

A Judge on Tax Justice

OF all the powers that the government wields there is none of greater importance and of more far reaching consequences than the power of taxation. No other exercise of power has a greater "impact upon the residents, business and economy of the State."

We all know what it is we are after. First of all we are all after the same thing—the one great thing—and that is to establish Justice. "Equal Justice Under Law" is graven over the entrance to the U.S. Supreme Court. This is the goal towards which we must all eternally keep striving, no matter in what department of government we may for the time being be functioning.

He who thinks of taxation as merely the means of raising revenue for the purpose of paying the expenses of government, does not know the half of it. It is as true today as it was when Chief Justice Marshall uttered it: "The power to tax is the power to destroy," but let us not forget that he also said, "it is the power to keep alive." What is it that we want to destroy and what should be kept alive? In the imposition of every tax these factors should be borne in mind: What effect will the tax have on the production and distribution of wealth?

It was Alexander Hamilton who stated the axiomatic fact, that there are only two things that can be taxed, Land Values or Commerce.

Certainly if we want to destroy something it should be that which is evil, and we should at the same time keep alive that which promotes the general welfare.

I maintain that this can be accomplished. Let us not beat around the bush, but get right down to the facts. I submit that there is one tax, or rather it is not a tax at all but is rather the collection of that which belongs to all the people, whereby we can destroy special privileges and at the same time encourage and reward thrift, energy, initiative, and in the process, or by the process, bring about a more equitable, mind you not "equal," distribution of wealth—a real "Free Enterprise."

What is this thing, this value, this fund, or intangible asset that is created by the people and by the government, the people's agency, which belongs to all the people? Is it not the annual value of land—ground rent—or the "economic rent" as the economist calls it?

By the term "land," I do not mean "real estate," which is a mere legal term and includes the improvements. By land I mean the earth, with all the natural resources above and below, as created by nature, and by Nature's God; not by labour or capital. But as population increases; as the people through their government build streets and roads, erect schools, establish and maintain fire departments, water and light systems and establish law and order, and perform other public services—the value of land increases. Adam Smith was correct when he called this "the unearned increment" as far as the individual title holder of the land is concerned. But is it not an *earned increment* so far as the people—the public—are con-

cerned? Do they not pay for all the mentioned and many more? And having paid by the sweat of their faces, are they not entitled to a reward?

Here I could cite an unlimited number showing how land values have increased continually increasing. However these facts are common knowledge. For instance I know where lots which only a few years ago sold now selling for \$1,000; and lots heretofore \$500 to \$1,000 are selling for \$10,000 and holds true to the same extent, and in some smaller or larger extent, in every village, town and city of the State of Texas. To some degree this is agricultural and mineral lands.

In the production of wealth there are three and three only: *Land, Labour and Capital*, already defined. By *Labour* is meant not labour, but management as well. All engineers and architects and all professional men and all business men are *Labour*. *Capital* is that part of wealth which is applied in the production of more wealth. Therefore *Land* is the *static element* while *Labour and Capital* are the *dynamic elements*. Under our present tax burden of taxation falls heaviest on the dynamic elements. Land values pay a relatively small proportion of the products of labour and capital we stifle the products of commerce and increase their prices to the consumer, who pays the tax. However, the values cannot be shifted. All economists agree on this. And the Supreme Court of the United States held when passing on the first Income Tax Law.

Our present tax system has thrown the whole structure out of gear, as it were. The glaring inequalities of this system have caused the government to pass laws, price regulation and many other paternalistic measures. These in the long run cure nothing but increase the unfairness in the distribution of wealth. Government has the power to pass laws fixing wages and prices and no more do so fairly than it can regulate the market. Palliatives are never a cure for social ills.

The great mass of the common people are denied their heritage through no fault of their own because of the great wrong whereby the national fund of public revenue—the community-created fund of land—is treated as if it were private property. A matter of simple economic arithmetic that if a few get something for nothing, the rest get nothing for something.

As peculiarly applicable, I quote from an American economist:

The advantages that would be gained by the abolition of the numerous taxes by which the public is now burdened, a tax levied upon the value of land will appear more and more important the

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By Hon. John R. Fuchs

TEXAS TAX STUDY COMMISSION
STATEMENT SUBMITTED TO THE

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are considered. To abolish the taxation, which acting and reacting now hampers every wheel of exchange and presses upon every form of industry, would be like removing an immense weight from a powerful spring.*

If you improve your land—your site—with a house, with flowers and trees, while I leave a hovel of mine with tin cans and dead cats, you are mulct while I am given a premium.

You will ask me the question that I have been asked many, many times during the past 50 years: "*Will this system produce enough revenue to satisfy all the needs of government?*" I answer this by asking a question in turn: "Do you not believe that over 9 million sturdy Texans will pay enough, and will gladly do so, for the privilege of sojourning on a part of this earth, known as Texas?" Moreover the sum needed will for many reasons be less: Governmental affairs and administration will be greatly simplified;** more people will have an opportunity to make their own living, Labour will get better wages and real capital higher interest. But let us assume that the system I propose will not provide enough revenue for legitimate governmental expenses, and that we might have to resort to other taxes, should we not in any event first take that which belongs to the people before we resort to a tax on that which the individual has produced by his "talent and virtue"? And again I ask a question: "*What would you think of me, if I, finding your purse that you had lost, would not return it on the specious ground that after all it contains not enough to satisfy your wants?*"

* No land would be held idle for which there is a demand.
J.R.F.

** Given access to land the people will do for themselves that which is now expensively done by the government. J.R.F.

All I have tried to do today is to give outline of what I consider a just tax. Far me to think that I have all the answers, but with all my heart and mind that what I meet all the tests of what a just tax system. It is not only a tax measure, but it will free capital from the unjust burdens, and the consumer from the innumerable "hidden taxes," Fairless, vice-president of U.S. Steel, called it leave to the individual what belongs to him public what belongs to them. It will not help at the expense of another.

I do not claim that it is a panacea for all to its many obvious beneficial ramifications order out of chaos. It is the one first great justice, and will make the solution of all other easier. Such is the power of Justice.

Finally the proposed step is in harmony with law, yes with the Divine Law. In the atheistic states the people have only such rights as are the state, while here in the United States, where in the laws of God, man has certain inalienable rights recognised and protected by our Great Bill. While we, the people, are secure in our civil rights, is still one basic God-given right which we have not recognised. It is the right of the people to a part of the earth given to them—the children from which, and by which, alone they can live. In humility, I submit that the proposal made will give to the people an Economic Bill of Rights which is long overdue.

Gentlemen I thank you for your attention.

Respectfully submitted by J. R. Fuchs
as a private citizen.

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