

What is a "Liberal"

By Harry Gunnison Brown

Sales taxes, which are a pretty heavy burden on the poor, have been widely adopted during the last decade and seem likely to be with us for a long time. But both popular sentiment and the theoretical arguments of our very "liberal" intelligentsia favor the income tax and the "principle of ability". So much is this the case that it seems as if the slogan "taxation according to ability" really stands in the way of any intelligent analysis of the tax problem and stands in the way of the adoption of a tax system most favorable to the interests of the common run of folks.

One of the matters which enthusiastic "liberal" adherents of the theory of "ability" appear determined not to notice is the matter of source of income. Most of them pay no attention to source. If A, by hard work, earns \$3,000 or \$4,000 a year, while B receives an equal income from property, without having to work at all, they are satisfied to let the two be taxed equally. Seldom is there any protests whatever, least of all a vigorous one. They seem to think the two taxpayers in question have substantially equal "ability".

Yet if A dies or becomes incapacitated, he can no longer earn anything and his family may need to go on relief. If B dies, the income he was receiving continues to flow to his family. On what merciless theory of "ability" do our income tax enthusiasts insist on taxing A and B on an equal basis?

Of course the real pressure for income taxes as a substitute for taxes on property comes from the owners of property. Our professional "liberals" who write for "high-brow" magazines of opinion, are their innocent abettors, intrigued by popular slogans. Recipients of income from property, income for which they do not have to work, are desirous of putting the taxes as largely as politically possible on the incomes of people who have to work

to live. So "Tax Relief for Property" and "Tax Relief for Real Estate" and "Tax Relief for Land" and "Taxation on the Basis of Income" become favorite phrases of their political apologists; and those who can live only by working are duped into the conclusion that it is "fair" to levy taxes on income without regard to source; and the masses are duped into acceptance even of sales taxes, in order that property shall be relieved; and those who own so little property that this "relief" is much more than offset for them by the sales taxes they have to pay, are so conscious of their tiny ownership that they join enthusiastically with the larger property owners and "whoop it up" for tax "relief".

There is, however, another distinction that the advocates of income taxation and taxation according to "ability" and "tax relief for real estate" seem even more determined not to admit. This is the distinction between capital and land and the related distinction between the income which capital produces and the rent of land.

Capital includes such things as buildings, machinery, planted trees. Men have to make capital. And to make it, they must both work and save. To produce capital is hard. It requires sacrifice. But when the capital is produced, it adds greatly to the efficiency of labor and to the annual output of goods.

But land was brought into existence by geological forces. And its location advantages, so far as they are not geologically produced, are a by-product of community growth and development. Despite the rather mulish refusal of ability theory advocates to admit any difference between land and capital, the difference is in fact most fundamental.

Why should an individual who, by his work and saving, has planted an orchard, built a barn or house, or otherwise increased the capital of the community and thereby made possible an increased annual output of the goods men need and want, be taxed at as high a rate as

individuals whose incomes are due to the fact that they can make others pay them for permission to work on and to live on the earth? Why do we allow some individuals to charge others for community-produced location advantages which ought to be paid for to the community, and then tax the earned incomes of those who serve the community by their labor and thrift; and claim that this is justified because of the "principle of ability"?

When an acre of land in the central business district of a large city yields to its owner or owners \$1,000,000 a year, even though others have put up the buildings; when this \$1,000,000 a year is due, therefore, to no work or thrift by any individual or individuals but is altogether a location advantage resulting from the development of the community and its expenditures for streets, roads, schools, etc.;—WHY should this income go chiefly to private individuals, while the community puts heavy taxes on incomes that men earn by hard work and penalizes those through whose thrift the community is provided with useful capital?

It is through such a policy that land speculation is encouraged, good land is thus held out of use in the hope of a better price, industry and labor are crowded into what space remains, wages are thereby kept down, land for business and homes is kept high in price, home ownership is made difficult, and tenancy spreads.

We know very well that the popular thought favors taxing large incomes, even though they are earned by efficient work. The ordinary citizen, who earns only a small or moderate income, is inclined to be critical of the private enjoyment of large incomes, although their recipients must sometimes go through years of preliminary training and thereafter work hard in order to earn them; and if the income is very large indeed, the ordinary citizen finds it hard to believe that it is truly earned, whether it is in the form of commission, salary or fees.

Very well, then. We have no present need to offend such sentiments of the common man by insisting that taxes on the largest incomes from work, like those of the highest paid movie stars and business executives, be reduced. Let the common man—if that is the way he feels about the matter—see to it by his vote that every superlatively large income is taxed at a high rate, whether or not it appears to be earned by work. But at least let us not tax the very moderate incomes of artisans, bookkeepers, clerks and other persons whose incomes are small, in order that the community-produced location values of land may go mostly into private pockets. Let us not keep down the standard of living of many thousands of middle-class people who are having the hardest kind of struggle to feed and clothe and educate their children, in order that the owners of natural resources and valuable city sites may derive large incomes by charging the rest of us

for permission to live on and work on the earth.

The truth is that the owners of natural resources and city sites are, in effect, using the enthusiasm of the common man for income taxes and the like, to betray him. Not only are income taxes already a burden on many of the middle classes, but some of our supposedly more "liberal" politicians—such as Senator La Follette!—are already urging that we "broaden" the income tax "base". And what does this mean? It means that we are to lower the amount of allowed exemption, so that an income tax will be paid by very many whose incomes are so small that they are not now taxed. And this without making any distinction as to source. The fact is, of course, that these small incomes are almost altogether the wages of labor.

For myself, I have about conclud-

ed that the term "liberal" needs to be redefined, so as to make the definition conform to present-day usage. If the term is so redefined, we shall have to say that a liberal is "a person who accepts, in large part, but without necessarily admitting or being conscious of the fact, the dogmas of Karl Marx, and a person who loves to play, intellectually, with grandiose schemes of governmental interference and regimentation, but a person who takes no interest whatever in the fact that a majority of us have to pay a comparatively few for permission to live and to work on the earth and for community-produced advantages, and who therefore is ready to support taxes on incomes, even of the comparatively poor—and who may at times consent to sales taxes that burden the very poorest—rather than to say a sincerely kind and unequivocal word for the principle of public appropriation of publicly produced land values."