

The Problem of a Potentate

By George A. Briggs

Many, many years ago, a small-time Asiatic potentate, so I am told, having received a fresh cargo of houris for his seraglio, found himself, like many another man somewhat similarly circumstanced, in dire need of money.

So, to replenish his coffers he placed a heavy tax on fig trees. The price of figs soon rose to an almost prohibitive figure. Many of his poorer subjects indeed died of starvation, since figs were practically their only food. The available demand fell to such a low point that by thousands the fig growers destroyed their trees to escape the tax. Prosperity withered, industry languished, demand for labor fell down, but most disastrous of all to the potentate, his own revenues shrunk from day to day.

Confronted by this alarming situation, our hero proved himself a realist. He wasted no time looking for the corner around which prosperity was hiding. The situation called for action; and it was action that he gave it. What he did was unusual and at that time without precedent. He promptly exempted fig trees from taxation. Then he placed a heavy tax on land capable of bearing fig trees.

The consequences of this change in fiscal policy were not slow in arriving. Owners of land capable of bearing fig trees were now indeed on the spot. To pay the tax and to save their land they were forced to plant more trees. Figs soon became very plentiful. Prices fell, demand for labor increased, the people grew fat, and it was amazing in the face of this situation, how many new uses for figs were found.

An inventive subject discovered, for example, that figs could be made into delicious beverages, some of which were fermented and others distilled, thus adding to the demand for figs as well as to the joyousness and happiness of the people. It is said, too, that fig alcohol soon came into use for industrial purposes. So,

not only did prosperity smile upon the people, but also upon the potentate whose revenues swelled to great and stable proportions.

This fable teaches whatever one may see in it. But nearly everyone I should think, will see that it is bad business to TAX ANYTHING THAT CAN BE MOVED AWAY OR DESTROYED. Every such tax penalizes industry, lessens demand for labor, increases living costs and decreases purchasing power. In any event the fact is there to be seen, even though our customary practice of taxing everything in sight, blinds us to it.

It is a sad truth, of course, that whatever is customary and habitual, quite often wears grooves in our brains as well as in our behavior. And these brain grooves become unresponsive to ocular stimuli which run counter to custom. The eye vainly telegraphs a message to the brain, when the grooved brain is as incapable of understanding it, as it would be if the message were in a foreign language. What I have to say therefore will be meaningless to hopelessly grooved, habit-ridden minds.

The open minded reader, however, may recall from American history that Alexander Hamilton once said there are only two sources of revenue. One of these is industry and the other is our natural material environment, which for the purposes of economics is termed land. Our customary practice is to tax both regardless of consequences.

We really like to soak the fellow who has anything so we have turned this desire into a theory, which is that everyone should be taxed according to ability to pay. It seldom occurs to us that this is the theory

upon which burglars and highwaymen act. They, too, "tax" their victims according to ability to pay.

It happens, however, that taxes upon industry will not stay put. Industrial products you know must be made by industry. Perhaps that is why they are called industrial products. And no one is going to be stupid enough to continue making and selling things, if the selling price is not high enough to cover all costs including taxes. So it is the consumer who finally pays the tax. Usually he is unaware of this because the tax is concealed in the price he pays. By such taxes you can tax the shirt off a man's back and often he will complain of high prices without dreaming that taxes are the real villain of the sketch.

Now-a-days most people more or less faintly recognize this truth. But few are those who see that taxes on land cannot be shifted to consumers; that land owners must perforce bear the brunt of taxes laid upon their land. It is, of course, a bit difficult to see that a single force can affect different objects in different ways. Yet every housewife knows that sunshine is a force that puts color into her cheeks, and takes it out of her carpets and wall paper. In like manner, as our Asiatic potentate discovered, taxation is a force that raises the price of taxed industrial products, and promotes the use of taxed land.