

Comments on
POWER AND MARKET - GOVERNMENT AND THE ECONOMY, by Murray N. Rothbard
By Noah D. Alper

INTRODUCTION.

I have been asked to comment on the analysis of what is called the "single tax" by Prof. Murray N. Rothbard in his book, Power and Market - Government and the Economy. This will be done on the basis of selected items.

As a preliminary, these remarks should be made. What is called "single tax" presently, but more realistically today, land value or site value taxation, is based on the most certain knowledge of factors and principles that make up economic principles or economic science. This includes the factors LAND and LABOR as primary factors and CAPITAL as a secondary or derived factor. It includes careful identification of the product, capital or consumers wealth, as well as services, principles (cause and effect patterns) and the natural laws of distribution or sharing of the product between the factors of production. The Factors and the laws of distribution show that the product is properly and completely shared as Wages to Labor, Interest (wages) to Capital, and Rent-of-land as attributed to land of special value, land superior in quality of location and natural content to what is developed in economics as marginal land. The latter, while used in production, responds to labor so poorly as to produce rewards limited to Labor and providers of capital; there is no surplus identified as rent-of-land.

Furthermore, the shares identified as wages, interest, and rent-of-land are also identified by many Georgists as the only natural sources of public (or private) revenue. This means that there is a difference between taxes enacted by government to collect income from the sources--wages, interest, and rent-of-land--and the sources themselves. This forms a natural basis--a deducted basis--of taxation-education of public revenue. Whereas Prof. Rothbard and most economists who teach and write textbooks on the study of taxation use as a primary basis of study taxes which serve as pumps to draw revenue to government from the true sources.

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Prof. Rothbard makes his skillful analysis of taxation on the basis of "TAX," "TAXATION," and TAXES, as indicated by his index which contains the following identification of parts or fragments of the subject:

TAX: capitalization, exemption, evasion, illusion, the just, loopholes, single.

TAXATION: and ability to pay, and benefit, and conflict, and costs, and excess purchasing power, and justice, neutral, for revenue, and sacrifice, shifting and incidence, voluntary.

TAXES: burden, capital accumulated, capital gains, chain store, consumption, corporate, cost of collection, equal, excess profits, excise, fictitious, gift, income, inheritance, and location, pool, progressive, property, sales, savings, uniform, on wages and on wealth.

Noticeably absent is the usual index subject of taxes as regressive and proportional.

It is not intended to infer here that such treatment of the subject of taxation does not involve intellectualism and mental exercise and reasoning; nor is it devoid of some value in other ways. Involved is recognition and understanding of the politics of taxation as it is practiced today. It does give people a basis of judging which taxes (pumps) they prefer government to use, but in the process assures an overall confusion as to the nature of taxation itself. And, of course, this offers no opportunity to understand what a study of factors and principles and the identification of the basic shares of distribution reveals as a basis of taxation-education.

Another fundamental matter of consideration, treated in the following pages, is this: By the very nature of man and the spectacle of the moving generations of people across the surface of the earth as if actors on the stage of a theatre--who occupy it temporarily, there is with the coming of new life a new heritage of the land. No man-made devices or social or legal tricks can countermand the implication of this. The situation calls for arrangements to assure the heritage of all

people to land, as they appear. The modern provision for this can be found in what Prof. Rothbard refers to as "single tax" but which in more modern and reasonable terminology is called location or land value taxation. This, too, supports the only possible moral idea of property rights of man, an important human right, namely, that only man-made objects can be private property subject to personal heritage.

The following comments are limited to really too few of those that might be worthy of discussion. They are taken from Section 6 of Chapter 4, entitled "Binary Intervention: Taxation: The Incidence and Effect of Taxation. Part IV, The Single Tax on Ground Rent." Pages 92-100.

In the first paragraph of the section, Prof. Rothbard refers to the argument that "society owns the land originally and that every new baby has a 'right' to an aliquot part."

Actually, no "aliquot part" is involved in the application of land value taxation, since being a form of taxation - actually not a tax - this assumes that government as it is and has existed for some centuries serves as agent or trustee of the people - and not as an owner. This is truly the law. Inferred is that every baby born comes into its heritage of the earth merely by being born as a member of the continuing generations of men - of the people who reside on the earth as a member of the society involved. Called nations or by any other name makes no difference.

Actually, we should think of land as we think of air, by proper definition included in the economic term land, as having no ownership at all in any absolute sense by any person. The rent of land is to be the primary, if not the only, revenue of government to be used in paying its costs of service. Incomes economically defined as wages to labor and interest rewards to providers of capital are not to be used at all if possible; certainly as little as possible and not then until the full potential of rent of land has been utilized. Under such conditions,

no person gets income - an "aliquot part" of rent at all (or of the land). This indicates the economic, social, and moral facts of the matter.

