

CHAPTER XXII

Taxation Is Robbery

THE *Encyclopaedia Britannica* defines taxation as "that part of the revenues of a state which is obtained by the compulsory dues and charges upon its subjects." That is about as concise and accurate as a definition can be; it leaves no room for argument as to what taxation is. In that statement of fact the word "compulsory" looms large, simply because of its ethical content. The quick reaction is to question the "right" of the State to this use of power. What sanction, in morals, does the State adduce for the taking of property? Is its exercise of sovereignty sufficient unto itself?

On this question of morality there are two positions, and never the twain will meet. Those who hold that political institutions stem from "the nature of man," thus enjoying vicarious divinity, or those who pronounce the State the keystone of social integrations, can find no quarrel with taxation per se; the State's taking of property is justified by its being or its beneficial office. On the other hand, those who hold to the primacy of the individual, whose very existence is his claim to inalienable rights, lean to the position that in the compulsory collection of dues and charges the State is merely exercising power, without regard to morals.

The present inquiry into taxation begins with the second

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of these positions. It is as biased as would be an inquiry starting with the similarly unprovable proposition that the State is either a natural or a socially necessary institution. Complete objectivity is precluded when an ethical postulate is the major premise of an argument and a discussion of the nature of taxation cannot exclude values.

If we assume that the individual has an indisputable right to life, we must concede that he has a similar right to the enjoyment of the products of his labor. This we call a property right. The absolute right to property follows from the original right to life because one without the other is meaningless; the means to life must be identified with life itself. If the State has a prior right to the products of one's labor, his right to existence is qualified. Aside from the fact that no such prior right can be established, except by declaring the State the author of all rights, our inclination (as shown in the effort to avoid paying taxes) is to reject this concept of priority. Our instinct is against it. We object to the taking of our property by organized society just as we do when a single unit of society commits the act. In the latter case we unhesitatingly call the act robbery, a *malum in se*. It is not the law which in the first instance defines robbery, it is an ethical principle, and this the law may violate but not supersede. If by the necessity of living we acquiesce to the force of law, if by long custom we lose sight of the immorality, has the principle been obliterated? Robbery is robbery, and no amount of words can make it anything else.

We look at the results of taxation, the symptoms, to see whether and how the principle of private property is vio-

lated. For further evidence, we examine its technique, and just as we suspect the intent of robbery in the possession of effective tools, so we find in the technique of taxation a tell-tale story. The burden of this intransigent critique of taxation, then, will be to prove the immorality of it by its consequences and its methods.

By way of preface, we might look to the origin of taxation, on the theory that beginnings shape ends, and there we find a mess of iniquity. A historical study of taxation leads inevitably to loot, tribute, ransom—the economic purposes of conquest. The barons who put up toll-gates along the Rhine were tax-gatherers. So were the gangs who “protected,” for a forced fee, the caravans going to market. The Danes who regularly invited themselves into England, and remained as unwanted guests until paid off, called it Danegeld; for a long time that remained the basis of English property taxes. The conquering Romans introduced the idea that what they collected from subject peoples was merely just payment for maintaining “law and order.” For a long time the Norman conquerors collected catch-as-catch-can tribute from the English, but when by natural processes an amalgam of the two peoples resulted in a nation, the collections were regularized in custom and law and were called taxes. It took centuries to obliterate the idea that these exactions served but to keep a privileged class in comfort and to finance their internecine wars; in fact, that purpose was never denied or obscured until constitutionalism diffused political power.

All that is long passed, unless we have the temerity to compare such ancient skullduggery with reparations, extraterritoriality, charges for maintaining armies of occupa-

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tion, absconding with property, grabbing of natural resources, control of arteries of trade and other modern techniques of conquest. It may be argued that even if taxation had an unsavory beginning it could have straightened itself out and become a decent and useful citizen. So, we must apply ourselves to the theory and practices of taxation to prove that it is in fact the kind of thing above described.

First, as to method of collection, taxation falls into two categories, direct and indirect. Indirect taxes are so called because they reach the state by way of private collectors, while direct taxes arrive without by-pass. The former levies are attached to goods and services before they reach the consumer, while the latter are in the main demands upon accumulations of wealth.

