

A Judge on Tax Justice

Statement Submitted to the Texas Tax Study

OF all the powers that the government wields there is none of greater importance and of more far reaching consequences than the power of taxation. No other exercise of power has a greater "impact upon the residents, business and economy of the State."

We all know what it is we are after. First of all we are all after the same thing—the one great thing—and that is to establish Justice. "Equal Justice Under Law" is graven over the entrance to the U.S. Supreme Court. This is the goal towards which we must all eternally keep striving, no matter in what department of government we may for the time being be functioning.

He who thinks of taxation as merely the means of raising revenue for the purpose of paying the expenses of government, does not know the half of it. It is as true today as it was when Chief Justice Marshall uttered it: "The power to tax is the power to destroy," but let us not forget that he also said, "it is the power to keep alive." What is it that we want to destroy and what should be kept alive? In the imposition of every tax these factors should be borne in mind: What effect will the tax have on the production and distribution of wealth?

It was Alexander Hamilton who stated the axiomatic fact, that there are only two things that can be taxed, Land Values or Commerce.

Certainly if we want to destroy something it should be that which is evil, and we should at the same time keep alive that which promotes the general welfare.

I maintain that this can be accomplished. Let us not beat around the bush, but get right down to the facts. I submit that there is one tax, or rather it is not a tax at all but is rather the collection of that which belongs to all the people, whereby we can destroy special privileges and at the same time encourage and reward thrift, energy, initiative, and in the process, or by the process, bring about a more equitable, mind you not "equal," distribution of wealth—a real "Free Enterprise."

What is this thing, this value, this fund, or intangible asset that is created by the people and by the government, the people's agency, which belongs to all the people? Is it not the annual value of land—ground rent—or the "economic rent" as the economist calls it?

By the term "land," I do not mean "real estate," which is a mere legal term and includes the improvements. By land I mean the earth, with all the natural resources above and below, as created by nature, and by Nature's God; not by labour or capital. But as population increases as the people through their government, build streets and roads, erect schools, establish and maintain fire departments, water and light systems and establish law and order, and perform other public services the value of land increases. Adam Smith was correct when he called this "the unearned increment" as far as the individual title

Commission by the Hon. JOHN R. FUCHS

holder of the land is concerned. But is it not an *earned increment* so far as the people—the public—are concerned? Do they not pay for all the public services mentioned and many more? And having paid for them by the sweat of their faces, are they not entitled to their reward?

Here I could cite an unlimited number of statistics showing how land values have increased and are continually increasing. However these facts are matters of common knowledge. For instance I know of one city where lots which only a few years ago sold for \$100 are now selling for \$1,000; and lots heretofore selling for \$500 to \$1,000 are selling for \$10,000 and more. This holds true to the same extent, and in some cases to a smaller or larger extent, in every village, town or city in the State of Texas. To some degree this is also true of agricultural and mineral lands.

In the production of wealth there are three elements, and three only: *Land, Labour and Capital*. *Land* I have already defined. By *Labour* is meant not only manual labour, but management as well. All executives, engineers and architects and all professional men are labourers. *Capital* is that part of wealth which is applied to land in the production of more wealth. Therefore *Land is the static element* while *Labour and Capital are the dynamic elements*. Under our present tax system the burden of taxation falls heaviest on the dynamic elements. Land values pay a relatively small proportion. By taxing the products of labour and capital we stifle the articles of commerce and increase their prices to the ultimate consumer, who pays the tax. However, the tax on land values cannot be shifted. All economists are agreed on this. And the Supreme Court of the United States so held when passing on the first Income Tax Law.

Our present tax system has thrown the whole economic structure out of gear, as it were. The glaring iniquities of this system have caused the government to pass wage laws, price regulation and many other paternalistic palliatives. These in the long run cure nothing but add to the unfairness in the distribution of wealth. Government has the power to pass laws fixing wages and prices, but can no more do so fairly than it can regulate the weather by law. Palliatives are never a cure for social injustice.

By the South African Judge

HON. F. A. W. LUCAS, Q.C.

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The great mass of the common people are deprived of their heritage through no fault of their own, but because of the great wrong whereby the natural source of public revenue—the community created rental value of land—is treated *as if* it were private property. It is a matter of simple economic arithmetic that if a privileged few get something for nothing, the rest get nothing for something.