Page 92, second paragraph: "Much of the discussion of ground-rent taxation has been confused by the undoubted stimulus to production that would result, not from this tax, but from the elimination of all other forms of taxation."

Georgists most certainly agree with the statement that "stimulus" would be given production by untaxing production - produced objects and services. This in no way negates their affirmation that the public collection of the publicly created and earned rental value of land has a positive and desirable effect on production as well. Since the fuller - not necessarily total - collection of rent of land for public use will make it easier, and not harder, to get; as the case is now, for those who want land for use in production (not for speculation) or to live on - itself involving production - this too will increase production. The Georgists insist that the greatest total stimulus will occur due to a combination of the public collection of rent of land and the abolition of other taxes (at least as far as possible).

Georgists, economists or not, need not allow their position to be "hung-up" by insisting on "total" single tax, as such. Their practical position has been to restore the rent of land fund to the use of all living persons involved and to abolish taxes, direct or indirect, on production, totally if possible, certainly as far as possible. If government spending is limited by the people to the rent of land fund, obviously all other taxes can be abolished, and what is meant by full single tax could exist. However, if more is budgeted for spending than rent of land will provide, then the excess over rent will have to come from the wages or interest funds, or both.

Let us suppose that title holders of land were completely relieved of the need to pay rent of land for the use of government and our communities to meet publicly incurred expenses. This would then leave full rent of land that exists and what

might be called speculative rent as well in the hands of such owners. How would this affect the production of wealth and services and their distribution as between all workers, including management, and all providers of capital? Would this be an "undoubted stimulus" which untaxing production--and labor and providers of capital--and collecting the rent of land is certain to be? Of course not! The effect would be in the opposite direction.

The tendency of our free market--free enterprise economy--is to give us more value for our effort as years go by. How is this tendency affected by a policy of untaxing production (and labor) and services, while also collecting the rental value of land as far as is practical which, as Prof. Rothbard so clearly admits, makes it easier to get more land or better land for the use of man; vs. the taxing of productions, etc., and also untaxing the value of land which, in effect, makes it easier to hold land out of use, maximizes what rent there is in price, and permits holders of land to do nothing at all with their land and prevents others from its use (if we follow the laws now in effect).

It is common sense, as well as sound economic sense, to make land low priced while its rent increases--as it will in many areas--by collecting this rent to meet the costs of government than would otherwise be needed. Certainly, it will make the cost of all land for public and private purposes less; it will tend to curb costs due to the speculatively-caused urban and suburban sprawl.

In par. 5, page 92, Prof. Rothbard refers to a "difficulty in estimating ground rents." . . the "problem of separating rent from wages and interest." (In brief - perfectly, yes; practically, no.) Actually, the real estate business and the assessments of land, separately, from improvements, is based on separation of values. Why is this to be considered an impossible kind of problem? True, many assessors and appraisers are not properly trained for their work, but certainly this is no reason to feel land value taxation is, therefore, not workable.

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Prof. Rothbard says, last paragraph, page 92: "They point out to hostile critics that the single tax (if it were accurately levied) would not discourage capital improvements and maintenance of landed property"....."but then they proceed to argue that the single tax would force idle land into use. This is supposed to be one of the great merits of the tax. (Of course it is not a tax; it is a rent) Yet if land is idle, it earns no gross rent whatever; if it earns no gross rent, then obviously it earns no net rent as ground land. Idle land earns no rent, and therefore earns no ground rent that could be taxed. It would bear no taxes under consistent operation of the Georgist scheme! Since it would not be taxed, it could not be forced into use."

This is followed by not very solid arguments based on his 'conditional' premise. Georgists have long known that under-taxation of land rent and over-induced speculation carried on over a period of time so that capitalized rent makes up loss due to paying taxes even though the land is held in non-use or poor use. This is their main risk. Much land held idle or in poor use has been a source of public revenue for many years; this is the way the game is played. And it is idle or near-idle land. People pay these rather minor taxes and interest and put down hard cash to buy idle land bearing such charges. Why?

