sinecures of public office would vanish, and these constitute a privilege which in the aggregate bear heavily on production. If taxation were abolished our so-called protective system would go out and with it would go the privilege of collecting higher prices from producers. Taxation-for-social-purposes has no intention of abolishing existing privilege, but really creates new privileges for bureaucrats who will carry

out the plan. Therefore, it doesn't dare to make a distinction between the two kinds of property.

Furthermore, the discouragement of production which must follow in the wake of this distributive scheme further aggravates the condition it

hopes to correct. If Tom, Dick and Harry are all engaged in producing goods and services, the taking from one of them, even if what is taken is given to the others, must lower the economy of the three. Tom's opulence, in this case, is due to the fact that he has rendered services to Dick and Harry which they found desirable. He may be more industrious, or gifted with superior capabilities, and as a result they have favored him with their trade; although he has acquired an abundance, more than they have, he has not done so at their expense; he has because they have. If the political power deprives him of his possessions he must cease to patronize Dick and Harry, and they are to the extent of the tax levied on him without employment. So that the dole handed out to Dick and Harry actually impoverishes them. The economy of the community is not improved by the distribution of what has already been produced but by an increase in the abundance of things men live by. We live on current production. Any measure, therefore, which discourages, restricts or interferes with production must lower the general economy, and taxation-for-social-purposes is distinctly such a measure.

Taxation Breeds Power

PUTTING aside the economics of the matter, the political implications are even more damaging to the soundness of the idea. Never must it be forgotten that taxes are compulsory "dues and charges." That being so, every increase in the limits of taxation automatically extends the limits of compulsion and, consequently, decreases the power of resistance. If the end to be achieved is the "social good" the power to take can conceivably extend to total production, for who shall say where the "social good" terminates? At present the "social good" embraces free schooling, free hospitali-

zation and medical services, unemployment insurance, old age pensions, farm subsidies, aid to "infant industries," low-rent housing, free employment service, contributions to the merchant marine, projects for advancement of the arts, the distribution of expensive literature on how to get well, keep well and do well. We have seen how, as the problems of poverty increase, the "social good" has spilled over from one private matter to another, and now the definition of this indeterminate term seems to include every human interest and activity. The democratic right to be wrong, uninformed, misguided or even stupid is no restraint upon the imagination of those who undertake to interpret this goal; and whither this goal goes there goes the power to enforce compliance.

The omnipotence to which taxation-for-social-purposes leads rests on an assumption of human omniscience. The infallibility of committees, science, graphs, charts and tables is accepted *a priori*, and any questioning of the dicta of experts is frowned upon as presumptuous heresy. Society as a whole is divided into those who know and those who are incapable of knowing; upon the first devolves the duty of leading the unfortunate. There may be something in the theory of superior people, in the nature of things, but nature's failure to put upon them distinctive indicia is a handicap which can be overcome only by the assumption of political power. That power the self-anointed are never reluctant to assume.

* * *

Part III, concluding Socialism via Taxation, will appear in the April issue. It will deal with the ability-to-pay theory.

Twenty-five copies of this issue can be had for One Dollar. Order at once, for by the end of the month the supply is usually exhausted.