As peculiarly applicable, I quote from the great American economist:

The advantages that would be gained by substituting, for the numerous taxes by which the public revenues are now raised, a tax levied upon the value of land, will appear more and more important the more they are considered. To abolish the taxation, which acting and reacting now hampers every wheel of exchange and presses upon every form of industry, would be like removing an immense weight from a powerful spring.*

If you improve your land—your site—with a house, with flowers and trees, while I leave a hovel of mine with tin cans and dead cats, you are mulct while I am given a premium.

You will ask me the question that I have been asked many, many times during the past 50 years: “*Will this system produce enough revenue to satisfy all the needs of government?*” I answer this by asking a question in turn: “Do you not believe that over 9 million sturdy Texans will pay enough, and will gladly do so, for the privilege of sojourning on a part of this earth, known as Texas?” Moreover the sum needed will for many reasons be less: Governmental affairs and administration will be greatly simplified;** more people will have an opportunity to make their own living, Labour will get better wages and real capital higher interest. But let us assume that the system I propose will not provide enough revenue for legitimate governmental expenses, and that we might have to resort to other taxes, should we not in any event

* No land would be held idle for which there is a demand.
J.R.F.

** Given access to land the people will do for themselves that which is now expensively done by the government. J.R.F.

first take that which belongs to the people before we resort to a tax on that which the individual has produced by his “talent and virtue”? And again I ask a question: “*What would you think of me, if I, finding your purse that you had lost, would not return it on the specious ground that after all it contains not enough to satisfy your wants?*”

All I have tried to do today is to give you a bare outline of what I consider a just tax. Far be it from me to think that I have all the answers, but I do believe with all my heart and mind that what I propose will meet all the tests of what a just tax system should be. It is not only a tax measure, but it will free labour and capital from the unjust burdens, and the ultimate consumer from the innumerable “hidden taxes,” as Benjamin Fairless, vice-president of U.S. Steel, called them. It will leave to the individual what belongs to him and to the public what belongs to them. It will not help one group at the expense of another.

I do not claim that it is a panacea for all ills, but due to its many obvious beneficial ramifications it will bring order out of chaos. It is the one first great step toward justice, and will make the solution of all other problems easier. Such is the power of Justice.

Finally the proposed step is in harmony with natural law, yes with the Divine Law. In the atheistic totalitarian states the people have only such rights as are granted by the state, while here in the United States, where we believe in the laws of God, man has certain inalienable rights recognised and protected by our Great Bill of Rights. While we, the people, are secure in our civil rights, there is still one basic God-given right which we have not fully recognised. It is the right of the people to the use of a part of the earth given to them—the children of man—from which, and by which, alone they can live. In all humility, I submit that the proposal made here today will give to the people an Economic Bill of Rights, which is long overdue.

Gentlemen I thank you for your attention.

*Respectfully submitted by J. R. FUCHS,
as a private citizen.*



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PEOPLE AND PLACES

Beckenham. "The answer to the householder's prayer", a half-page article in the *Beckenham and Penge (Kent) Advertiser*, June 19, explained in simple, popular terms the case for land-value rating. Author was Mr. B. W. Brookes, a former student (now tutor) of the Henry George School and new member of the United Committee. How would Beckenham residents benefit if the Borough levied rates on the land-value basis? "Without a complete land valuation it is difficult to be precise, but an estimate can easily be made. In Beckenham, residential land is worth about £5,000 an acre, while commercial land fetches up to £20,000 an acre—perhaps more. As there is much more residential land than commercial land, the average for the borough is probably about £6,000 an acre, making Beckenham's 5,935 acres worth close on £36 million. To meet our current annual budget of £1.1 million from this, our site-value rate would need to be about 8d. in the £. This would be news to gladden the heart of any resident of Beckenham, where the average house, paying at present about £40 a year in rates, has a site value of about £500. At 8d. in the £, the owner of such a house would pay only £17 a year under site-value rating—well under half of what he pays now." *Reprints of the article, illustrated with pictures of Sydney, NSW and Dunedin, New Zealand, are available free from our offices.*

Cardiff. An enthusiastic end of term meeting (17 students attended) was addressed by **Mr. V. H. Blundell**, Director of Studies of the Henry George School. Students showed lively interest in the practical application of Henry George's ideas, and asked many searching questions. **Mr. Edgar Buck** and **Mr. F. Giggs** were their tutors; they hope to conduct two concurrent courses in the autumn.