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But this is indeed a minor objection. Under land value taxation as the Georgists would have it applied land that could and should be used, but is not now used, WOULD BE PUT TO USE. The land then held out of use in spite of such heavier taxation would indeed be idle or non-used land and it would not be taxed; it would be unused marginal land or submarginal land. However, land better than such land would be in use and would produce the products and services whose prices would include not only labor and capital-use costs, but the "surplus" above these costs known as rent of land. This would leave market-determined wages and interest to labor and providers of capital as private shares of distribution. Now there is used

land above the margin and idle land below it. The used land of value would be taxed and would provide revenue; the unused land below the marginal land has no value and is IDLE LAND THAT WOULD NOT BE TAXED and would in no case be forced into use. Thus there is a difference in idle land. What, then, is Prof. Rothbard's point? The land value tax caused a tendency to concentration of used land in one area with none of it idle; leaving other idle land untaxed. One wonders how important his thesis as to idle land is? Which idle land before full land value taxation? Which after? Is there not a clarification in this?

A point worthy of mention ignored by Prof. Rothbard's thesis is that where marginal (no land value-no rent) land exists, land speculators would not buy or hold and thus get in the way of future land users. They could no longer artificially and wastefully force out or lower the margin and force it to include unprofitable, less productive land. They could not, under land value taxation of integrity, expect a gain; and should they achieve such an unearned (by them) gain it would be taxed away.

In this connection, we should consider the alleged services of landholders, as such. On page 93, par. 2, he speaks of "capitalizing rent" by "far sighted entrepreneurs." Far sightedness as an art of getting in the way for a profit is not always a virtue or good for people. Burglars, highwaymen, and pirates developed and used such characteristics if they were successful. Successful land speculators do not need to think in terms of service; they can leave such thinking to others. Their principal thought is, where will the growth of the city take place? Is it time to get in the way? The difference is, the practice of this art is legalized.

"The Georgist Bogey is idle land," says Prof. Rothbard. This seems, actually, the bogey of Prof. Rothbard. Georgist economists and non-economists as well, understand false, fake, speculative rent due to the false lowering of the margin. They sense the value of encouragement given by non-taxation of location values of land along with its tendency to cause urban and suburban sprawl and the high costs of all this to mankind. They (land speculators) are hidden leaders in the efforts to

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substitute income, sales, gasoline, and other taxes for land value taxation, knowing in their "far sightedness" that such untaxing will increase their net rent and the capitalized value of land. Land dealers as a class, as poor users and rank speculators, have induced the great American tax shift from land values and landholders to labor and capitalist-provided values due to industry and business.

In his discussion of "capital and the Poor," (bottom of page 93 and on page 94) he says: "And so, these poor countries have plenty of land and labor; it follows that landlords must be holding land from use. Only this could explain the low living standards."

I am sure Prof. Rothbard slips badly here. Most 'new' countries have ample land area. Ample labor, in a sense fair to the term as used in economic science, may exist as to numbers, the great majority of which fall far short in capability to produce. "Labor" is not a numbers game. And at this point, Prof. Rothbard elects to say of Georgists: "Here a crucial Georgist fallacy is exposed clearly; ignorance of the true role of time in production."

Few 'classes' of people identified as groups, both as lay people and as students of citizens economics, have been as concerned with economics as a study as have people termed Georgists. A surprising number of them have a knowledge or feel for the concepts of what is termed the Austrian School; or for their type of thinking. They know that capital formation, say, takes time and requires making, saving, and investing; they know something of the law of rent; and seemingly know what few "degreed" economists seem to know, how it correlates with the laws of wages and interest to account for the total product. Unfortunately, many who read his book, "Power and Market, et al," will not know this and so will be "anti" the Georgist viewpoint by default of hearing capable proponents of the Georgist or other proponents of economics natural law as applied to the great problem of the citizen - possibly the greatest: from which source of public revenue, not which taxes to use, should revenue be drawn first, if not altogether, to provide funds for government.

It does take time to train people to produce and use capital. Much gain can come, and quickly too, by allowing capital and skilled leadership to come into the "poor countries" while keeping people out as land speculators; and putting those in that awful business in the country out of business. With proper aid of this sort provided or permitted, and assured a safe future, people of poor countries will make amazing progress, according to the level they 'take off' from, in a very short time.

The situation of the "poor countries" have not been helped by policies of rack-rents imposed on them by the lawmakers, usually landed nobility who are determined to remain such at any cost. In denying land value taxation and the increased private ownership (of titles essential to security for what is placed in, on, and over the land) and the refusal to untax capital and consumers wealth, Prof. Rothbard is not helping the situation at all. He is, in fact, helping exploitation of a sort - land, not labor or capital exploitation which, as such, cannot exploit but must serve people; he is not helping these people. In fact, he tends to assure retention of a system that has given Communists their greatest entering wedge -- their promise false of course -- to take land from the big holders to the people. He does Capital concepts no good, since he permits capitalists to be blamed for what the land owners of these poor countries do. This is why we must do what too many anti-Communists, including many capitalists, will not do, and many economists will not do: make a clean separation of land from capital; a difference as great as a difference can be.

