

WHAT'S WRONG WITH TAXATION?

CHAPTER I INTRODUCTORY

Our Task

We have set before us a task of no small dimensions, that of bringing to light the true relations between the state and taxation. In pursuing this end it will be necessary to touch briefly upon the natural functions of government and to consider at length whence such an organism should derive its sustenance. Because this riddle has not been solved in a proper manner, we will find our civilization distorted through the workings of devices of its own creation. The first great duty of citizens of the commonwealth, we believe, is to correct the mistakes in this regard which it has persisted in making, and thus attain to a fuller liberty than we have known in the past.

Law As Governing All Nature

It is our belief that as surely as law directs and controls all the material operations of nature, just so surely are human affairs as affected by artificial institutions controlled by law superior to all ukases, decrees and statutes. Any violation of such law carries with it an inescapable punishment.

Let us start with law as controlling material things. We have no trouble in recognizing that there are certain great natural laws permeating the universe, such as those of gravitation, conservation of energy and the like. We know that the attributes of matter are equally universal. Everywhere fire burns and water drowns. The constant study of the physi-

cist is to ascertain the laws directing and governing even the atom.

Slowly we are ceasing to think that physically mankind is free from the control of underlying law in any less degree than is the material of which he and all natural objects are composed. Health and sickness are determined by rules. Given causes produce given effects upon the human frame.

We are a little slower to recognize that there is a science—an aggregation of laws—of the mind as well as of the body; that there are fundamentals governing our very thoughts, including likes and dislikes, and actions as well, based upon them. Yet today we are expending much time and energy to discover the principles controlling human behavior and the manner in which it is affected by emotion, idea, heredity and environment, and even chemical constituents.

Still slower, however, have we been to examine into the laws regulating mankind in the large—masses of men gathered into states. The essential unity, in that they are all subject to governance, between inert substance, sentient beings and men in great communities, has largely escaped us. We have just begun to detect the workings of the controlling principles that shape our ends, though they indeed represent laws. We have run counter to governing forces, at times perceiving that we have erred only when consequences have become too painful.

In the world of science we have learned much through experimentation and trial and error. We have gone backward from effect to cause. Six hundred and five attempts to find a specific for one disease led to a certain degree of success when the 606th was made. Edison tested numberless materials before he learned the adaptability of carbon to electric

light. These illustrate strivings to discover ever-elusive but existent natural law.

When we turn to the sphere of government, our course of experimentation, though not often recognized as such, has been unconsciously similar. We have tried out through bloody experiment the rulership of kings, oligarchies, autocracies. We have reached what we imagine is democracy, and even now men recognize that the end is not yet. If we may believe we have discovered a workable principle, we have to learn to make it most effective. This means we must probe further into its governing laws.

It is not necessary for us to consider the power creating all these laws. We may call it God, or nature, or force, or the Unknowable. It is sufficient for us to realize that natural law exists and prevails everywhere in the material or the mental, or, if you prefer, the spiritual world, and controls the thoughts, emotions, actions and ambitions of man. It is our duty to discover this law, whether it relates to the individual or to the aggregations of men which we call states.

Our Criterion

Our universal criterion is simple. The course which brings about a wrong result is in itself wrong. That which produces the best result is in itself best. This is a lesson which we have learned from inanimate nature. The study of animate creatures, above all man, proves the same thesis, though the test is rarely applied. Giving it an application to human affairs, "best" means the largest measure of well-being and happiness to each individual man. If this be conserved, we need not trouble ourselves much about the prosperity of the aggregate.

The solution we shall uncover as to taxation seems so obvious that we may wonder why its soundness has not received general recognition—wonder until we remember that the hardest thing in the world to recognize is the obvious, obscured as it is by conditions to which we have grown accustomed.

For thousands of years mythological tales served to explain the recurrence of day and night. For untold centuries mankind believed the earth to be flat. And yet reflection could have explained our relation to the sun, and any man watching at the seashore the gradual disappearance of a vessel below the horizon should have appreciated the rotundity of the earth. Need we be surprised, therefore, that today large groups of political economists, more ignorant of events before their eyes than were the ancient priests and astrologers, have failed to observe throughout our universe every-day phenomena, and interested groups, profiting from the ignorance of the masses, have prevented enlightenment? In the material world the relation of cause and effect is well recognized, but in the world of government it is neglected or ignored in raising money for public purposes. We have not been sufficiently critical.

We shall find that there is but one true source from which the tax revenues of all kinds of government, from that of monarchy to democracy, are to be derived. We hope to prove that ignorance of this most important fact has led to disorders and inequalities in the state, unemployment, industrial distress and, to no small degree, poverty and, incidentally, crime.

This is not to say that, stumbling along, we have made no progress in government or in taxation. We have detected many mistakes from observing their ill effects. With the exception of a few philosophers,

we have not seen the goal in taxation toward which we should strive. In not knowing where we should go, our progress has been halting and uncertain.

