

Liberation from Hidden Taxes

By J. R. FUCHS

MANY readers must have been impressed with the address of Benjamin F. Fairless, chairman of the board of the U. S. Steel Corporation, "Taxation: *The Power to Destroy America's Future*" [condensed in Reader's Digest, February 1953]. It indicated that our present tax system decreases production, making every taxpayer a tax-collector, and revealed that indirect taxation leads to extravagance in government, with the consumer paying the taxes. The speaker could have added that our present tax system is communistic in so far as it takes private property for public use.

As a remedy, Mr. Fairless suggested economy in government. Yes, economy will help, but the evils of indirect taxation will remain.

What then can be done? Is there not a way to provide for governmental expenses without destroying individual incentive?

Only Two Choices

Alexander Hamilton said there were only two things that could be taxed—commerce and land. Mr. Fairless pointed out forcefully how disastrous it is to tax commerce—for the taxation of manufactured articles stifles production. Furthermore, individual incentive is everywhere destroyed when government takes too large a slice of what man creates by his skill and industry. This practice, we know, lessens output and gradually diminishes the country's wealth.

What about a tax on land according to its value minus all the improvements thereon? I would rather call it a tax on the privilege of using valuable land. What is land? It is not produced either by capital or labor. No man created it, nor *can* man create it. Land, unlike things that must be constantly produced by labor, has no normal value based on the cost of production. It ranges in value from nothing at all to enormous figures attached to choice urban sites or mineral deposits of superior richness, when the growth of population demands their use. Land is the gift of Nature. Its value (minus the improvements) is created by society.

He who is granted exclusive possession of a



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piece of land enjoys a complete monopoly just as a car owner, who parks the car in front of a meter on a street, monopolizes that part of the street. All others are excluded. He pays for the privilege of enjoying this monopoly. He who possesses a piece of land, by virtue of a chain of titles from the sovereignty of the soil, should have the exclusive and peaceable possession of that part of the soil. But government does not thereby forfeit the right to demand for all the people what belongs to them—the value of the use of that monopoly or the privilege of using a part of the earth so granted. It is true there is at present a tax on land but it represents only a small

fraction of the real use value.

A tax on the site value of land has wholesome effects which are far-reaching, for valuable land will then not be held out of use. All things needed to develop land become suddenly tax-free and therefore cheaper. Thus production is stimulated enormously.

Economists agree that this one large direct tax cannot be shifted. We should not end, however, by merely emphasizing the merits of this system. Beneficial as would be the appropriation of land values — of even greater value would be the abolition of the depressing hidden taxes which Mr. Fairless so dramatically enumerated. He spoke of 475 different taxes on building materials and construction costs, and added: "There are 116 taxes in a man's suit and 150 in a lady's hat. When you buy a \$2000 automobile you pay only \$1375 for the car. The other \$625 is taxes . . ."

Readers of The Henry George News are familiar with the Biblical passage, Leviticus 25:23. Being mere sojourners here we believe that we should pay for the privilege of parking on this earth. When we do that, all articles of commerce can be exempted from taxation, leaving to the individual what belongs to him by virtue of his initiative and creativeness. This would accomplish the result for which Mr. Fairless hopes—that the American destiny *will not be taxed away.*