It will be seen that indirect taxation is a permission-to-live price. You cannot find in the marketplace a single satisfaction to which a number of these taxes are not attached, hidden in the price, and you are under compulsion either to pay them or go without; since going without amounts to depriving yourself of the meaning of life, or even of life itself, you pay. The inevitability of this charge on existence is expressed in the popular association of death and taxes. And it is this very characteristic that commends indirect taxation to the state, so that when you examine the prices of things you live by, you are astounded by the disproportion between the cost of production and the charge for permission to buy. Somebody has put the number of taxes carried by a loaf of bread at over one hundred; obviously, some are not ascertainable, for it would be impossible to allocate to each loaf its share of taxes on the broom used in the bakery, on the axle-grease used on the delivery wagon.

Whiskey is perhaps the most notorious example of the way products have been transmuted from satisfactions into tax-gatherers. The manufacturing cost of a gallon of whiskey, for which the consumer pays around twenty dollars, is less than a half-dollar; the spread is partly accounted for in the costs of distribution, but most of the money which passes over the counter goes to maintain city, county, state and national officials.

The hue and cry over the cost of living would make more sense if it were directed at taxation, the largest single item in the cost. It should be noted too that though the cost-of-living problem affects mainly the poor, yet it is on this segment of society that the incidence of indirect taxation falls most heavily. This is necessarily so; since those in the lower earning brackets constitute the major portion of society they must account for the greatest share of consumption, and therefore for the greatest share of taxation. The state recognizes this fact in levying on goods of widest use. A tax on salt, no matter how small comparatively, yields much more than a tax on diamonds, and is of greater significance socially and economically.

It is not the size of the yield, nor the certainty of collection, which gives indirect taxation preeminence in the State's scheme of appropriation. Its most commendable quality is that of being surreptitious. It is taking, so to speak, while the victim is not looking. Those who strain themselves to give taxation a moral character are under obligation to explain the State's preoccupation with hiding taxes in the price of goods. Is there a confession of guilt in that? In recent years, in its search for additional revenue, the State has been tinkering with a sales tax, an outright and

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unequivocal permission-to-live price; wiser solons have opposed this measure on the ground of political expediency. Why? If the State serves a good purpose the producers will hardly object to paying its keep.

Merely as a matter of method, not with deliberate intent, indirect taxation yields a profit of proportions to private collectors, and for this reason opposition to the levies could hardly be expected from that corner. When the tax is paid in advance of the sale it becomes an element of cost which must be added to all other costs in computing price. As the expected profit is a percentage of the total outlay, it will be seen that the tax itself becomes a source of gain. Where the merchandise must pass through the hands of several processors and distributors, the profits pyramided on the tax can run up to as much as, if not more than, the amount collected by the State. The consumer pays the tax plus the compounded profits. Particularly notorious in this regard are customs duties. Follow an importation of raw silk, from importer to cleaner, to spinner, to weaver, to finisher, to manufacturer, to wholesaler, to retailer, each one adding his mark-up to the price paid his predecessor, and you will see that in the price milady pays for her gown there is much more than the tariff schedule demands. This fact alone helps to make merchants and manufacturers indifferent to the evils of protection.

Tacit support for indirect taxation arises from another by-product. Where a considerable outlay in taxes is a prerequisite for engaging in a business, large accumulations of capital have a distinct competitive advantage, and these capitalists could hardly be expected to advocate a lowering of the taxes. Any farmer can make whiskey, and many of

them do; but the necessary investment in revenue stamps and various license fees makes the opening of a distillery and the organizing of distributive agencies a business only for large capital. Taxation has forced the individually-owned and congenial grog-shop to give way to the palatial bar under mortgage to the brewery or distillery. Likewise, the manufacture of cigarettes is concentrated in the hands of a few giant corporations by the help of our tax system; nearly three-quarters of the retail price of a package of cigarettes represents an outlay in taxes. It would be strange indeed if these interests were to voice opposition to such indirect taxes (which they never do) and the uninformed, inarticulate and unorganized consumer is forced to pay the higher price resulting from limited competition.

Direct taxes differ from indirect taxes not only in the manner of collection but also in the more important fact that they cannot be passed on; those who pay them cannot demand reimbursement from others. In the main, the incidence of direct taxation falls on incomes and accumulations rather than on goods in the course of exchange. You are taxed on what you have, not on something you buy; on the proceeds of enterprise or the returns from services already rendered, not on anticipated revenue. Hence there is no way of shifting the burden. The payer has no recourse.