It is not enough to see the goal; it is incumbent upon us at the same time to study the best way of attaining it.

Government

Consider briefly the forces underlying the evolution and development of government. We may trace its beginnings from rude indications of a capacity for co-operation called the "herd instinct," showing itself even among animals, and existing also among men, even the most savage.

We find the elephant and the buffalo gathering in groups not alone for the pleasure this association gives them, but for mutual protection against the common enemy. Even wolves forget their natural individualism to commit depredations of which the single member of the pack would be incapable, a course followed also by men, and essentially co-operative in nature.

Likewise, but for the purpose of more effectually gathering food for all, bees unite in swarms and carry on in unison operations for the benefit of all.

The lowest savages form themselves in families for the better protection against enemies of all sorts, providing shelter and caring for their young. Here occurs the first division of labor between man and woman to secure the best results from their varying capacities, working to a common end.

The step from the family to united groups was readily made, and for much the same reasons. In these the youth could be the better prepared for the battles of life, whether against nature, wild animals or rival groups.

As the groups were formed, direction of movements either in peace or war became a manifest necessity, and headmen and finally chiefs naturally arose. Later came kings and presidents.

With increasing numbers and widening activities we discover new divisions of labor, the artisan now appearing whose first work may well have been the fashioning of bows and arrows and other implements of offense and defense. The herdsman and finally the farmer came into being. The handicraftsman and the farmer grouped in proximity. The tent-maker and the weaver of cloth found their place. All of these were, and to this day are, however subdivided and improved, co-operators in the production of the great work of the community. This essential truth is not to be obscured by the fact that later the element of private profit enters into their relations, nor the further fact that choice of labor is not directed by a common superior, but largely spontaneous.

To carry on most successfully the increasing demands of the community, eligible sites were sought, offering advantages of soil, climate, vicinity to water and the richness of life offered by lake and sea. At a later period the possibility of exploitation of minerals affects the place of residence of men.

While the progress we have very briefly indicated is proceeding, what we call government looms into greater importance. New contacts between ever greater masses of men result in new problems calling for adjustment. The crude arbitrament of the chief in disputes between man and man is supplanted by the institution of courts, which with growing skill seek to mete out justice to the individuals appearing before them.

We see the government and the cities forming larger units and undertaking new and more extensive and important tasks. In their earlier development we discover great irrigation schemes and roads which bind together the most distant parts of the nation, aiding at once protection against external enemies and facility for the exchange of products, while unifying language. Aqueducts supply great cities.

With this growth also goes the construction of great objects of religious and memorial use, such as temples and pyramids. These, aside from their spiritual appeal, serves to beautify and extend the fame of countries, while in themselves the result of co-operation, albeit often forced.

We may examine the development of government from its relation to the individual man. At first the protection of the mass was none other than the protection of each individual. It was the necessities and the well-being of the single human being that created society. With the growth of the mass came the idea that the whole was something greater than and different from the sum of all its parts—that the man existed for the state rather than the state for the man. Present day civilization is not free from this error.

Nevertheless, with the belief in the unchallengeable supremacy of the state we observe constant reversions to the earliest practices of mankind and the power of all used for the benefit of the unit; and thus, as it happens, for the welfare of all. We find increasing attention given to the wishes and the needs of the man. To establish his desires, elaborate electoral machinery has been constructed. To relieve his wants or gratify his aspirations, hospitals, schools, art galleries spring into being, labor laws

exist, protection to life and property takes new forms. All gain from new consideration given by government to the one who is helpless in the face of the many. Government becomes a matter more and more the concern of the parts which compose its base. All the paraphernalia of a complicated civilization mean in the end the service of the individual, and this means simply an enlightened civilization.

Under every circumstance governments have offered a solution of the great problem of united action for purposes of common advantage. In so far as they have mistaken the ends for which they were organized, they have failed or are failing.

All along the line we find evidences of misapprehension of the purpose of government and application of false methods to obtain needed results. For the latter we refer to the fact that among the Romans the function of taxation, most intimately connected with governmental management, was farmed out to a favored few or to the highest bidder; a similar course was pursued in France as late as 150 years ago. Even today we discover that the great power of eminent domain, which should be exercised only by the government for the direct benefit of all citizens, is turned over in no inconsiderable degree to private corporations, which, through electric light, water and other franchises, exercise it for the benefit of themselves and their stockholders. Managers of these corporations are compelled to serve two masters. On the one hand they are told by the law to serve the interests of all the people, and on the other their stockholders insist upon preferred treatment by boards of directors. Between the conflicting interests of the public and stockholders the community suffers. The results confirm biblical teaching.

The exercise of public functions should be for the equal benefit of all, not for the advantage of a favored few. Every principle of just co-operation demands equal opportunity for all.