Oliver French had a splendid article in the *Liberal News*, June 5, entitled "Site Value Taxation is not 'Just Another Tax'". In fact "it is the one basic reform that is necessary before any of the other measures advocated by the Liberal Party in the economic and social fields can be of more than temporary benefit." Mr. French is the Liberal prospective parliamentary candidate for West Ham South. He was first interested in the land values question by **Mr. W. E. Bland**, and attended some years ago a Henry George School basic course in

economics conducted in North London by **Mr. W. J. Cadman**. Mr. French is now himself a tutor and recently he accepted nomination to the United Committee. If space permits, his article will be reprinted in L&L.

Godalming—Correction. A reader informs us that although they doubled the previous Liberal vote, the three candidates who contested the May Borough elections took third place in the poll.

London. An end of term meeting for students of two advanced courses held at Headquarters of the H.G. School was held on June 24. A salad dinner prepared and served by volunteers added to the enjoyable informality of the evening: expenses were well covered. After general, far-reaching discussion, it was decided to meet regularly throughout the summer. This will enable students to help with the organisational work for the autumn classes, and to discuss and carry out propaganda.

★ **A Tutors' Discussion Group** will meet at 177 Vauxhall Bridge Road each Tuesday evening from 7-8.30 p.m. under the chairmanship of **Mr. A. L. Roberts**. **First meeting—JULY 8.** The purpose of these discussions is to train new tutors to conduct the Basic Course and also to provide a forum for the exchange of ideas among established tutors.

Philippines. A Henry George Club has been formed by **Mr. Nito Doria**, who, writing in the New York *Henry George News* last month, explained: "It is a reaffirmation of my faith in human dignity . . . *Progress and Poverty* gives us a clue to our economic perplexities, and we can only hope that we will not be too late in endorsing it to the nation because of recent ominous eruptions south of our country, the repercussions of which might serve to precipitate the collapse of the uneasy tranquility of our people in these lovely islands." In April, 1957, we reported how just before his tragic death in an air crash, **President Magsaysay** had read our condensed version of *Progress and Poverty*. Earlier, in a letter to an American Georgeist, the late President had written that he thought *P&P* would solve the land question in his country. A U.S. postage stamp in his honour, naming him "Champion of Freedom," was issued recently.

San Diego, California, July 9-13, is the venue for this year's (the 14th) annual conference of the Henry George School in America. Speakers include: **Rolland O'Regan**, chairman of the New Zealand League for L.V.T., **Glen Hoover**, Assemblyman **Vernon Kilpatrick**, of Los Angeles (who recently introduced a land-values Bill in the California Legislature), and **Governor J. Bracken Lee**, of Utah.

Torquay. A new subscriber, **Mr. Kenneth J. Brown**, writes: "Your magazine is constructive, true and sincere. I was introduced to it, and the ideas it advocates, only very recently by my friend **Mr. Edward Haselden**. While at first I was unable to accept the land-value taxation proposal, I was immediately intrigued by it, and decided to keep an entirely open mind on the subject. My friend gave me a copy of George's *Protection or Free Trade* and some copies of L&L. Gradually I became more and more convinced of the cause but was not completely won over. One day Mr. Haselden visited me accompanied by **Mr. Austin H. Peake**, of Teignmouth [former chairman of the Executive of the International Union for L.V.T. and Free Trade]. I cannot tell you how impressed I was by his drive and enthusiasm. Somehow he removed my doubts, and now I am only too happy to try to convince anyone who will listen that *Progress and Poverty* is the greatest classic ever written. Already I have interested two people in this town . . ."

Yugoslavia. "The Yugoslav brand of profit-motive Communism, with each 'enterprise' competing with its rivals without Government control and trying to gain local customers and foreign export markets, has some curiously 'capitalist' results. Authorities in Belgrade are trying to curb a wave of speculation in land values which has made overnight millionaires of Jugoslavs lucky enough to own land in development areas. Landowners who anticipated that the value of their property would increase and refused to sell land to factories anxious to expand found themselves offered inflated 'free market' prices by firms unwilling to wait for the long legal procedure of compulsory sale and compensation. Some private owners of small plots received up to £12,000 an acre."—From "Super-Marxist Super-Markets" by Antony Terry, *Sunday Times* Representative in Belgrade, in the *Sunday Times*, June 8.

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