The clear-cut direct taxes are those levied on incomes, inheritances, gifts, land values. It will be seen that such appropriations lend themselves to soak-the-rich propaganda, and find support in the envy of the incompetent, the bitterness of poverty, the sense of injustice which our monopoly-economy engenders. Direct taxation has been advo-

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cated since colonial times (along with universal suffrage), as the necessary implementation of democracy, as the essential instrument of "leveling." The opposition of the rich to direct taxation added virulence to the reformers who plugged for it. In normal times the State is unable to overcome this well-knit, articulate and resourceful opposition. But, when war or the need of ameliorating mass poverty strains the purse of the State to the limit, and further indirect impositions are impossible or threaten social unrest, the opposition must give way. The State never relinquishes entirely the prerogatives it acquires during an "emergency," and so, after a series of wars and depressions direct taxation became a fixture of our fiscal policy, and those upon whom it falls must content themselves to whittling down the levies or trying to transfer them from shoulder to shoulder.

Even as it was predicted, during the debates on the income tax in the early part of the century, the soak-the-rich label turns out to be a wicked misnomer. It was impossible for the State to contain itself once this instrument of getting additional revenue was put into its hands. Income is income, whether it stems from dividends, bootlegging operations, gambling profits or plain wages. As the expenses of the State mount, as they always do, legal inhibitions and considerations of justice or mercy are swept aside, and the State dips its hands into every pocket. So, in Philadelphia, the political power demands that the employer shall deduct an amount from the pay envelope and hand it over. The soak-the-rich principle has been applied on a large scale to the lowliest paid worker, not only by deductions from wages, but more so through the so-called social security taxes. These, by the way, show up the utter immorality of political power.

Social security taxation is nothing but a tax on wages, in its entirety, and was deliberately and maliciously misnamed. Even the part which is "contributed" by the employer is ultimately paid by the worker in the price of the goods he consumes, for it is obvious that this part is merely a cost of operation and is passed on, with a mark-up. The revenue from social security taxes is not set aside for the payment of social "benefits," but is thrown into the general tax fund, subject to any appropriation, and when an old-age pittance is ultimately allowed it is paid out of the then current tax collections. It is in no way comparable to insurance, by which fiction it made its way into our fiscal policy, but it is a direct tax on wages.

There are more people in the low income brackets than in the high brackets; there are more small bequests than large ones. Therefore, in the aggregate, those least able to meet the burden of soak-the-rich taxes bear the brunt of them. The attempt to offset this inequity by a system of graduations is unreal. Even a small tax on an income of one thousand dollars a year will cause the payer some hardship, while a fifty percent tax on fifty thousand dollars leaves something to live on comfortably. There is a vast difference between doing without a new automobile and making a patched-up pair of pants do more service. It should be remembered, too, that the worker's income is almost always confined to wages, which are a matter of record, while large incomes are mainly derived from business or gambling operations, and are not so easily ascertainable; whether from intent to avoid paying the full tax, or from the necessary legal ambiguities which make the exact amount a matter of conjecture or bookkeeping, those with large incomes

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are favored. It is the poor who are soaked most heavily by soak-the-rich taxes.

Taxes of all kinds discourage production. Man works to satisfy his desires, not to support the State. When the results of his labors are taken from him, whether by brigands or organized society, his inclination is to limit his production to the amount he can keep and enjoy. During the war, when the payroll deduction was introduced, workers got to figuring their "take home" pay, and to laying off when this net, after taxes, showed no increase comparable to the extra work it would cost; leisure is also a satisfaction. A prize fighter refuses another lucrative engagement because the additional revenue would bring his income for the year into a higher tax bracket. In like manner, every business man must take into consideration, when weighing the risk and the possibility of gain in a new enterprise, the certainty of a tax-offset in the event of success, and too often he is discouraged from going ahead. In all the data on national progress the items that can never be reported are: the volume of business choked off by income taxes, and the size of capital accumulations aborted by inheritance taxes.

While we are on the subject of discouragement of production by taxation, we should not overlook the greater weight of indirect taxes, even though it is not so obvious. The production level of a nation is determined by the purchasing power of its citizens, and to the extent that this power is sapped by levies, to that extent is the production level lowered. It is a silly sophism, and thoroughly indecent, to maintain that what the state collects it spends, and that therefore there is no lowering of total purchasing power.