We may regard what we call government as a purely artificial or conventional structure erected by mankind to meet necessary ends. Being of such nature, it does not follow that the state or its expression—government—is free from the operation of natural laws, nor could it be unless its component parts, which are men, were also free from the operation of such laws. We may compare government to the house we erect over us. This is likewise artificial. Yet in its construction every part is controlled by natural laws. We have invoked in one way or another the various principles of mechanics in preparing all materials entering into its structure. None of the natural laws dictating the moulding of a brick or the composition of mortar or any other element can be violated without making our house less secure, less a protection against the elements or diminishing its healthfulness. We are careful to build a house upon a firm foundation and this foundation itself is subject to the rules of nature, which, if violated, can only bring distress. So also when we transgress the laws of social life upon which the well-being of the individual and the government alike rest, we affect the welfare of the whole community.

In what we have so far said and what we shall say hereafter we shall not be advocating, but largely dissenting from, the socialistic theory of government. We shall simply favor the government as a rule exercising those functions only which require the use of governmental power for their performance, reserving to the individual an untrammelled right to pursue all other occupations not recognized as in-

jurious to the public. Let the farmer, the lawyer, the merchant, the mechanic and all other producers act free from governmental interference, whether in the form of taxation or otherwise.

It is to be noted that while extended phases of socialistic doctrine are being tried out in Russia, untrammelled individualism in legitimate occupations has not been permitted there or elsewhere. Everywhere the individual is continually interfered with in his private business by schemes of taxation on the part of the government. With regard to this we shall find much to say.

Taxation

The prime purpose of this book is to deal with the subject of taxation. Examine critically the Standard Dictionary definition: A tax is "A compulsory contribution levied upon persons, property or business for the support of government." Here we have a bold and brutal statement. Government should be but a co-operative institution developed for the better doing by all of that for which by reason of their weakness individuals separately have not the power to do for themselves. This we believe to be the only true foundation for its existence. Under the dictionary definition government becomes a mechanical state, with no thought for the well-being of its citizens, taking property from persons, or business, without any care for consequences or recognizing any duty to render an equivalent for that which it takes.

And yet from the standpoint of history and also viewing the larger part of the conditions of today, the definition is correct. From long before the time when the Roman decree went forth that all the world should be taxed, down through the Middle Ages

when robber barons dictated to cities the terms of their ransom, to the present day when payment is made not for benefits but to meet demands arbitrary in character, the definition states the fact.

Much less than two centuries ago Louis XIV said "L'état c'est moi", and spent tax money compulsorily contributed by his subjects on works which he believed tended to his glory. Even today those subject to the power of our government find 75 per cent of their national taxes spent upon wars, past or prospective, with little return in the shape of comfort to the common man.

We shall examine existing methods of taxation in the limited but most important areas of the state, county and municipality. They enter into the daily life of every individual to an extent scarcely dreamed of even by the more intelligent. This theme we believe to be even more important than the problems offered by the customs tax operations of the national government.

It is not the plan of this writer to offer a new solution. All ideas on the subject have a long history. It is his hope to call attention again to certain fundamental theories and important facts, and to present their appeal in a new and modern framework.

We propose to discuss the purpose and meaning of the word "taxation" and take from it all its odious implications. As we shall present these the word will no longer connote a "compulsory contribution," and taxes will not be levied for "the support of government" as a thing alien to its citizens. We would have government made for the first time a grand experiment in real co-operation, the amounts paid to it an exact return for benefits experienced by the individual under its protection, and returned again

to the individual according to the privileges he enjoys.

We might compare the true operations of government in relation to taxation, according to our notions, to the course of moisture in our atmosphere. The sun takes it up into the clouds, benefiting the whole earth as it does so, but returning it again in the form of rains to enable the ground once more to bring forth its increase for the good of all mankind. Government would no longer scorch here by its heat and destroy there by its unwanted floods. It would become an instrument of regular beneficent operation. We think this may be done by the simple adoption of fundamental principles of just action.

We shall propose that this be accomplished by adopting the principle of requiring payment to the government based upon the value of special privileges enjoyed. The recipient of privilege must pay back to the government part of the value given him.

Our idea is that government is not something apart from the people and free from control by the rules of common morality prevailing among the individuals who compose it. We shall insist that the state has no more right to do wrong to the private citizen than he has to wrong his fellows. This idea, simple as it is, has never been adopted in practice. Perhaps, considering the docility of mankind, this is not strange. Taught to believe that "the king can do no wrong," converted even unconsciously to the statement that "the country can do no wrong," men generally have not yet learned to question critically the actions of government. This we shall be obliged to do.

While critics we must be, let it not be thought that our search will extend to methods of government or in a large way to many of its present-day operations. This is not a treatise on government, but only a re-

view of methods for obtaining through taxation the very life blood without which government must perish. Let us see that this is pure, untainted, and flowing through regular channels back to the body politic. Whether such body be lame, halt or blind will not be of more than incidental concern in our search.