

Taxation's New Frontier

By JOSEPH S. THOMPSON

THIS attractively produced, easy to read little book by the President of the International Union for Land Value Taxation and Free Trade has a single, straightforward theme. It is to show how, in the United States of America, taxation has developed since the introduction of the Income Tax, by the adoption of the 16th amendment to the Constitution in 1913, into what, in another context, a British Labour M.P. recently called "a built-in cheating system which enriches the landowners and re-enriches them in every generation at the expense of the community". The book is a valuable addition to the growing literature critical of taxation methods all over the world.

The founders of the United States, says Mr. Thompson, started off in the enjoyment of certain basic conditions, not present in the Europe they had left, which gave them a unique advantage. These conditions were:

1. There was no aristocracy.
2. Religion had no part in government.
3. Free public schools were early established.
4. Taxation was negligible.
5. Free land was abundantly available.

Mr. Thompson's purpose is to show how this unique advantage has gradually been lost, and how destructive this has been of the lofty aim of the founders of the Constitution, "The pursuit of Life, Liberty and Happiness for all". In the process, the world image of the progenitors of the Affluent Society undergoes some denigration. There is, however, no reason for the citizens of Britain or any other country to be smug about this; what is true of the United States, is only too true of the rest of us.

"Taxation is inherited from the days of irresponsible power. It is arbitrary and the product of opinion unguided by any scientific or even commonsense standards, and is indefensible in logic, justice and sound business principles—to say nothing of ethical principles." Instead, the collection of public revenue should "be dignified, non-fluctuating and simple in structure, and so demonstrably honest, logical and justified that it would be removed from the field of political meddling, whim or opinion."

It is a pity that, in justification of his eulogistic reference to the "Taxation structure under which America advanced so brilliantly" (before the passing of the 16th Amendment), he gives no details beyond the generalisation contained in his statement of conditions quoted above. But no one can fail to be impressed by the detailed analysis he does give of the various forms of taxation that burden the U.S. citizen and U.S. production at the present time.

As an example of the absence of logic in such taxation, the author gives the case of Californian wines. A criticism of Californian wines, he says, has been that they are too young. Yet "the California County Assessors place a tax value on all the wine inventory in a vineyard each year, so that to age wine five years would mean that the same wine is taxed five times."

As an example of the appalling complexity of taxation law, we are told that "the present income tax law has grown from 31 words to more than 440,000". On its 'justice', "it is strange that while man can no longer be sent to prison for failing to pay obligations freely entered into, he can be for failure to pay arbitrary levies to which he is forced to submit."

The 'commonsense' of the Sales Tax is demonstrated thus: "it is a burden on consumption and a fine assessed against the consumer for being a user of a manufacturer's products." Yet, "incredible as it may seem, it is recommended by the National Association of Manufacturers." This, the author picturesquely describes as 'masochism'.

Likewise, of the Property Tax, he says "we follow the remarkable procedure of fining the people who, by investing their capital in buildings, tools and inventories, improve our country."

There is one extremely interesting quotation from no less an international figure than ex-President Eisenhower who, in a budget message to Congress said this:

"We must develop a system of taxation which . . . will not discourage work, saving and investment . . . (it) must not only provide our government with the resources to be strong for freedom's sake, but also enable our people to apply their initiative and industry fruitfully in an economy that is itself free and strong. This means taxes so adjusted as to fall where payment is least harmful and so planned to create jobs and expand the income of the masses of the people."

Congress, says Mr. Thompson, ignored the advice. He goes on to deplore the lack of relationship between the nation's tax system and any truly scientific principles.

A useful point of definition is made on the true meaning of 'title' (to land). "Title is proper, just and fair when it is applied as meaning the right to exclusive use after payment of land-rental." Equally, it is "improper, unjust and unfair when applied as meaning

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'the legally created and conferred individual privilege of collecting (for individual benefit) a publicly created value.' This appears in the chapter "Cost, Price and Title", one of the best in the book.

A novel comparison between land value taxation and the charge for parking a car is made in a discussion of the 'Quid Pro Quo in Taxation'. In paying a parking fee, a motorist is "paying rental for the use of a convenient location"—which is exactly what a land-occupier does if and when he pays a land value tax. The payer of income tax, on the other hand, receives no true 'quid pro quo' and, in any case, what benefit he can be said to receive through the expenditure of taxation revenue is only reflected in increased land values. Obviously, therefore, it is from this source that public revenue should be drawn.

The concluding chapters, on the simplicity of administration of land value taxation and the beneficial effects which may reasonably be expected to accrue from its introduction, and the final word setting land value tax-

tion in its proper moral context, are equally good. The book concludes on a telling trumpet-note from the Book of Leviticus (25: 23-24): "Jehovah spake unto Moses and said: and the Land shall not be sold in perpetuity, for the land is Mine; for ye are strangers and sojourners with Me. And in all the land in your possession ye shall grant a redemption for the land."

The colloquialisms and rather tabloid style of the book may not appeal to some readers outside the U.S.A. And thirteen lines seems too little space to devote to the subject of Protective Tariffs. But the brief, incisive chapters and the terse, cryptic sentences impart a compelling urgency and excitement so that the busy American businessman, for whom the book is primarily intended, will want to read it at a sitting. Even the most casual dipper will find his attention arrested and held. The author's dynamic personality and his warm humanity come through in his writings and few who read this book will not be caught up in the flame of his enthusiasm in the cause of human progress.

E.P.M.