Thieves also spend their loot, with much more abandon than the rightful owners would have spent it, and on the basis of spending one could make out a case for the social value of thievery. It is production, not spending, that begets production. It is only by the feeding of marketable contributions into the general fund of wealth that the wheels of industry are speeded up. Contrariwise, every deduction from this general fund of wealth slows down industry, and every levy on savings discourages the accumulation of capital. Why work when there is nothing in it? Why go into business to support politicians?

In principle, as the framers of the Constitution realized, the direct tax is most vicious, for it directly denies the sanctity of private property. By its very surreptition the indirect tax is a back-handed recognition of the right of the individual to his earnings; the State sneaks up on the owner, so to speak, and takes what it needs on the grounds of necessity, but it does not have the temerity to question the right of the owner to his goods. The direct tax, however, boldly and unashamedly proclaims the prior right of the State to all property. Private ownership becomes a temporary and revocable stewardship. The Jeffersonian ideal of inalienable rights is thus liquidated, and substituted for it is the Marxist concept of state supremacy. It is by this fiscal policy, rather than by violent revolution, or by an appeal to reason, or by popular education, or by way of any ineluctable historic forces, that the substance of Socialism is realized. Notice how the centralization hoped for by Alexander Hamilton has been achieved since the advent of the federal income tax, how the contemplated union of independent commonwealths is effectively dissolved. The common-

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wealths are reduced to parish status, the individual no longer is a citizen of his community but is a subject of the federal government.

A basic immorality becomes the center of a vortex of immoralities. When the State invades the right of the individual to the products of his labors it appropriates an authority which is contrary to the nature of things and therefore establishes an unethical pattern of behavior, for itself and those upon whom its authority is exerted. Thus, the income tax has made the State a partner in the proceeds of crime; the law cannot distinguish between incomes derived from production and incomes derived from robbery; it has no concern with the source. Likewise, this denial of ownership arouses a resentment which breaks out into perjury and dishonesty. Men who in their personal affairs would hardly think of such methods, or who would be socially ostracized for practicing them, are proud of, and are complimented for, evasion of the income tax laws; it is considered proper to engage the shrewdest minds for that purpose. More degrading even is the encouragement by bribes of mutual spying. No other single measure in the history of our country has caused a comparable disregard of principle in public affairs, or has had such a deteriorating effect on morals.

To make its way into the good will of its victims, taxation has surrounded itself with doctrines of justification. No law which lacks public approval or acquiescence is enforceable, and to gain such support it must address itself to our sense of correctness. This is particularly necessary for statutes authorizing the taking of private property.

Until recent times taxation rested its case on the need of

maintaining the necessary functions of government, generally called "social services." But, such is the nature of political power that the area of its activity is not self-contained; its expansion is in proportion to the lack of resistance it meets. Resistance to the exercise of this power reflects a spirit of self-reliance, which in turn is dependent upon a sense of economic security. When the general economy falls, the inclination of a people, bewildered by lack of understanding as to basic causes, is to turn to any medicine man who promises relief. The politician serves willingly in this capacity; his fee is power, implemented with funds. Obscured from public view are the enterprises of political power at the bottom of the economic malady, such as monopoly privileges, wars and taxation itself. Therefore the promise of relief is sufficient unto itself, and the bargain is made. Thus it has come about that the area of political power has gradually encroached upon more and more social activities, and with every expansion another justification for taxation was advanced. The current philosophy is tending toward the identification of politics with society, the eradication of the individual as the essential unit and the substitution of a metaphysical whole, and hence the elimination of the concept of private property. Taxation is now justified not by the need of revenue for the carrying on of specific social services, but as the necessary means for unspecified social betterment.

Both postulates of taxation are in fact identical, in that they stem from acceptance of a prior right of the state to the products of labor; but for purposes of analysis it is best to treat them separately.

Taxation for social services hints at an equitable trade. It

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suggests a *quid pro quo*, a relationship of justice. But, the essential condition of trade, that it be carried on willingly, is absent from taxation; its very use of compulsion removes taxation from the field of commerce and puts it squarely into the field of politics. Taxes cannot be compared to dues paid to a voluntary organization for such services as one expects from membership, because the choice of withdrawal does not exist. In refusing to trade one may deny oneself a profit, but the only alternative to paying taxes is jail. The suggestion of equity in taxation is spurious. If we get anything for the taxes we pay it is not because we want it; it is forced on us.

