

29 Oct 1944

## GOVERNMENT FOR THE PEOPLE

The Seeds of War

By DR. HENRY GEORGE III  
Part 7

In the preceding six articles of this series I briefly outlined the background of the tariff and its baneful effect upon society as a protective measure. I discussed how the tariff serves as a barrier to trade and exchange, how it cripples not only those on the outside who would send in their produce for trade, but in addition how it creates a monopoly power within our country that raises the cost of living for our people, in addition to directly and indirectly throwing many more men out of work than it benefits. It is the first step in the chain of economic war between nations.

The founding fathers' concept of the tariff was not as a protective measure for they fought against privilege in any form, and repeatedly enunciated their feelings in that immortal utterance, the meaning of which we have all but lost sight of, "Equal rights for all, special privileges for none." Their concept of the tariff was simply as a means of revenue. It was to be a means of Federal income, rather than protection, and it is well if we now consider the tariff from this concept, for if a tariff is not justified from the concepts of trade its only remaining merit must be found as a source of tax revenue.

☆☆☆

Adam Smith in his immortal "Wealth of Nations" laid down what has been universally recognized as the canons of taxation. The best tax by which revenue can be raised is that which will most closely conform to the following conditions:

1. That it bear as lightly as possible upon production, so as least to check the increase of the general fund,
2. That it be easily and cheaply collected, and fall as directly as possible upon the ultimate payer.
3. That it be certain so that it gives the least opportunity to tyranny or corruption on the part of officials, and the least temptation to lawbreaking on the part of the taxpayers.
4. That it bear equally in proportion to the benefits received.

☆☆☆  
In the series thus far I have showed how the tariff as a source of revenue cripples production by destroying markets to which we might sell and by increasing the cost of products that we use in producing that which we want. Thus we find that the tariff has no place in our field of taxation with reference to Smith's first requirement that it bear as lightly as possible upon production.

Now the tariff is, by and large, an indirect tax, that is it is added into the cost of the article, and it is the consumer who ultimately pays the entire freight every time. We in this country now have accepted the concept that direct taxation is best, that a man pay directly in the form of an income tax, but still we keep up the tariff. To enforce the tariff we must keep up the coast guard revenue service patrolling our coasts, and customs houses, we must have an army of spies and investigators who continually try to plug up the gaps through which bootleg merchandise is smuggled into the country. We must keep up a consular service in every country who will advise our people of the cost and difficulties of importing to our shores.

But more than that, the tariff is not paid by the importer, but shifted by him and compounded until when the ultimate consumer places his money on the counter he is paying far more than the article is worth and in addition paying an indirect tax. Thus the poor man pays in proportion to his income ten, twenty, a thousand times more for his cigarettes than does the rich man. Therefore it must be concluded that the tariff violates the second canon which states that for the tax to be just it must be easily and cheaply collected and fall as directly as possible upon the ultimate payer.

When an article is made artificially expensive there are always many who feel that they are rendering their fellowmen a service if they can sell it more cheaply. They see a profit for them in the smuggled merchandise which they can purchase more cheaply and which will evade the tariff which boots the price still higher. I am not saying that those same people might not just as quickly look for some other illegitimate business in which to make a living, but it is the duty of government to raise its revenue in such a manner that its people are not corrupted and the black market and bootlegging only exist because people are offered a temptation by the government. This is not a dissertation on morals, but if a government fos-

ters a vicious system it is bound to get a vicious citizenry. We attempted to make men moral with the Volstead Amendment and found that we were making them far more immoral in their contempt of law and order, and the enormous racketeering syndicates which sprouted as a result. Did the bootleggers want the Volstead Amendment repealed? Of course they did not, nor do smugglers or their patrons. Thus we find that the tariff runs contrary to the third canon which states that it must be certain, that it gives the least opportunity to tyranny and corruption, and the least temptation to lawbreaking on the part of the taxpayer.

☆☆☆

But while false swearing and bootlegging and smuggling in the thousands of forms that are used is detrimental to the public good and deprives the public of revenue that should accrue, the power of the tariff to confer special privilege upon the great and powerful, while acting as a barrier to the little man who would get started, is of far greater significance. As the tariff fosters monopoly by stifling outside trade, as it enables the home monopolist to raise the cost of the article due to the lack of outside competition, it provides him with a special opportunity to lift the cream from the public's wallet and this is precisely what is done.

Were the tariff the benefit to all that it is claimed then we would expect the labor employed in tariff-protected industries to receive higher wages than those who work in industries that are not blessed with a tariff wall. But such is not the case. Those industries which do not work under a tariff protection pay on the average 50% higher wages than those who claim that the tariff is necessary to pay good wages. But while labor is cut down in wages, there is a pyramiding salary scale at the top of the tariff-protected industries. More will be mentioned of this in subsequent articles. Suffice it to say that the tariff as a means of taxation or revenue violates the fourth and final canon as it does not bear equally which states that it must bear equally in proportion to the benefits received.

Thus we must agree that while the tariff fails in its objective as a social benefit through the means of protection it also fails as a means of an equitable, cheap, certain and efficient means of taxation, that it violates each and every one of the canons of taxation. If, then, the tariff cannot be defended either from the standpoint of protection or revenue where in lies its virtue? Why do we continue it?

These are the questions we ask ourselves if this nation would prosper.