

GENTLEMEN OF THE COMMITTEE:

I feel confident that the last one of you knows that the Legislature wields no power that is of greater importance and of more far-reaching consequences than the power of taxation. Those who think of it as merely a method of raising revenue know only the half of it. Taxation can deter or promote the production and distribution of wealth.

Chief Justice John Marshall uttered a basic truth when he said: "The power to tax is the power to destroy." About thirty years later the Court in referring to this said: "The power to tax is also the power to keep alive." Surely we do not want to interfere with industry, with thrift, with energy, and with initiative. Today most of our taxes do just that. Almost universally people with whom I have discussed the question of taxation agree that our present system of taxation is Communistic.

There are two kinds of property, or two kinds of things that we can tax, either personal property or land and of course under our present laws improvements are considered a part of the land while in truth they are not.

What a man creates by his efforts, by his skill, by his energy and by his initiative is his personal property and when we tax this we are communizing--making common property out of individual personal property--and by the same token we leave to the individual what society has created. We enrich him at the expense of the people.

What is it then that society has created? The answer is the value of the land. The land is a gift of Nature or Nature's God. Neither capital nor labor created it. But the people as a whole--society--through organized government, in building roads, streets, sewers, lighting systems, schools, providing for law and order through the police, the courts, and many other public services, create the value of the land--the use value of land. This the economists call "economic rent", that is the value of the land without its improvements. This belongs to the people and justice requires that it be collected for the benefit of the people. Now it goes largely into the pockets of private owners. This is the

great fundamental injustice which throws our whole economic structure out of gear. (I want to emphasize parenthetically that I do not advocate the nationalization nor the public administration of land.) Pragmatism demands that the land remain in the private possession of individuals. Not one inch of land should be taken from anyone. No division can be or should be attempted. From the days of the Gracchi this has been demonstrated to be the wrong method. Rent on houses is not strictly how I use the term here. Such rent is interest on capital. In every instance we pride ourselves on our free enterprise but do we in truth practice it? We should not go over to this system abruptly but gradually. In doing so we will be presenting a solid front to the Communistic ideologies.

The Constitutional Amendment which Senator Franklin K. Spears, at my request, has introduced is just a small step, but a step in the right direction. In my opinion every legislator should and can support the submission of this amendment for two reasons: First, it is merely permissive; and Second, it is giving practical power to the cities of local self government which we press at every occasion and which we give such vociferous support but do not follow through on. In other words, we do not practice what we preach. Here with this resolution the Legislature has a great opportunity to practically apply the bulwark of our liberties-- local self government. Let us give the cities the opportunity to try and further process so that it will become a permanent institution as is the case in many of the counties and cities in Australia and New Zealand and some of the cities in South Africa. For illustration the city of Johannesburg raises all of its local taxes by collecting the annual rental value of land leaving the improvements wholly untaxed. Denmark also has come far along this line. In the United States the City of Pittsburg furnishes the best example. There the tax rate is only one-half on the improvement of what it is on the land without the improvements.

Frankly I will admit that it will temporarily materially take gains from such land owners that speculate in land, but it will be a blessing to the man who uses this land because all his improvements will be exempt.

Speculation in land has never and never will help the people as a whole. Applying the maxim of John Marshall quoted above, it will promote the making of improvements and the only thing it will destroy is the speculation in land which is not constructive but on the contrary very destructive to capitalism and labor. True, in spite of our present system, we have made wonderful gains due to the fact that land was comparatively free in this country; but that day has passed; and the correctness of the prediction of the great Maceuley in his famous letter is demonstrated by our present trend.

In my charge to the Grand Jury, a copy of which has been sent to members of the Legislature, I quoted from many of the leading thinkers from our times in support of what I am advocating now. As a citizen of Texas, whose grandfather came here over 100 years ago because he was opposed to monarchy, I plead with you to give this due consideration.

Respectfully submitted,

J. R. Fuchs
334 ~~Keen~~ Blvd,
New Brunswick
Texas