Prof. Rothbard is wrong in another assumption he makes. Georgists fully recognize the need for and want land holders to have title - to have private, exclusive, perpetual (inheritable) right in the land, but only in the land they can and will use to its fairly determined market use value. Strong, but not over-strong (less than 100% of rent) collection of rent of land for public use will assure this. And we can be certain that the free market system will, under Georgist land value taxation, produce conditions, continue to allocate the use of land to its most capable users; in competition they are the ones who will get it because they can afford to

pay the rent of land poorer users could not. We do not need the hold-back landholder system of ancient Rome and Britain, and now in the USA, to assure this at the cost of also having the most over-paid, something-for-nothing-class in modern history act as if it is their special (and maybe holy) right to allocate the use of land?

For instance, take the 12 acres of land underlying Radio City, of which this is less and more than many other examples would be, but that is not the point. Here the landholders have allocated these acres for use of capitalists and labor at a rate of 3½ million dollars a year for 99 years; and, on top of this, they have imposed the burden of taxes imposed on the land on the capitalists and labor and people who use their services. Isn't it a bit silly to assume land allocation is their function and at such a price for nothing? Most people wanting a location seek out the location or have their real estate representatives do this. Allocation of land will be made as certainly with land value taxation as without it; and this is a certainty.

The free market functions in allocating space - land use is land space use - in newspapers, hotels, apartment and loft housing, on billboards in billboard areas, in theatres, in parking lots, and wherever space is dealt in, and on an annual rental basis. How can Prof. Rothbard fail to sense this? Can it be that he does not?

We quote from page 95, par. 4-5: "Suppose that the government did in fact levy a 100% tax on ground rent. What would be the economic effects? The current owner of ground land would be expropriated (not of the land title and the use of land) and the capital value would fall to zero. (1) Since site-owners could not obtain rent, the site would be valueless (if you can presume the rent of land attached to it - that it yields - is valueless) on the market. (2) From then on, sites would be free, and the site-owner would have to pay his unearned ground rent into the treasury.

"But since all ground rent is siphoned off to the government, there is no reason for owners to charge any rent. (3) Ground rent will fall to zero as well, and

rentals will then be free. So, one economic effect of the single tax is that, far from supplying all the revenue of government, it will yield no revenue at all!" (4)

(1) The title holder cannot recoup a loss of rent by trying to charge more rent than the site is worth. However, land rent still exists. It is now diverted from the title holder to the use of the community - government as agent. (And, of course, land rent thus collected is not a tax - it is a payment for benefit received.) This is a true market concept, long used in the USA.

(2) Does the site become valueless on the market? Obviously not! Rent expresses the site's value to the people who create it, not to mere landholders as such. People will think in terms of rent, not capital value, under land value taxation. Is it free? Not at all - no more free than it ever was. The market allocates land to users according to its market value, i.e., its rental value--not capitalized net rent value, but total rent value; less (and this should be the case) an amount that could be properly left to the title holder for service rendered each year in assembling the rent from himself or one or more tenants in the use of land.

(But suppose, as is most often the case, the landholder, who is also a building holder (owner) achieves net benefits of more, and possibly much more, value because of untaxing his improvements - and reflecting in other ways such as being a consumer and not paying the shifted-tax-in-prices he otherwise would pay, he would gain-have more money for his personal use. He will like the single tax. Why should people who use their land well and productively, as producers, be penalized in many ways to support an unproductive parasitic landholder as such? Many property holders may not gain, but they will in no way lose; and non-landholders will gain. Why should these be penalized to profit a rather few landholders who do not, as such, contribute in any real way?)

(3) Right! They cannot charge any rent - net. But ground rent does not fall to zero by a long shot - net rent does, or nearly so. And rental is not free. It is merely transferred to the benefit of all the people who create the land rent in the first place, through their private and governmental activities. Really, should we weep for them?

(4) The idea that the land value tax will yield no revenue at all is rather ridiculous. Ask people in Australia and New Zealand.

Last line, page 95: "The effect of the tax, then," says Prof. Rothbard, "is to fool the market into believing that sites are free when they are decidedly not." Indeed they are not! And this is why the rent should go to the community that earns it, and taxes on products and services of labor and providers of capital should be abolished, as far as possible, as publicly collecting rent and lower costs of private and public industry permit; and this may be enough to surprise most economists who oppose the principles of what is miscalled 'single tax.' The sequel is that taxes on products and services made by labor and providers of capital should not be collected from the people.

