

Shall We Soak the Utilities? By GILBERT M. TUCKER

THE "UTILITIES" are always fair game—why not tax them to the limit? They benefit by special franchises and enjoy certain monopoly privileges, so of course they should be taxed, and taxed good and plenty, but how? Well, let's see!

Henry George's answer to the utility question was that these businesses—the railroads, traction lines, gas and electric, telephone and telegraph companies—should be owned and operated by the nation, state, city, or whatever political entity was most directly concerned. This sounds logical, but it is not a very satisfactory solution, especially to those who have had insight into politics or experience in public service.

Practically always, operation by any political body is marked by inefficiency, waste and often by a general looseness which inevitably leads to corruption and graft. Under public operation a vast army of workers would be immediately shifted into governmental employment; with an enormous increase in the numbers, already large, of those whose votes are determined by self-interest. Incidentally, from a Georgist viewpoint, advocacy of public ownership is unfortunate for it gives color to the unjustifiable charge that our philosophy is tainted with socialism.

In discussing the utilities with the late Mrs. Anna de Mille, I was interested to find that she too disliked a socialistic approach to these problems and felt that if her father were writing today he would advocate regulation rather than public operation. Mr. George wrote his great books at a time when control and regulation of quasi-public activities was almost unknown. The Interstate Commerce Commission had scarcely been thought of, and it was not established until four years after publication of the book *Social Problems*.

Most Americans distrust political operation, particularly if they have had experiences with publicly owned utilities abroad. Well do I remember an incident in French North Africa when my car bogged down to the hubs in the deep mire of a "chott." The telephone exchange was closed down for two hours in the middle of the day and to get help from the nearest town where cars and garages were to be found (and distances are not short in Africa) it was necessary to send a runner for many miles. Then, in view of the irresponsibility of the natives, another runner had to be sent to check up on the first. Finally, when we had arrived at our destination and wanted to send a telegram of safe arrival, we sought out the telegraph operator in a comic-opera cafe. He agreed to send our message some time the next day, for the offices were closed all night.

But granting the advisability of regulation rather than public ownership, the question of how these enterprises are to be taxed, still remains. The principles of Henry George suggest taxing on the full value of all land, right-of-way and franchises, even though it may be difficult if not impossible to assess these values fairly. There is, however, a simpler approach to the problem. Don't tax such companies at all!

Assuming a just regulation to prevent exploitation and at the same time allowing for efficient service—the imposition of a tax means

that rates must be set higher to cover the tax costs, while still leaving the company a fair net return. Taxation simply takes money out of one pocket and puts it into the other; it takes a toll from the company for public use, and then authorizes higher rates to enable the company to re-collect from the public. This hits hardest in the lower brackets. The cost of a telephone is a far heavier item to the proprietor of the little shop than to the owner of a large one, and heat, light and similar services are much more serious matters to the little fellow with a little budget than to his flourishing neighbor. Even the costs of railroad transportation are spread and passed on in such a way that, proportionately, they increase the cost of living more for the poor man than for the well-to-do.

We are all paying the costs of government through inflated charges for public services; the taxes that are concealed in your bills are far greater than those openly charged—as they are in the case of railroad tickets or telephone service. The consumer must pay to reimburse the utilities for taxes on franchise, plant, realty, equipment, payroll, purchases, sales and countless other items. And next time the consumer pays an additional (sales) tax on these services when he buys essential appliances, such as electric light bulbs or a gas stove.

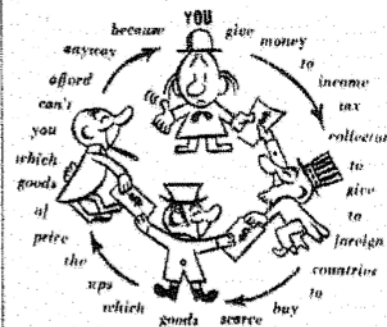
Is it wise, just now when people are restive under the burden of inflation, to inflate these costs of common necessities? One is tempted to question not only the sincerity but even the integrity of politicians who, shouting for lower prices and "deflation," deliberately increase prices which would normally drop, telephone charges or electric services for example, by plastering on a tax to absorb the savings that should go to the consumer. How infinitely preferable would be a simple and direct tax on land values which would reduce and not raise price levels!

To achieve a reform will not be easy. The demagogue and the rabble-rouser picture "the trusts" and the "great soulless corporations" oppressing the people by exorbitant bills. Really, if the wretched tax collector kept his thumb out of the pie, these costs would shrink very considerably. But we continue to fool ourselves and each other into thinking we are "getting back" at "blood-sucking octopuses" owned by a few billionaires. In our short-sightedness we do not realize that these corporations are giving efficient service that has done much for our progress and, instead of being "the tools of Wall Street," they are owned by hundreds of thousands of "little people." The American Telephone and Telegraph Company has more than 700,000 stockholders. No one stockholder owns even a third of one per cent of the stock, and many of the larger holdings are in possession of charitable institutions, life insurance companies and foundations representing and serving the masses and often the very poor.

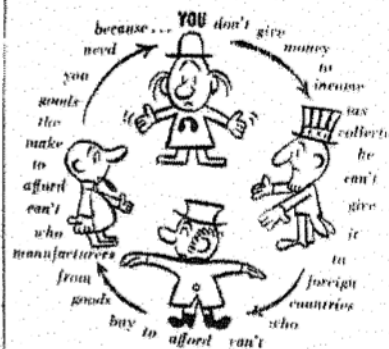
Let us think these things over, keeping clear of any socialistic approach, and consider if it is not folly to impose a peculiarly objectionable indirect tax by levying on large companies—then authorizing them to raise their rates to reimburse themselves. Let's quit the whole silly business and do what we can to simplify our tax structure.

HOW TO UNDERSTAND ECONOMICS

By Don Calhoun



On the other hand if



If we all look at it like this I'm sure it will seem very simple

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