In respect to social services a community may be compared to a large office building in which the occupants, carrying on widely differing businesses, make use of common conveniences, such as elevator transportation, cleaning, heating, and so on. The more tenants in the building, the more dependent are they all on these overall specializations, and at a pro rata fee the operators of the building supply them; the fee is included in the room-rent. Each of the tenants is enabled to carry on his business more efficiently because he is relieved of his share of the overall 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. When a society is organizing, as in a frontier town, the need for these overall services is met by volunteer labor. The road is kept open by its users, 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 affairs must suffer by the increasing demands, and the necessity of hiring specialists arises. To meet the expense, it is claimed, compulsory taxation must be resorted to, 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?

It is not true that the services would be impossible without taxation; that assertion is denied by the fact that the services appear before taxes are introduced. The services come because there is need for them. Because there is need for them they are paid for, in the beginning, with labor and, in a few instances, with voluntary contributions of goods and money; the trade is without compulsion and therefore equitable. Only when political power takes over the management of these services does the compulsory tax appear. It is not the cost of the services which calls for taxation, it is the cost of maintaining political power.

In the case of the overall services in the building the cost is met by a rent-payment, apportioned according to the size and location of the space occupied, and the amount is fixed by the only equitable arbiter of value, competition. In the growing community, likewise, the cost of social services could be equitably met by a charge against occupancy of sites within the community, and this charge would be automatically met because it is set by the higgling and haggling of the market. When we trace the value of these locations to their source we find that they spring from the presence and activity of population; the more people competing for the use of these locations the higher their value. It is also true that with the growth of population comes an

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increasing need for social services, and it would seem that the values arising from integration should in justice be applied to the need which also arises from it. In a polity free from political coercion such an arrangement would apply, and in some historical instances of weak political power we find that land rent was used in this social manner.

All history points to the economic purpose of political power. It is the effective instrument of exploitative practices. Generally speaking, the evolution of political exploitation follows a fixed pattern: hit-and-run robbery, regular tribute, slavery, rent-collections. In the final stage, and after long experience, rent-collections become the prime proceeds of exploitation and the political power necessary thereto is supported by levies on production. Centuries of accommodation have inured us to the business, custom and law have given it an aura of rectitude; the public appropriation of private property by way of taxation and the private appropriation of public property by way of rent collections become unquestioned institutions. They are of our *mores*.

And so, as social integrations grow and the need for overall services grows apace, we turn to taxation by long habit. We know no other way. Why, then, do we object to paying taxes? Can it be that we are, in our hearts, conscious of an iniquity? There are the conveniences of streets, kept clean and lighted, of water supply, sanitation, and so on, all making our stay in the community convenient and comfortable, and the cost must be defrayed. The cost is defrayed, out of our wages. But then we find that for a given amount of effort we earn no more than we would in a community which does not have these advantages. Out at the margin, the rate per hour, for the same kind of work, is the

same as in the metropolis. Capital earns no less, per dollar of investment, on Main Street than on Broadway. It is true that in the metropolis we have more opportunities to work, and we can work harder. In the village the tempo is slower; we work less and earn less. But, when we put against our greater earnings the rent-and-tax cost of the big city, do we have any more in satisfactions? We need not be economists to sense the incongruity.

If we work more in the city we produce more. If, on the other hand, we have no more, net, where does the increase go? Well, where the bank building now stands there was in olden times a pigsty, and what was once the site of a barn now supports the department store. The value of these sites has risen tremendously, in fact in proportion to the multiplicity of social services which the burgeoning population calls for. Hence the final resting place of our increased productivity is in the sites, and the owners of these are in fact the beneficiaries of the social services for the maintenance of which we are forced to give up our wages.

It is the landowner then who profits from the taxation. He does indeed own the social services paid for by production. He knows it, makes no bones about it, tells us so every time he puts his lot up for sale. In his advertisements he talks about the transit facilities it enjoys, the neighborhood school, the efficient fire and police protection afforded by the community; all these advantages he capitalizes in his price. It's all open and above board. What is not advertised is that the social services he offers for sale have been paid for by compulsory dues and charges collected from the producing of the public. These people receive for their

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pains the vacuous pleasure of writing to their country cousins about the wonders of the big city, especially the wonder of being able to work more intensely so that they might pay for the wonders.