Prof. Rothbard says on page 97: "The single tax would leave de jure ownership (title) in private hands while completely destroying the point, so that the single tax is hardly an improvement upon, or differs much from, outright nationalization."

There is not and can never be nationalization of land so long as private titles exist as we know them today. Ownership of land has not been absolute under Roman, British, or United States law; it remains what it is: a permissive privilege. And this is true regardless of the first user, etc., theory. Nothing in economic science, or in morals for that matter, teaches private ownership of land as such; no such comprehension is possible from what it teaches. However, the nature of its principles, and possible identification of what man, as labor, creates and places into the markets or uses for himself, as consumer, affirms private ownership in such things. Prof. Rothbard, as an economist, cannot affirm private ownership of land, nor can the writer. It seeps from him as a viewpoint; an unjust and immoral viewpoint, and one harmful to the best interests of the freedom--free market, free enterprise--economy and its confrontation with the communist economy. The idea that land value taxation and exempting improvements and other man-made products from taxation is land nationalization just won't hold water. It may have a type of propaganda value, but little else.

Further, there is no Russian, Chinese, or Castro-Cuban nationalizing of land type of thing involved in the public collection of the publicly earned rental value of land. (And, of a certainty, this applies to capital and consumers wealth in, on, or over land.) If there is an earthly owner of land, it can only be the people as a whole who elect to live in any given area. And, under certain conditions, since the entire world of people give value to land in other areas, especially in port and airport areas, some consideration might be given such facts although it is not important to Prof. Rothbard's basic thesis.

The "first user - first owner" concept as a way of determining ownership of land forever and forever and over thousands of years is immoral and grossly unjust,

especially when the economic and social effects are fully and fairly considered. It is poor economic, social, and moral thinking; and is really way out from the situation in which we are involved with regard to land, and private property in things made by man - true private property.

Prof. Rothbard is impelled to say that "government could never own original land on the free market." But this fact intrudes: government does not own the land--as government--now. If, as said before, there is ownership, it can only, in justice and in sound economics, be attributed to the people, not one of whom owns "an aliquot part." (They only have privileged use of 'their' land.) At best, government is a realtor of the people; and if the people, as agreed to by the people as a system, do not like what their agent is doing, provisions exist which can rectify this. But so far as the Rothbard thesis is concerned, neither can individuals or organized groups of individuals (corporations, say) own the land "on the free market." Sure, someone thought this up; but no one has to respect it. It serves a purpose of course; and some will latch onto it. But those denied equal rights to the best land as well as the worst just won't like it; and since the doctrine can lead to vast concentrations of value in few hands in time, it could lead to bloody revolution. It was not capitalism that produced such revolutions in Russia and China; it was unadulterated earthlordism.

The hard fact is that insofar as private property is concerned, we repeat what has been said before: ONLY MAN-MADE THINGS can be such forever. Man has found or can formulate social policies--acceptable policies (laws)--that can assure this. But to assure retention of private property in what man makes forever and ever, we had best seek to make land the common property of the moving generations of men - for all eternity.

We cannot and should not omit mention of sayings as to the land problem as it was treated in the ancient past and as it was written about in the Bible. There, it is declared that "the heaven, even the heaven, is the Lord's but the earth hath he

given to the children of men"; "the profit of the earth is for all"; and that "the land shall not be sold forever." The demand for just redistribution is seen in the provision of the Year of Jubilee. While it is impossible to have plans for redistribution each 50 years today as was the case in the time of Moses, the sharing of the commonly created and earned rental value of land via land value taxation fulfills in modern times this amazingly just, social provision. Prof. Rothbard's concepts certainly do not.

There is much more in Prof. Rothbard's presentation that might be commented on, but this has become far too long; and too much time is (and has been) involved. Besides, I suspect others will do a better job on Prof. Rothbard's concept of Power and Market: Government and the Economy as this relates to land.

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Dear Bob Clancy;

Since there are many Americans who regard Murray N. Rothbard as America's greatest economist(who when analyzing monetary matters is on much sounder ground than he is when he criticizes Henry George and "single tax" as he did in his book "Power and Market - Government and the Economy" and two monographs published by F.E.E.) if you haven't previously enclosed comments written by Noah Alper several years ago, I thought they might be of interest to you(the address shown at end is obsolete.) I've also enclosed a copy Illinois Governor's proclamation of Henry George Day(received from Bob King of Chicago).

Thanks for sending the books to Pat Robertson & Ben Kinchlow.

Enclosed is contribution to help with your work.

Sincerely,

John
John Garver

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To J.J. 125.00
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