

Constitutional Taxation

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The Courts have asserted, and the view is generally accepted, that the right to tax (private property) is inherent in the State. This, we question.

A clause in the Bill of Rights states that private property shall not be taken for public use without just compensation. It would appear, then, that unless it can be shown that services rendered by the government constitute just compensation for any private property that is taken, taxation of such property is unconstitutional.

Probably the greater part of the taxed property in this country is capital. Practically all taxes on capital are ultimately collected from consumers. No consumer knows, or can know, how heavily he is taxed. In the price of everything that he buys taxes are included. What the total is, in any given case, it is impossible to determine. In view of this, and of the fact that social service is not a tangible thing which can, directly, be weighed or measured, it seemingly is impossible to devise any system whereby services can be so rendered as to constitute just compensation for any private property that the government may have seized. If, in any instance justice is attained it must be by accident rather than design. The ability-to-pay theory and the theory of compensation are inconsistent.

On the property of a successful merchant a heavy tax is imposed. Every article sold by this merchant will bear some part of this tax. The taxes paid by any given customer will be on the basis, not of what he owns or of what he is able to pay, but of his expenditures. The larger the family which he undertakes to support the heavier will be his taxes. Between these taxes and the services rendered him by the government, there is no definite relationship.

Assume that Mr. A builds, for tenant occupancy, a house costing,

in labor and material, \$10,000. To net a five per cent return on his investment, Mr. A must collect in "rent" \$500 a year, over and above taxes. If taxes amount to \$400, this must be added and the tenant will have to pay \$900 a year. Were Mr. A to assume the tax burden himself, his net return would be reduced to \$100 a year. In effect this would cut the value of his investment from \$10,000 to \$2,000, since \$100 a year is a five per cent return on only the latter figure. But by fixing the annual "rent" at \$900, the owner will still have \$500 for himself, or a five per cent return on his \$10,000 capital investment. Thus will the market value of his house be maintained at approximately its cost.

What is true of this tenement house is true of our whole capital structure. The whole burden of capital support rests on the shoulders of tax-burdened consumers. Widespread and bitter poverty, with their consequent evils, are the inevitable result. Under such conditions no political democracy can long endure. Only by force can order be preserved. A government by force is not democratic.

In no democracy has a competent electorate ever granted to the government the right to tax private property. Where this power is exercised it is usurped.

One purpose, if not the fundamental purpose of government, in a democracy, is to ensure equality of opportunity and security of person and of property.

The right of the individual to possess the fruits of his own labor is natural and inalienable. To deny this is practically to affirm that force is the only basis of property ownership. But the right to own property is of little worth if, upon this property, the government has a first and unlimited lien. It should be self-evident that if the individual has a right to own property the government has not the right to seize

it; if the government has the right to seize property without making just compensation the individual has no worthwhile right of property ownership.

An individual may relinquish his own rights but he is not qualified to limit or nullify the rights of others. Therefore, even the vote of a majority in favor of such action, in a democracy, does not make lawful the seizure of private property by the government, for any purpose whatever, unless, for this property, adequate payment is made.

That to the producer belong the things produced is axiomatic: What I produce is mine; what you produce is yours; what we produce is ours. Economic Rent we, collectively, create. It therefore is ours. It is public property. The government, which is the accredited agent of society, must appropriate and use it as public revenue. Failing to do this the government must, to secure needed funds, seize private property and, in so doing, violate or nullify the very rights which it was established to defend.

The socially-created wealth which the government fails to appropriate remains, as private property, in the possession of those who own the land. Landowners are, therefore, a privileged class. Obviously, where a privileged class is there cannot be equality of opportunity.

Any political democracy which secures its revenue by resort to methods which create inequality of opportunity and insecurity of property makes inevitable its own downfall. Plutocratic influence or control is the first downward step; an authoritarian State comes next, and this marks the end. On the battlefields of the world fruits of both are reaped.

While the last clause in the Fifth Amendment of the Federal Constitution continues in force there is one tax, and one tax only—if indeed it be

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a tax—which lawfully can be imposed. This is not a tax which may be imposed, but one that must be imposed if we are to have political liberty and a just distribution of the wealth which men create.

The value of land reflects the value of social service. The individual who pays, for the use of land, either as tenant or owner, a fee or tax which equals its rent, pays in full for what he receives.

The investment value or market price of land is its capitalized net rent. When the government collects land rent, as public revenue, there will not remain in the possession of those who own land any appreciable amount to be capitalized. Therefore land will be free. When land is free and all private property is tax free, equality of opportunity and security of property will have been attained. Then shall we have a lawful and enduring government and a free and prosperous people.

By private property in Economic Rent is our house divided against itself. "That house cannot stand."