We come now to the modern doctrine of taxation—that its justification is the social purpose to which the revenue is put. Although this has been blatantly advertised as a discovery of principle in recent years, the practice of taxation for the amelioration of social unrest is quite ancient; Rome in its decadence had plenty of it, and taxes to maintain the poor house were levied long before the college-trained social worker gave them panacea proportions. It is interesting to note that this doctrine grew into a philosophy of taxation during the 1930's, the decade of depression. It stamps itself, then, as the humanitarian's prescription for the malady of poverty-amidst-plenty, the charitarian's first-aid treatment of apparent injustice. Like all proposals which spring from the goodness of heart, taxation-for-social-purposes is an easy top-surface treatment of a deep-rooted illness, and as such it is bound to do more harm than good.

In the first place, this doctrine unequivocally rejects the right of the individual to his property. That is basic. Having fixed on this major premise, it jumps to the conclusion that "social need" is the purpose of all production, that man labors, or should labor, for the good of the "mass." Taxation is the proper means for diffusing the output of effort. It does not concern itself with the control of production, or the means of acquiring property, but only with its distribution. Strictly speaking, therefore, the doctrine is not socialistic, and its proponents are usually quick to deny that charge. Their purpose, they assert, is reform not revolu-

tion; even like boys whose innocent bonfire 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 in so doing it would question the validity of taxation as a whole. If taxation were abolished, for instance, the cost of maintaining the social services of a community would fall on rent—there is no third source—and the privilege of appropriating rent would disappear. If taxation were abolished, the sinecures of public office would vanish, and these constitute in the aggregate a privilege which bears most heavily on production. If taxation were abolished, the privilege of making profits on customs levies would go out. If taxation were abolished, public debt would be impossible, to the dismay of the bondholders. Taxation-for-social-purposes does not contemplate the abolition of existing privilege, but does contemplate the establishment of new bureaucratic privileges. Hence it dare not address itself to the basic problem.

Furthermore, the discouragement of production which must follow in the wake of this distributive scheme aggravates the condition which it hopes to correct. If Tom, Dick and Harry are engaged in making goods and rendering services, the taking from one of them, even if the part taken is given to the others, must lower the economy of all there. Tom's opulence, as a producer, is due to the fact that he has served Dick and Harry in a way they found desirable. He may be more industrious, or gifted with superior capabilities, and for such reasons they favor him with their custom; although he has acquired an abundance he has not done so at their expense; he has because they have. In every

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equitable trade there are two profits, one for the buyer and one for the seller. Each gives up what he wants less for what he desires more; both have acquired an increase in value. But, when the political power deprives Tom of his possessions, he ceases, to the extent of the peculation, to patronize Dick and Harry. They are without a customer in the amount of the tax and are consequently disemployed. The dole handed them thus actually impoverishes them, just as it has impoverished Tom. The economy of a community is not improved by the distribution of what has already been produced but by an increase of the abundance of things men live by; we live on current, not past, 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.

Putting aside the economics of it, the political implications of this eleemosynary fiscal policy comes to a revolution of first magnitude. Since taxation, even when it is clothed with social betterment, must be accompanied with compulsion, the limits of taxation must coincide with the limits of political power. 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 up to and including postgraduate and professional courses; free hospitalization and medical services; unemployment insurance and old age pensions; farm subsidies and aid to "infant" industries; free employment services and low-rent housing; contributions to the merchant marine and projects for the advancement of the arts and sciences; and so on, approximating ad infinitum. The "social good" has

spilled over from one private matter to another, and the definition of this indeterminate term becomes more and more elastic. The democratic right to be wrong, misinformed, misguided or even stupid is no restraint upon the imagination of those who undertake to interpret the phrase; and whither the interpretation goes there goes the power to enforce compliance.

