

## Good Profits and the Other Kind

DURING THE THIRD QUARTER of 1941, according to figures compiled by the National City Bank, the combined profits of 200 big concerns were the highest since 1929, and nearly half again as much as they were in the corresponding period of 1940. The same source calculates that Federal income taxes will take 55 per cent of the profits earned by 140 concerns during the first nine months of 1941.

Thus the Federal government becomes a greater participant in the earnings of these businesses than do the shareholders whose capital is invested in them.

As local taxing agencies also take a share of the earnings, government as a whole has a much greater interest in the profits of business than have those who assume the risks of enterprise.



The government renders services, and services must be paid for. But the dictators of justice demand that there be a relationship between services rendered and payment received. Our present fiscal policy makes impossible any method for ascertaining the value of these services; in fact, our fiscal policy is based on the power of government to collect, not on the justice of the amount or method of collection.

Only in an analysis of the source of the profits can we find any equitable measuring rod for taxation. And only in such an analysis can we find any equity in the profits themselves.

A business which makes a profit from production has rendered service to society. People want what it produces and are quite willing to give up their production (wages) in exchange for these commodities. Every commodity sold satisfies a desire.

In the production of these things the government renders no service. True, the services rendered by government facilitate production as a whole, but

that is reflected elsewhere. The profits of the individual business result from its satisfying of desires. Unless it does that there can be no profits, regardless of the facilities provided by government.

But profits (the excess of income over outgo) can and do stem from something far different from production. In fact, the largest profits come from a curtailment of production. When things are made scarcer the value of what is produced rises, and the net return to those who gain by this curtailment is correspondingly greater. Such profits then become a sort of levy or tax on the people who are forced to pay the higher prices.

The privilege of collecting such levies results directly from government services, and should, therefore, be the source of payment. The word "privilege" suggests that the power and will of government has made it possible. It is an advantage which the police power has given to some person or persons exclusively. Profits deriving from privilege should then inure to the government which makes privilege possible.

If profits from privilege were collected by government, the only source of profits to which enterprise could look forward would be those derived from production. Since profits are the incentive of enterprise, the urge to increase production, to satisfy human desires, would be encouraged. More things would be available, and the quantity of things available reduces prices, makes for better living. Also, the increased production of things makes for larger wages, since production is the only source of wages.

Our fiscal policy, which fails to distinguish between profits from production and profits from privilege, punishes the one and favors the other. The effect is to discourage production, to encourage the seeking of privilege. Or, to use the economic terminology, to lower wages and increase rent.

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