

Huemer's Two Taxes

In my *Knowledge, Reality, and Value* Book Club, I focus on my disagreements with Huemer, even though I agree with the vast majority of what the book says. Recently, however, he wrote a separate piece that I disagree with almost entirely, entitled "Two Taxes that Aren't Theft." Using Huemer's common-sense approach to ethics, I say that he's deeply mistaken on both counts.

He starts by making reasonable points about pollution taxes:

Pollution. Whenever you drive your car, you release a little bit of pollution into the air, which imposes a tiny expected harm on a huge number of other people and animals, including future generations. I bet you don't get their consent, either.

On some absolute deontological views, you always need consent before imposing (certain kinds of) harm on others. But that's impractical. You can't get the consent of everyone in the world, including the future generations who will be affected by your pollution. So we'd have to say either

(a) "You can't pollute at all." This requires shutting down modern civilization. Or

(b) "Pollution isn't the right kind of harm" (it's not aggressive, people don't have rights against pollution, or something like that). But this would mean that it would be fine to completely destroy the atmosphere with pollution (if someone had the ability to do that).

(a) and (b) are both bad. We shouldn't completely prohibit all pollution, nor should we take no action at all against pollution. While complete destruction of the atmosphere may not be on the table (yet), we would surely have too much pollution if we didn't do anything at all to polluters.

[...]

Wait — you can see what the utilitarian rationale is for Pigouvian taxes, but why isn't it still theft (even if a beneficial theft)? My thinking is that the person creating the negative externality actually owes compensation for doing so. Extracting owed compensation from someone isn't theft. So this form of taxation isn't theft.

I've actually made a similar argument myself, so what's my objection? He seems to endorse Pigouvian taxes not just on physical damage to person and property, but against negative externalities in general:

This point of course applies to other kinds of externalities. If people get to impose negative externalities for free, there will be too many negative externalities. Lots of activities will get done that impose greater total costs than their total benefits. And almost everyone is going to lose out overall from all the negative externalities.

Solution: Pigouvian taxes. These are taxes on externality-producing activities. They're supposed to be set so that the tax is about equal to the amount of external harm produced by the activity. This deters people from doing the activity, if and only if the total cost created by it exceeds the total benefit.

The problem: *Anything* can be a negative externality. Saying things people dislike is a negative externality. Painting your house an objectionable color is a negative externality. Having an unpopular religion is a negative externality. And yet common-sense says that human beings have a right to create such externalities, and those who object cannot legitimately use violence to prevent their creation. (Of course, as *The Problem of Political Authority* explains, people appeal to the notion of authority to rationalize government's use of violence in such cases; what common sense says is that private individuals must tolerate most negative externalities). A society where all negative externalities were taxed might be economically efficient, but it would definitely be a tyranny. In a deep sense, freedom is the freedom to create negative externalities with impunity as long as you don't non-

consensually use other people's bodies or property in the process.

To put this in the form of a common-sense moral dialogue:

A: Hail Satan!

B: You just created a serious negative externality.

A: How?

B: Christians don't like you saying, "Hail Satan!"

A: So I'm not allowed to say that?

B: You can, but there's a \$20 tax for doing so. Pay up.

Huemer also seems to endorse Georgist land taxes:

This one is more interesting and controversial. I think Henry George may be right. Henry George thought that (a) everyone is entitled to the value that they themselves produce, but (b) they're not entitled in the same way to value produced by nature. If you happen to be the first person to claim some valuable natural object, that doesn't really give you a greater claim to its value than other people who arrived later...

Solution: A land tax. The first person to find some unused land gets to claim it, but also, the person who owns a particular piece of land at any given time has to pay a tax approximately equal to the intrinsic value of that land (the value not due to human labor). The tax money should then be distributed evenly among society. This implements the idea that everyone should get an equal portion of the unimproved value of land and natural resources. Unlike other taxes, it doesn't discourage productive activity, but it does discourage inefficient uses of land.

First, this directly contradicts common-sense. If you're the second person to arrive on an island, and the first-person has already farmed the best land, it seems very odd to claim

that you're "entitled" to half the surplus value of his land.

Second, raw human talent is also a "valuable natural object." So by Georgist reasoning, everyone should be entitled to an equal share of the value of human talent. Which is, in common-sense terms, slavery.

To put this in the form of a common-sense moral dialogue:

A: Welcome to the island!

B: Thanks. Now hand over half the surplus value of your land. You owe it to me.

A: This is my land. I'm the one who farmed it. I was going to give you some to help you out, but you're scaring me.

B: You're entitled to your value-added, sure. But you have to share the raw productivity of nature with me.

A: Seems unfair.

B: Well, let me point out that you seem to have an inborn knack for farming.

A: True, I've always had a green thumb.

B: Interesting. I wasn't born with this talent, so you also owe me half the value of your inborn green thumb. I think I'm going to like this island!

I say this is crazy. Political authority might trick people into thinking that Georgist taxes are legitimate, but in Crusoe scenarios we can readily see them as theft.

P.S. My paper with Zac Gochenour argues that the category of "unimproved land" is much narrower than most Georgists suppose. Whether we're right or wrong, however, Georgist taxes are indeed theft.