

CHAPTER XXIV

INCOME AND INHERITANCE TAXES

In considering the argument for income and inheritance taxes, or any similar plan, it is well to consider the true nature of property.

Those who charge confiscation when the government action adversely affects property rights, assume that whatever so-called property a man happens to have at any time, has been earned by his own efforts or capital and is therefore justly his. The fact is that there is no large amount of such property owned by anybody.

Take, for example, fortunes like the Ford fortune, or the Woolworth fortune, acquired by applying to industry a brilliant idea, and without any privilege of any kind. These are called honest or earned fortunes.

But it is obvious that neither of these fortunes, or any other fortune, or any considerable amount of wealth so called, can be acquired solely by the efforts of those who own it. Society, that is all of us acting through the government, has supplied certain absolutely essential conditions without which no property of any very large amount could be accumulated. If society did not provide and protect an adequate and efficient circulating medium, and all producers of property had to exchange it by a system of barter; if every

producer of property had to trust to the honor of the purchaser of his goods, and no governmental machinery existed in the shape of courts to enforce his contract; and if owners of property had to provide at their own expense guards to protect their property where it is stored, or other guards to take care of it in transit; it is obvious that no considerable amount of property could be accumulated, except by privilege in some form.

All property created by man also tends to decay, and none of it is permanent. No man alone, or by the aid of other men, can create any permanent tangible property. But most of the so-called wealth of rich men consists of or is evidenced by bank credits, or pieces of paper which entitle the holder to a certain share, not only in existing wealth, but also in new wealth which is being constantly created. This element of permanency in most forms of wealth is entirely created by society, acting through various government agencies and laws.

Society, therefore, by establishing and maintaining at public expense, public roads, courts, police and fire departments, and the penal statutes affecting property rights; by authorizing and supervising the banks and coining money, and establishing laws governing the medium of exchange, and by providing for the formation of corporations so as to make possible large aggregations of capital, contributes directly to the production and to the element of permanency of the wealth acquired by the so-called owners.

The question then comes up, how much can be properly attributed to the efforts of the owner and how much to the conditions established and maintained by

society? Obviously we cannot allow the so-called owner to answer this question. He would take it all. We cannot set up any tribunal to answer the question under our system of government by law, except we lay down a law according to which the tribunal is to decide the question. Therefore, in the last analysis, the interest of the public in the so-called property owned by the individual must be determined by the common sense and sense of justice of the public, as established by laws written upon our statute books. In other words, the public necessarily must be the final judge of how much of the property of the so-called owners the public is entitled to take for public purposes, or for the common good. This is the justification for the income and inheritance taxes.