The ultimate of taxation-for-social-purposes is absolutism, not only because the growing fiscal power carries an equal increase in political power, but because the investment of revenue in the individual by the State gives it a pecuniary interest in him. If the State supplies him with all his needs and keeps him in health and a degree of comfort, it must account him a valuable asset, a piece of capital. Any claim to individual rights is liquidated by society's cash investment. The State undertakes to protect society's investment, as to reimbursement and profit, by way of taxation. The motor power lodged in the individual must be put to the best use so that the yield will further social ends, as foreseen by the management. Thus, the fiscal scheme which begins with distribution is forced by the logic of events into control of production. And the concept of natural rights is inconsistent with the social obligation of the individual. He lives for the State which nurtured him. He belongs to the State by right of purchase.

Taxation's final claim to rectitude is an ability-to-pay formula, and this turns out to be a case of too much protesting. In the levies on goods, from which the state derives the bulk of its revenue, the formula is not applicable. Whether your income is a thousand dollars a year or a thousand dollars a day, the tax on a loaf of bread is the same; ability-

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to-pay plays no part. Because of the taxes on necessities, the poor man may be deprived of some marginal satisfaction, say a pipe of tobacco, while the rich man, who pays the same taxes on necessities, will hardly feel impelled to give up his cigar. In the more important indirect taxes, then, the magic formula of social justice is non-existent.

It is applicable only in levying taxes on incomes before they are spent, and here again its claim to fairness is false. Every tax on wages, no matter how small, affects the worker's measure of living, while the tax on the rich man affects only his indulgences. The claim to equity implied in the formula is denied by this fact. Indeed, this claim would be valid only if the state confiscated all above a predetermined, equalitarian standard of living; but then, of course, the equity of confiscation would have to be established.

But no good can come of ability-to-pay because it is inherently an immorality. What is it but the highwayman's rule of taking where the taking is best? Neither the highwayman nor the tax-collector give any thought to the source of the victim's wealth, only to its quantity. The State is not above taking what it can from known or suspected thieves, murderers or prostitutes, and its vigilance in this regard is so well established that the breakers of other laws find it wise to observe the income tax law scrupulously. Nevertheless, ability-to-pay finds popular support—and that must be recognized as the reason for its promulgation—because of its implied quality of justice. It is an appeal to the envy of the incompetent as well as to the disaffection of the mass consigned by our system of privileges to involuntary poverty. It satisfies the passions of avarice and revenge. It is the ideal leveler. It is Robin Hood.

Supporting the formula is the argument that incomes are relative to the opportunities afforded by the State, and that the amount of the tax is merely payment for these opportunities. Again the *quid pro quo*. This is only partially true, and in a sense not intended by the advocates of this fiscal formula. Where income is derived from privilege—and every privilege rests on the power of the State—it is eminently fair that the state confiscate the proceeds, although it would be fairer if the state did not establish the privilege in the first place. The monopoly rent of natural resources, for instance, is income for which no service is rendered to society, and is collectible only because the state supports it; a hundred percent tax on rent would therefore be equitable. The profits on protective tariffs would be fair game for the tax-collector. A levy on all subsidized businesses, to the full amount of the subsidies, would make sense, although the granting of subsidies would still require explanation. Bounties, doles, the “black market” profits made possible by political restrictions, the profits on government contracts—all income which would disappear if the state withdrew its support—might properly be taxed. In that event, the State would be taking what it is responsible for.

But that is not the argument of ability-to-pay ergonomens. They insist that the State is a contributing factor in production, and that its services ought properly to be paid for; the measure of the value of these services is the income of its citizens, and a graduated tax on these incomes is only due compensation. If earnings reflect the services of the State, it follows that larger earnings result from more services, and the logical conclusion is that the State is a

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better servant of the rich than of the poor. That may be so, but it is doubtful that the tax experts wish to convey that information; what they want us to believe is that the State helps us to better our circumstances. That idea gives rise to some provocative questions. For the tax he pays does the farmer enjoy more favorable growing weather? Or the merchant a more active market? Is the skill of the mechanic improved by anything the State does with what it takes from him? How can the State quicken the imagination of the creative genius, or add to the wisdom of the philosopher? When the State takes a cut from the gambler is the latter's luck bettered? Are the earnings of the prostitute increased because her trade is legalized and taxed? Just what part does the State play in production to warrant its rake-off? The State does not give; it merely takes.

All this argument, however, is a concession to the obfuscation with which custom, law and sophistry have covered up the true character of taxation. There cannot be a good tax nor a just one; every tax rests its case on compulsion.