

'Sock' Winnings, Not Earnings

The silly system of "socking the rich" now being demonstrated is resulting in constantly diminishing income tax returns in the higher brackets. The rich paid more when they were not socked.

As Alfred E. Smith once remarked before a Senate Committee, no man is going to risk enough money to make a million dollars when, if he succeeds, the government will at once take \$675,000 away from him.

One axiomatic rule of business is that it does not pay to take all the risk for one third of the profits.

Why should we consider only the amount of a man's income and disregard how the money was made? Mr. Al Capone owed the government no more for his income based on blood and beer than if he had made the same amount selling bibles. If it is advisable to "sock the rich" merely because they are rich it might be well to sock the criminal merely because he is a criminal. A special surtax on income derived from murder would at least make it unprofitable to kill the little fellow.

The principle of "ability to pay" as a basis of taxation is fundamentally unjust when applied to the returns of labor.

Society does not pay labor more than it is worth; therefore what a man earns—if he gets his full wage—becomes the measure of the service he has rendered to society, of the degree to which he has benefited the community in which he lives. To tax him more and more as he renders greater and more valuable service is neither sound nor just. If the individual were taxed for the service he received from the community we would have a more ethical scheme.

There is one very simple principle which if used as the basis of all taxation would go far toward attaining justice; a principle so sound that no legislature has looked it squarely in the face; an idea so fundamental that it achieves by easy, natural means that economic justice which radicals think would be brought about by socialism or communism. Yet it would leave capital free to perform its highly necessary function

in civilization. It would leave the individual free to keep for himself all the wealth he can earn.

The principle is that whatever a man creates belongs entirely to him and that whatever he does not create does not belong to him.

In other words let us recognize the fundamental difference between winnings and earnings and, as far as it can be done, let us take the tax off earnings and put it on winnings.

By earnings I mean wages of every kind of labor and interest on capital engaged in productive industry; by winnings I mean all value received by an individual which he did not create, and all returns to capital as a result of special privilege. By special privilege I mean any right given or sold to a man which permits him to acquire wealth which he has not earned.

The cause of injustice in the present social scheme is the protection of winnings at the expense of earnings. Our whole economic system is distorted to protect certain groups of people in their "rights" to wealth they have won and not earned, wealth which they have acquired but not created. This thesis is not nearly as radical as it may sound at first. Much more radical ideas are in the air today and the country may soon have to choose not between democracy and conservatism, but between sane democracy and insane proletarianism. There was never a time in our history when it was more necessary for us to look clearly into our problems and to be unafraid to discard mistaken ideas of the past.

—William C. deMille.

See: "Progress and Poverty," pp. 406-407; "Teachers Manual (P. & P.)," L. VIII, Q. 13.