

Taxes And Rent

The State—an organization of officials (elected, appointed, or self-appointed), detached from the producing population and legislating for it—lives by taxes. It could not exist if its power to tax production were abolished. Therefore, it is necessary to the existence of the State that its power to tax be unlimited by law, that this power be enhanced by public debt and public needs.

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True, the outcome of an increasing tax burden is to destroy production—the source of all taxes. But the State is not concerned with the “long run.” The break-down of our productive system can be delayed for years, perhaps centuries, because producers can be taught to adjust themselves to lower living standards at a rate so gradual as to be almost imperceptible. For instance, Americans can hardly believe that Americans will ever be coolies; yet the same economic forces that have reduced the Chinese worker to bare subsistence are at work in this country. In some parts of our country the degrading process already has reduced American workers to that level.

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Taxes not only have the effect of decreasing the purchasing power of wages, but also of creating privileges for powerful groups. Thus, not only do the workers clamor for more taxes for alms, but the privileged groups see in the State's fiscal power an instrument for their own benefit. Political support for the State thus comes from two economically opposed camps—the privileged and the robbed.

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The State does use a portion of its tax-collections to render certain necessary social services. Some of these services—like roads, post offices, fire departments—aid production, thus continuing for a longer time the source of taxation. But, the tendency is for rent to absorb at an even faster rate than taxes the productive increases due to these social services.

The taxing power of the State is not limited by the cost of efficiency of these social services. If the State is wasteful it can, and does, make up the deficiency by further levies on production. Budgets determine rates of taxation; the desire to pay taxes does not determine budgets. There is no way, under the tax system, to measure the value of the State to those who pay the taxes out of their production.

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Rent is the only measure for testing the value of social services. If these services are really social, if they aid workers in production or in the enjoyment of life (which is the object of production), rent will increase. If government is wasteful, rent will decrease. Rent is extremely sensitive to social services, and to social dis-services.

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It is obvious that if rent were socialized—that is, publicly collected and used for social purposes—the power of the State would decline, and eventually disappear. The governing body could not hide its inefficiency or corruption behind tax levies. Rent would be the barometer of government's value to the citizenry, and the readings would be quite visible. The producers would be buying social services just as they buy private services or goods. The price would be rent. Government would come into the market.

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By the way, rent is a measure of social services even when it is privately collected. But, since it is privately collected, it is useless (save to the landlords) as a measure of the value of government.

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The socialization of rent would destroy taxes. The State (as we know it) would disappear; and such government as we would have would be always subject to the economic instrument of rent.