

"Ability To Pay" Is Robbery

By John Salmon

President Roosevelt in his speech at Arthurdale, W. Va., last May 27th said, "For years America as a whole has accepted the principle that a graduated tax ought to be paid by individuals in accordance with their ability to pay," graduated meaning a small income would pay say 4 percent and so on graded up as high as 60 percent. It's a soak-the-rich policy. It's neither just nor fair.

A man with a taxable income of \$2,500 would pay \$100. One in the 60 percent class would pay \$1,500 on every \$2,500 of income. This gets out of taxation into larceny.

Imagine a storekeeper attempting to apply the ability-to-pay theory to his business. Says the customer:

"What is the price of this hat?"

"Pardon me," replies the hatter, "will you tell me what your income is?"

"Why do you ask?"

"Because if it is \$10,000 the hat will cost you \$3; if \$20,000, the hat will cost \$6. But if your income is \$1,000 the price will be 30c."

In the case just cited you would say it would be a foolish way to try to run a business, yet that's the way the government deals out its service to the taxpayer according to the ability-to-pay idea.

This cry of ability-to-pay is paternalistic, assuming as it does the duty of government to equalize wealth through the power of taxation.

It can be asked, "Does the government give me my ability?" Usually if I have ability to accumulate I also have the ability to shift the tax to some one else, so it becomes a tax not according to ability to pay but to inability to avoid paying.

The investor, in order to recoup his income tax, demands securities yielding a higher rate of interest than formerly, thus enhancing the cost of capital and also enhancing the cost of the goods the capital goes into, and all the increase finally comes out of the ultimate consumer.

There should be a clear distinction drawn as to what are the legitimate

functions of government. It has no right to coerce an individual in matters of private concern. What a man makes in his business, either individually or as a partnership, or in a corporation or professionally, is a matter of private concern. Yet we see under the income tax how the law undertakes to make public what should be kept private, and moreover arms itself with inquisitional power which permits it to pry into private affairs, where by rights it has no business.

Now it can be asserted that the privilege of occupying a given location in the community and nothing else increases in value as the result of public service rendered to products or what is produced, and privilege in land constitutes all actual property. The value of labor is shown in the price of products and the value of the public service is shown in what may be exacted from the public, the community, for the privilege of landholding. This exaction is called rent.

All values are either labor values or land values. Labor value comes as a natural right. Land value comes as a legal privilege. What are natural rights? The right to life, the right to liberty. The right to own property and the right to make a contract. And the ownership of property rests on the proposition that to the laborer belongs the fruit of his toil, and whether the fruits are the result of his own efforts, or whether they are the result of a gift or the result of a free, fair contract, they belong to him as against all the world, and to no other individual—no MOB, no TAXING POWER.

And let me repeat this: No taxing power has any right to take of those fruits without the owner's consent unless it can show the owner is its debtor. There is a debtor relation-

ship existing between the taxpayer and the taxing power which should always be taken into account when taxes are being apportioned. To ignore this debtor relationship in apportioning taxes is to ignore a person's natural right to his property, which is then taken because the taxing authorities have the power to take. It's a denial of the right of ownership of property as between the taxpayer and the taxing power.

The value of the land a person occupies in the community either as owner or renter shows what is owing to the taxing power, the whole community. Where people associate together in cities there is a profit in that association known as rent. This rent is made possible by the action of government, which furnishes security of tenure or peaceful quiet possession of location and then furnishes street, road, school, police, and all utilities necessary to be publicly carried on.

All the community's activities increase land values; in fact, the value of land indicates the value of the service of government and should be the only item used to apportion taxes.

Taxation for value received is the correct principle and not taxation according to ability to pay.